February 12, 2015

Emerging Payments Task Force
Conference of State Bank Supervisors
1129 20th Street, N.W., 9th Floor
Washington, DC 20036

Subject: CSBS Policy on State Virtual Currency Regulation and Regulatory Framework

COEPTIS (dba of CMO, Inc.) welcomes the invitation of the Conference of State Bank Supervisors to submit comments on its Policy on State Virtual Currency Regulation and appreciates the leadership role of the CSBS. COEPTIS will soon launch the Global Standard System, a payment system which mobilizes the value of gold for making payment on the Internet. In November 2013 we had the opportunity to present the System model to Chairman Charles Vice and CSBS staff in a meeting coordinated by Margaret Liu.

The CSBS initiative is of particular importance to COEPTIS. We have received money transmitter licenses in our home state of Florida, Georgia, Washington, Arizona, Iowa, Mississippi, N Dakota, and Delaware with seven additional applications pending. Over the coming months we will file license applications in the remaining states in which a license is required. Accordingly, we believe the development of our model to meet state statutory requirements and the filing of applications provide us a unique perspective upon which to offer comments.

The world of payments is certainly changing rapidly. The potential impact on consumer protection, regulations, and existing financial institutions certainly should be addressed as they are concerns for emerging systems as well as traditional businesses. We particularly appreciate that the CSBS Policy considers all virtual currency platforms as opposed to focusing only on crypto-currencies such as Bitcoin We strongly support that virtual currency businesses should be subject to state licensure and supervision.

The Global Standard System, though falling within FinCEN's guidance as a "virtual currency", is significantly different than the crypto-currencies like Bitcoin which have gained so much public attention. Our comments, and answers to your specific questions provided in Attachment 1, reflect our experience in the licensing process as well as the distinctions of our business model.

Global Standard Gold (AUG®) is 100% reserved by physical gold which, pursuant to a strong governance model, is held by a trust for the benefit of all AUG owners. Because of this gold reserve and a well-conceived redemption logic implemented through a Primary Dealer model, AUG can always be exchanged for national currencies at an exchange rate closely approximating the price of gold, regardless of demand for AUG. *This is in marked contrast with cryptocurrencies* which are not only unbacked but also lack any mechanism for decreasing circulation in the face of decreased demand. Whereas nothing but sustained speculative demand props up the exchange rate of an unbacked crypto-currency and a "run" could result in a self-amplifying collapse in its exchange rate, a similar decline in demand for AUG would result merely in a decrease in circulation without the exchange rate for AUG ever decoupling from the gold price.

These same considerations are reflected in the observed volatility of unbacked cryptocurrencies such as Bitcoin. Sudden decline in a crypto-currency price can lead to a lack of liquidity or other operational issues at exchange services which may leave them unable to meet their obligations to customers. AUG far better represents the characteristics of real money in that, like government monetary authorities, AUG is treated by its issuer as a current liability that must be offset by appropriate assets unencumbered by any other potential claim against them. Attached (Attachment 4) is a document further discussing the role of "Gold as a Reserve Asset Establishing Monetary Value."

The System is closed and centralized with a known administrator accountable by contract. The relationships between all parties associated with the System are governed by contract for the protection of customers as well as the System integrity. Before becoming a COEPTIS Member and obtaining a Global Standard Account persons must complete a rigorous identification review and verification program and agree to the COEPTIS Membership Agreement, a Referral Program Agreement, a Privacy and Use of Cookies Policy, the Global Standard Account Agreement, and the AUG Issuer's Declaration of Liability which explains the scope of AUG Issuer's liability and the nature of the gold reserve.

The structure of the System enables it to comply with all federal, state, and international regulatory requirements for money transmitting businesses. Its Anti-Money Laundering Program far exceeds that of traditional money service businesses and compares very favorably with those in the banking industry. The AML Program includes a comprehensive customer identification and verification process and rigorous transaction monitoring which is enhanced by the closed nature of the settlement platform that provides visibility to all transactions. Consumer protections are in place and customer privacy is managed diligently.

The System has received very limited public attention since we have not yet launched. We are first ensuring it meets all regulatory requirements and securing proper licensure or authorization in any jurisdiction in which we intend to operate. We see no real or perceived ambiguity in fact that the System, designed to facilitate transfer of value from one person to another, is a money transmitter business in the United States, as confirmed by the U.S. Courts, FinCEN, and the various states we have approached.

Risks exist with any payment system, however, risks typically discussed for virtual currencies apply to crypto-currencies, but not to this System. In fact, risks associated with this System are no greater than and in many cases less than those of traditional payment systems. The System contains numerous features that reduce customer risks; the gold reserve with its governance model as well as a strong corporate governance model reduces financial integrity risk and protects consumer value, the robust AML program addresses risks associated with money laundering and other financial crimes, and risk to associated conventional payment systems is mitigated by the level of overall regulatory compliance of this System's model and strong contractual provisions.

To further highlight the differences between this System and crypto-currencies we analyzed the Consumer Financial Protection Bureau advisory for virtual currencies issued in August 2014. We presented CFPB the assessment illustrating where the advisory concerns were not applicable to the Global Standard System; a copy is attached (Attachment 2). We also reviewed the CSBS Model State Consumer and Investor Guidance on Virtual Currency and prepared the attached document that indicates how the concerns which reflect crypto-currencies are not applicable to the Global Standard System (Attachment 3).

While addressing the concerns with other virtual currencies, our System will still provide the benefits of highly efficient and low cost payments.

- Consumers gain added privacy protection. Once they have completed our rigorous identification and verification process they no longer need to share their personal information online; transactions occur within the System's Settlement Platform only with other account holders not requiring an exchange of personal identifying information.

- Businesses benefit from immediate and final settlement. Immediate means a few seconds rather than 10 minutes or more for crypto-currencies. Although payments are final, all users' identities are known if conflict arises over the quality of a received product or service.

- The System is low cost, much lower than traditional systems and comparable to typical virtual currency applications. This low cost is achieved while meeting regulations including AML, consumer protection and privacy, being properly licensed or authorized, implementing internal controls, providing high System security and account protection, and having strong corporate governance. Procedures exist for customer dispute resolution and loss limitations. Payment fees for a typical online transaction value of $70-100 are approximately 1% and decline as a percentage as the transaction value increases.

The Global Standard System has widespread applications. It can be used for e-commerce payment online, business-to-business payments, person-to-person payments, international remittances, microfinance payments, efficient and immediate cross border payments, government transfers, and social and mobile payments – anywhere money is used. As the System expands globally, more efficient payments for international remittances and microfinance will provide more access to global commerce in emerging economies with great opportunity for economic development. Cross border transactions are easier and less risky than using crypto-currencies since payments on this System can only occur between parties who have been identified and verified and in jurisdictions where licenses or authorization have been obtained. Many third world countries do not have the regulatory requirements and infrastructure of the United States and challenges to identity verification may be different; COEPTIS will enforce standards comparable to those implemented for the U.S. market. The Global Standard System has not been designed to replace traditional systems but to be complementary with the existing financial markets. By using regulated institutions to provide exchange we are embedding ourselves in the existing macro financial network.

COEPTIS' Global Standard System has been constructed to overcome shortcomings of traditional payment systems. At the same time it provides a more credibile solution and greater consumer protection than other virtual currency systems. We welcome the opportunity to provide additional information or to meet to discuss the Global Standard System.

Sincerely,

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Also transmitted by e-mail.

Attachments:

1. CSBS Questions for Public Comment - Responses
2. COEPTIS’ Comments to CFPB Consumer Advisory, “Risks to consumers posed by virtual currencies”
3. CSBS - Model State Consumer and Investor Guidance on Virtual Currency - Comments
4. Gold as a Reserve Asset Establishing Monetary Value
5. Summary Business Plan of COEPTIS’ Global Standard Syste

Attachment 1

Questions for Public Comment – Responses

The Draft Framework essentially mirrors the requirements for traditional money transmitter businesses which we believe is a correct approach. The nature of any virtual currency business which transmits value is performing the same functions as traditional businesses, only using a "currency" different than fiat currency. As such potential risks for money laundering, consumer abuse, and company malfeasance or failure are also the same. States in implementing policy and legislative directives should take the same position in regulating virtual currency businesses as is done with traditional businesses.

Having reviewed most state statutes for money transmitting, applied for money transmitting licenses in numerous states, and having been approved and received a money transmitting license in eight states thus far, our experience indicates the requirements for money transmitters can, and should, apply to virtual currency businesses. The only acknowledgement required is that transmission of value can be in fiat currency or an alternative virtual currency. All other provisions can be met or generally accommodated. It is also important to recognize that the varying models of virtual currency will comply with regulatory requirements in varying degrees, however, a model's difficulty in complying should not yield reduced requirements. It is the responsibility of the business to comply, not the responsibility of the state to accommodate a lack of compliance. The responses below specifically address the general premise that money transmitter requirements can apply.

1. Policy implementation – Entities engaged in virtual currency activities might not be engaged in traditional money transmitter activities involving only fiat, government-backed currencies. Similarly, traditional money transmitters might not be engaged in virtual currency activities.
    a. Within the umbrella of state money transmitter regimes, how can state regulators appropriately tailor licensing and supervision to each set of licensees?
    b. In order to properly tailor licensing and regulatory regimes to virtual currency activities, should states consider a virtual currencies-specific "amendment" or "endorsement" to a traditional money transmitter license?

   State regulators be consistent in regulating the transfer of value regardless of whether the transfer involves fiat currency or a privately issued currency. Licensing and supervisory regimes should not be tailored other than to acknowledge that the value to be transmitted is something other than fiat currency. Based upon our experience, the states appear to have the flexibility to adapt to nuances in any business model whether the transfer of value is via a traditional or virtual currency model. Every effort should be made to adapt existing regulatory structures as the market place is moving so quickly in this area that any delay to make special amendments or even endorsements will leave state residents without the full protection that state money transmitters have been enacted to provide.

   Often the virtual currency community argues that regulation and supervision is stifling innovation and entrepreneurism. Whether or not this argument is true is a moot point. If it is true then different traditional models or entrepreneurs adopting more traditional methods are also hampered by the regulation or supervision. The technologies may be different, but only the customer can assess which may be better. If the states believe efforts can be undertaken to stimulate and support innovation then those efforts should encompass the entire range of money transmitting regulation and not be limited to emerging payment systems.

2. Licensing Process

   a. Though states largely have the same licensing requirements, there is not a common implementation process. Please comment on the functionality of the NMLS or other licensing systems.

      Many states have much the same requirements for licensing although some request more data than others and some penetrate further into the business. It would be beneficial certainly to applicants, but also likely to the states to have more uniformity in requirements. The NMLS system is an enormous step forward toward achieving more commonality. The time for completing a comprehensive application is reduced and more uniformity is established. A further step may be a more general submission that covers those states which request more extensive information allowing all others then to use the general input.

   b. Would a common application and guide to licensure enhance the efficiency of the licensing system?

      Unquestionably a common application and guide would enhance efficiency. It would further facilitate communication between state regulators since information would be consistent. The uniformity would most likely also improve efficiency of state application reviewers since the applicant timeliness and quality brought about by uniformity would improve. As noted before, this change would be beneficial not just for virtual currencies but equally for all money transmitter businesses.

   c. Obtaining required criminal background checks has been flagged as an administrative challenge in the licensing process. What procedures can states uniformly adopt to facilitate obtaining criminal background checks as part of the licensing process?

      We would agree it is one of the larger administrative challenges in the licensing process. The requirements are not consistent from state to state and the requests for information need to be made to directors and owners who are not necessarily engaged full time with the business. An opportunity exists within NMLS to adopt a consistent approach allowing companies to go through the process one time yet giving full information to all states.

   d. Credentialing business entity key personnel can be a hands-on process, but has proved indispensable for financial services licensing. Are there alternative means of credentialing that may facilitate the process?

As noted in the last question uniformity through NMLS could benefit all applicants. It may also be beneficial to have selected private sources recognized as suitable for credentialing and an applicant could use a single service across all states.

3. Training and Education – Educating regulators about virtual currency business activities and business models is an important part of building a responsive and robust regulatory structure.

    a. What education may be necessary for state regulators to a in the licensing process?

    Our position that virtual currency businesses as money transmitting is rooted in the FinCEN guidance of March 2013 and court precedent. Understanding this information would be the fundamental core to any training. A simple training package that equates “perceived” differences between virtual currency and traditional models highlighting how they both embrace the characteristics of money transmitting (accepting and transferring value whether in fiat currency or virtual currency is equivalent) could be developed possibly by CSBS with industry support. This training could be concise since beyond perception minimal difference exists between virtual currency and traditional businesses.

    b. What resources are available to explain technology and business models across the virtual currency industry?

    Numerous online journals and blogs are available for limited education. A number of organizations also work to review models with various parts of government; and several independent attorneys work across the spectrum of money transmitting businesses. Any of these can be tapped for information. The caution is that with most all these sources their focus may be narrow and potentially prejudiced. Making use of as many as possible, and reaching out to actual businesses with distinct models would be prudent. Most businesses in this market should welcome the opportunity to participate.

4. Technological Innovations – What changes and innovations have been seen and/or can be anticipated in the technological aspects of virtual currencies and the resulting marketplace?

    Many of the new virtual currencies are founded on a technological innovation; they can better explain their innovation than we could.

    In contrast, underlying our business model are strong and proven monetary concepts for a safe privately issued currency. The currency’s value is supported by a 100% reserve asset, gold, and governed by contract with a known administrator. The parameters by which it is issued, circulates, and can be retired is based upon tested principles used by central banks in managing their respective fiat currencies. The platform on which the currency circulates uses state-of-the-art software and hardware, but that is used universally providing for a safer application and it is not the core that defines availability and value. We anticipate ongoing improvements in the software, in particular to ensure a robust AML compliance program and cybersecurity defense.

5. Denomination of Capital, Permissible Investments, and Bond Coverage – Capital, permissible investments, and surety bond requirements exist to create financial security in the event of failed transactions or a failed business. For financial services companies dealing in virtual currencies, should the safety funds be denominated in the applicable virtual currency or in dollars?

   This area is one in which the requirement could differ based upon the virtual currency model. Decentralized crypto-currencies, and other variants that do not have an asset supporting the currency value are potentially subject to rapid devaluation or default thereby adding significant risk to a customer's financial security. It would be important to denominate, and hold, any safety funds in dollars to ensure their availability.

   A virtual currency with a visible and safe asset held in reserve for the benefit of customers and is readily convertible to fiat currency would serve the same role as fiat currency for financial security, provided that the reserve is held in such a manner that isolates from the operating performance of the company. The size of the capital, bond, and permissible investment may also be lowered by the value of the reserve supporting the virtual currency. In this case for consistency safety funds could be denominated in dollars. These funds however, could be held in the virtual currency since the relationship is visible and can always be realized by liquefying the asset for dollars.

   These capital, bond, and permissible investment requirements are to provide financial security and need to be held in secure form, not one highly subject to potential default.

6. Distressed or Failed Companies – Certain requirements in the Draft Framework are designed to provide regulators with tools for dealing with distressed or failed companies. Please comment on the practical issues and challenges facing regulators in the case of a distressed or failed company. What other toll should regulators have for resolving a failed virtual currency company, minimizing consumer harm and market impact?

   The same protections that are employed for traditional money transmitter models should be used in the same manner with virtual currency models with one possible exception. Where a business holds a virtual currency that has no backing and could default, we suggest additional measures should be employed to protect consumer value. Once the value has left the custodial care of the virtual currency business this becomes a consumer risk not the responsibility of the business. While the business has custodial responsibility it should have the responsibility for the value as defined by contract. Simply providing disclaimers to a consumer does not meet the intent of policy makers to protect consumers or all that would be done is specifying disclaimers as opposed to implementing regulation.

7. Consumer Protections – What consumer remedy should policymakers consider for virtual currency financial activities and transactions

   Any consumer protection deemed necessary for traditional businesses should apply to virtual currencies. Where a virtual currency has no backing and is purely a digital representation additional protections should be implemented to protect consumer value.

8. State Insurance or Trust Funds – Some states have laws to create a trust or insurance fund for the benefit of instrument holders (i.e. holders of checks, money orders, drafts, etc.) in the event that a licensed money transmitter defaults on its obligation or is otherwise unable to make payment on the instrument. Is it appropriate to allow holders of instruments denominated virtual currency access to such insurance or trust funds?

   This insurance or funds should not be available to support the value of a currency. Other means of protection should be implemented for value protection. By allowing unbacked virtual currencies to shield a possible currency devaluation or default would spread a specific business' risk to the overall market and create a competitive advantage for the virtual currency model. If operating financial issues can be supported by the insurance or funds then virtual currencies should be afforded the same opportunity as traditional models and allowed access to the insurance or trusts.

9. BSA/AML – Fraud and illicit activities monitoring are increasingly technology based and proprietary, especially for virtually currency companies. Are state and federal exam procedures current with regards to new methods of detecting BSA/AML activity?

   The rapid increase of completely decentralized open systems has created a significant new challenge for detecting and monitoring fraud and illegal activity. No one in the market is responsible for identification and due diligence of all participants; no one is responsible for proactive transaction monitoring. Proponents of these systems indicated that illicit activity can be traced, but only after the fact and in several high profile events such as the Mt. Gox failure, tracing transactions was not highly successful. This after-the-fact methodology is not consistent with the intent of a good AML program. The opportunity for bad conduct is high. State and federal authorities do not have the resources to fill this gap, and if they were to gain resources the difficulty of the technology would require extensive education.

   New York in its initial Bitlicense framework draft, though reversed in the latest draft, took a positive step in requiring both sides to a transaction be identified. This requirement would not eliminate what can occur on the decentralized system, but it does raise the entry cost and risk to someone considering illicit activity in the unchecked system.

   Centralized and closed settlement systems on the opposite end of the spectrum provide an opportunity for proactive transaction monitoring that exceeds not only decentralized virtual currencies but also traditional money transmitter models and possibly depository institutions. Examiners should find review possibly easier with these models.

10. Customer Identification – The Draft Framework includes maintaining records on the identification of virtual currency owners. Credentialing consumers for identification purposes can be accomplished to varying degrees, from basic account information to verify personal identification. What is the appropriate level of identification?

    With the increased possibility of fraud and other illicit activity on decentralized systems it becomes more important to perform strong customer identification and due diligence. The need for enhancement is also required by the ever improving threat and technological advancement of bad actors. Consideration should be given to strengthening the requirements across all money transmitting business not just virtual currency businesses. As noted in the last question, New York's initial position of requiring identification to both parties to a transaction would be beneficial. Some operations are taking the position to obtain name, address, SSN, DOB, email and other information, verifying the information, and validating its ownership as opposed to the more limited identifying information collected by many money transmitters. The fact that the more extensive review can be performed and still have a favorable cost model indicates increasing base requirements is possible.

11. Regulatory Flexibility – The Draft Framework stresses regulatory flexibility to accommodate different activity levels and business models and to avoid inhibiting innovation.

    a. Given the rapidly evolving nature of virtual currencies, what should be the nature of any necessary flexibility?
    b. How can laws and regulations be written to strike a balance between setting clear rules of the road and providing regulatory flexibility?

    As noted above no dramatic special accommodation should be given to virtual currency companies than is given to any money transmitter business. To do so would stifle competition providing an advantage to virtual currencies at the expense of traditional models. It is the responsibility of the business to innovate within the requirements of public policy. Accommodation on size and/or time in business does have merit, but this accommodation should be made equally to any money transmitter business. Further, those rules that apply to such aspects as consumer protection and anti-money laundering should apply as they apply to all money transmitting businesses regardless of size. Reducing these requirements for enabling businesses to operate with limited regulation based upon size or time in business may only encourage criminal activity the rules are in place to prevent and allow their activity to be unnoticed, unstopped and untraced.

12. Reporting requirements – Most states require money transmitter licensees to submit periodic reports of business activities

    a. For license virtual currency companies, what types of information and data should be included in periodic reports?
    b. What technology solutions exist to mitigate regulatory reporting requirements?

    The reporting should be the same as for other money transmitter businesses recognizing that a different currency is used for transactions; this currency should be reported in equivalent US dollars.

    The online digital nature of the virtual currency models should make data consolidation and reporting easier than many traditional models.

13. Technological Solutions to Improve Supervision – State exams and reporting requirements reflected institution at a point in time. Conversely, operational standards and internal compliance audits increasingly offer the opportunity for real time data collection, interacting with transmission data to ensure adequate funding, anti-money laundering compliance, fraud protection, and consumer protection. What technology solutions can regulators and licensees deploy to close information gaps in a manner that makes a supervisory process more efficient and "real-time?"

    Digital records, online capability, and other features of a purely electronic system should make it easier for virtual currency businesses to provide comprehensive data, and to show both raw data and trends during exams. For particular concerns an electronic based system should be able to share information in a real time scenario if required.

14. Cyber Risk Insurance – Companies have begun looking to insurance to help manage cyber risks, and there are a growing number of companies offering cyber liability insurance. What role should cyber risk insurance have in a license virtual currency entity's approach to managing cyber risks? Please discuss the potential costs and benefits for virtual currency companies securing cyber risk insurance

    Clearly cyber risk is an increasing threat to all businesses. Numerous activities should be employed by businesses to minimize this risk before relying upon insurance. Very high profile thefts of crypto-currencies shows a high vulnerability in that portion of the market. In mitigating the risk, insurance is one factor that can be considered included in the overall risk assessment of regulators. Review of the general business model is more important. For example, we are taking significant steps to preclude outside penetration of our system and individual accounts. As a mitigating factor is the inability of someone who may penetrate to remove value from the system. Value can only be removed through exchange through an identified exchange service; it cannot be directly moved to a potentially anonymous wallet outside the System. Any breech can be traced lending strong probability of recovery. As with the other questions/responses above this threat and its mitigation is applicable to any business operating with electronic records not just virtual currencies.

15. Commercial Fund Transfer Liability – Article 4A heavy Uniform Commercial Code establishes liability for wire transfers, relying on definitions strictly applicable the banks.

Our provisions like those in Article 4A necessary for commercial transfers denominated in virtual currencies? If so, is the Article 4A construct an appropriate model to be adapted any manner that is not bank-centric?

The money transmitter business whether involving a virtual currency or not has significant responsibility for the execution of the money transmitting event. It should ensure the system facilitates an accurate, identifiable, and auditable authorization for a payment or transfer to be made. It should also be accountable to ensure the transaction reaches its identified target or if that target rejects for any reason that funds are recoverable to the sender. Persons authorizing the transactions should have visibility to the content of the transaction and an ability to confirm information is correct. If something occurs that is erroneous persons should have the ability to dispute the possibly erroneous transaction, and the money transmitter should have the ability to correct the error. These safeguards generally are required of traditional businesses, many of which operate online and include external financial institutions in their model and should apply to virtual currencies.

16. Banking Services for Virtual Currency Companies – Banking arrangement information is necessary for evaluating the safety and soundness of the licensee. However, virtual currency businesses are not immediately understood by most banks that provide traditional money services accounts. What are the risks facing banks that consider banking virtual currency companies, and how can those risks be mitigated?

    Risks to banks include money laundering and consumer protections. Banks have no choice but to exclude companies that would bring financial or reputational risks to their businesses. However, the risks vary greatly according to a potential customer's individual business model, yet not all emerging payment models should be automatically excluded. Regardless, today it appears banks are steering clear of most money transmitters and nearly all virtual currencies. We believe they would better serve their own business needs by evaluating individual businesses as they would do for any other industry. In so doing they may open significant opportunity for themselves without significant additional risk. Certain features are easily identifiable that would quickly be seen in a review concerning customer identification and verification, consumer value protection, and credibility of management and ownership. Unfortunately, numerous virtual currency models in operation today do not have good AML controls and offer no protection to consumer value giving the entire industry a negative perception.

    By adopting the CSBS framework states would begin to license virtual currencies and presumably not allow these companies to operate without a license. Today virtual currency businesses which we contend are money transmitters operate without licenses. A very few businesses have taken a position that they need licenses before operating. This essentially unregulated position would not give banks any assurance in providing services. When the states take the position that licenses are required, the banking industry would have an enormous screen in place to allow reasonable individual company review.

17. Merchant Acquirer Activities – Companies processing credit card payments between a buyer's bank and a seller's bank (Merchant-Acquirers) have historically been presumably exempt from money services business statute because of their nexus to the highly

regulated banking system. A company processing virtual currency payments to merchants who accept virtual currency as payment for goods and/or services may exchange virtual currency to dollars, which can then be transferred to the merchant's bank account. Is this activity akin to the activities of traditional Merchant-Acquirers, or is it the exchange and subsequent transmission of value that is typically regulated by the states?

These companies provide more of an administrative function and are not core to the money transmission event. Virtual currency businesses do themselves transmit money and should then be regulated.

18. Cost – State regulators are cognizant of the costs associated with licensure and ongoing compliance. What processes can be implemented to reduce these costs, including any shared services or technologically-based reporting

    More multi-state cooperation such as using NMLS could be implemented. States could look to other states to try and increase commonality which could be a fallout of using NMLS. Smaller states with less resource could develop a reliance on license approvals in other states only requiring a simple application and evidence of licensure in certain key state(s).

    These efficiencies could apply to all money transmitters, not only virtual currencies.

19. Escheatment – How should virtual currency be treated under state achievement laws?

    Treat in equivalent US dollars and do the same as now with traditional businesses.

COEPTIS' Comments to CFPB Consumer Advisory, "Risks to consumers posed by virtual currencies" dated August, 2014

The Advisory presented risks as associated with virtual currencies, but in actuality it discusses risks only associated with crypto-currencies. By FinCEN guidance "virtual currencies" include other forms of digital medium of exchange that are not USD such as COEPTIS' gold backed currency which circulates electronically on a centralized and closed settlement platform.

COEPTIS' Global Standard System is distinctly different than Bitcoin or any other crypto-currency. Though it is not money as money is defined in FinCEN guidance, the Global Standard Currency (AUG) embodies it all the basic features of money. It serves as a medium of exchange, possesses a numerical unit of account, and serves as a store of value. Importantly, and unlike crypto-currencies, AUG's value is preserved by a 100% gold reserve. Because of this gold reserve, AUG will always be exchangeable for national currency. AUG is ultimately redeemable due to its continuously being backed by otherwise unencumbered assets held in readiness for its redemption, with gold having a highly liquid market.

The Global Standard System in not decentralized with unknown individual participation. It is a closed and centralized settlement platform with a known administrator accountable by contract. The Global Standard has been built to lend itself to regulatory supervision and recognizes the benefit to protect consumers' identity, value, and privacy. The closed nature of the platform enhances anti-money laundering controls.

<u>General associated risks identified by Advisory</u>

- **Hackers.** Virtual currencies are targets for highly sophisticated hackers, who have been able to breach advanced security systems.

All payment systems carry a risk of a hacker breaching their system. Crypto-currencies are more susceptible since wallets are often held on private computers without strong safeguards and exchange platforms are typically not regulated allowing questionable and naïve participants. COEPTIS is more like a bank with its security measures, and has actually implemented protections that are stronger than typical money transmitters and banks, not just for overall system protection but for individual account protection.

- **Fewer protections.** If you trust someone else to hold your virtual currencies and something goes wrong, that company may not offer you the kind of help you expect from a bank or debit or credit card provider.

COEPTIS will only operate as a licensed money transmitter and will, therefore, offer at least the strong protection that is expected from a mainstream financial institution. It will actually provide stronger identity protection than credit cards, an issue that is serious and growing with credit cards.

- **Cost.** Virtual currencies can cost consumers much more to use than credit cards or even regular cash.

There are costs associated with being able to transact online which are higher than costs of using cash, but capability is also higher. The costs associated with COEPTIS' model are more competitive than other related models such as credit cards, PayPal, debit cards, and checking accounts.

- § **Scams.** Fraudsters are taking advantage of the hype surrounding virtual currencies to cheat people with fake opportunities.

The fact that crypto-currencies are not being regulated along with their decentralized structure does allow numerous opportunities for fraud and scams. Scams and other illegal activity, though with more difficulty, also use traditional money transmitters to facilitate their activity. COEPTIS' strong AML program with the unique capability of transaction monitoring on a closed and centralized settlement platform will make it one of if not the most difficult system to use for fraudulent activity and as such it should be used very little if at all.

<u>If you are buying virtual currencies</u>

Know who you're dealing with if you decide to buy.

Crypto-currencies operate with relative anonymity. To use COEPTIS' Global Standard System all persons will need to complete rigorous identification verification and due diligence. Financial institutions and other potentially higher risk operations will receive an even higher level of review. Persons using the System will understand any counter-party has completed this vetting process. If a COEPTIS Member is found to be acting improperly they will be suspended or expelled from the System. Measures exist in the System for disputed Spends and if a problem does arise the System knows precisely who is on the other side of a transaction.

Virtual currency exchanges.

Crypto-currency exchange services do need to register with FinCEN and based upon the FinCEN guidance and legal precedence they must have state money transmitter, or comparable, licenses. Almost no Bitcoin exchange service in the U.S. has state licenses and they operate anyway. Conversely, not only will COEPTIS only operate in state in which it has a license, it will <u>require</u> any company performing exchange with AUG to be appropriately licensed as well as conform to other contractual provisions to protect customers and System integrity.

Understand what the actual costs will be.

COEPTIS will have a fee schedule published on its website and it will also notate the Spend fee on the confirmation page for any Spend. Transactions occur in AUG which is measured in the same weight denomination as gold; however, COEPTIS will encourage participants to express their Spends in the numeraire of their national currency. Reference rates between national currencies and AUG will be maintained and visible on the site. Furthermore, every Spend will show the amount in both AUG and the national currency. COEPTIS will also require exchange services to be very transparent with their fees and exchange rates. A Spend on the Global Standard System occurs immediately meaning the few seconds for a server to process the transaction as opposed to minutes to hours for a crypto-currency transaction.

Bitcoin "ATMs" are not ATMs at all.

COEPTIS does not envision ATMs as it initially launches. At some point this means of exchange may develop by a third party. COEPTIS will require the organization operating such machines be a regulated financial institution who would then offer the same safeguards as employed with traditional ATMs.

Be prepared to weather very large price fluctuations.

Crypto-currencies do experience very high swings in value. AUG, by being backed by gold, shares in gold's relative low volatility. U.S. regulations have established gold as having the same risk weighting as cash for bank capital reserves, only carrying a foreign currency exchange rate risk.

Virtual currencies are still experimental

COEPTIS has employed established principles of money in development of the System. It has embedded strong emphasis on anti-money laundering and consumer protections learned from broader market established use and case study of novel payment systems. COEPTIS uses advanced technology, proven, not a development on the fly.

If it seems too good to be true, it may be.

COEPTIS' Global Standard System's strong AML program will reduce the possibility of the System being used for fraudulent or criminal activity. Its unique capability of transaction monitoring on a closed and centralized settlement platform will make it one of if not the most difficult system to use for fraudulent activity and as such it should be used very little if at all.

Bitcoin transactions may not be entirely anonymous.

Financial transactions by regulation should not be anonymous. Though crypto-currency transactions can be traced to a wallet it may not be possible to identify the person associated with that wallet. All persons using COEPTIS' Global Standard System will have completed a rigorous identification verification process; participants can transact privately but not anonymously.

If you store virtual currencies by yourself

Persons cannot store AUG by themselves. AUG is held in accounts on a closed and centralized settlement platform.

You can be hacked

Any System has the potential to be hacked. Crypto-currencies are particularly susceptible due to wallets being held by less experienced individuals and/or on servers of unregulated possibly weak companies. COEPTIS is employing cyber security measures comparable, and possibly stronger, than traditional regulated money transmitter businesses significantly reducing this threat.

You are on your own

Persons have a responsibility for protecting their account credentials; however, if an adverse situation arises Global Standard Account owners have various remedies including a disputed Spend process, loss limits, and the ability to identify counter-parties to take legal remedy. Persons are not on their own using Global Standard.

If you lose your private keys, you've lost your funds forever.

If a Global Standard customer loses their login credentials they can be reclaimed from COEPTIS. Funds are not lost.

If you trust someone else to store your virtual currencies

A person is trusting COEPTIS to store value and allow transactions. However, that trust is backed by contractual obligations of COEPTIS and COEPTIS is a regulated financial institution.

The government does not insure virtual currency accounts

Global Standard Accounts are also not insured by the government, but the AUG does have a 100% reserve of physical gold to preserve customer value. Also, strong security measures are in place to protect the customers' assets held in accounts on the Global Standard Settlement Platform.

You still have to be prepared to protect yourself from hackers

Persons should always protect their account credentials. Using Global Standard additional controls are in place to protect the System and accounts from hackers.

Even if you use best practices, anything that connects to the Internet-even big companies-can be hacked

Recognizing this risk exists for any online system COEPTIS has implemented strong cyber-security measures.

If you have linked you bank account or payment card to your wallet, they may also be at risk

COEPTIS does not link accounts to bank accounts or payment cards. An exchange service may establish a link to a customer's bank account or payment card, but this link would not expose login credentials to the customer Global Standard Account.

Read your agreement with your wallet provider carefully; Really read them

The various agreements to which a customer must agree carefully explain the provisions of the System, the obligations of both parties, and specify certain risks associated with using the System. Many persons accept agreements without reading. As a means of encouraging persons to look at the agreements in signing up on COEPTIS a customer may not passively agree to the terms, but must print the agreements or open them to view.

If you use virtual currencies to pay for things or send funds to other people

Mistakes can be extremely costly

Mistakes can be costly with any money transmitting system. A merchant's use of a shopping cart feature reduces the risk of paying the wrong person. Large name space account numbers greatly reduce the possibility of inadvertently entering an incorrect account number that actually exists. If a mistake still occurs the System has a disputed Spend mechanism, and in a worst case a counter-party's identity can be available for legal recourse.

Virtual currencies don't have status as legal tender in any jurisdiction

COEPTIS' Global Standard System is designed to complement the existing financial structure. It serves as an alternative method of payment and will not be accepted everywhere. If AUG acceptance was to become too low and persons needed to exchange AUG for USD gold would be liquidated to ensure customer value, something not possible with crypto-currencies. The System maintains detailed records of transactions providing the information necessary for proper tax reporting.

If you pay for things with virtual currencies, know how the merchant does business

Persons should understand how a merchant does business using any payment system. With Global Standard customers know the merchant has completed a rigorous identification process. Also, persons are encouraged to express payment in the numeraire of national currency with both the national currency and AUG amount shown on a Spend confirmation page.

CSBS Model State Consumer and Investor Guidance on Virtual Currency dated 4/23/2014

COEPTIS Embedded Responses

The Conference of State Bank Supervisors (CSBS), through its Emerging Payments Task Force, and the North American Securities Administrators Association (NASAA) have developed the following model consumer guidance to assist state regulatory agencies in providing consumers with information about virtual currency and factors consumers should consider when transacting with or investing in virtual currency.

The increased interest in virtual currency and other payments innovations has led to the rapid emergence of different types of currencies and payments mechanisms. As these are released into the marketplace, it is important for consumers and investors to educate themselves with accurate information to make informed decisions about this innovative and evolving industry.

What is Virtual Currency?

Virtual currency is an electronic medium of exchange that does not have all the attributes of real currencies. Virtual currencies include cryptocurrencies, such as bitcoin and litecoin, which are not legal tender and are not issued or backed by any central bank or governmental authority. Virtual currencies have legitimate purposes and can be purchased, sold, and exchanged with other types of virtual currencies or real currencies like the U.S. dollar. This can happen through various mechanisms such as exchangers, administrators, or merchants that are willing to accept virtual currencies in lieu of real currency.

Virtual currency companies which engage in exchange type services have been designated as money transmission businesses by FinCEN in guidance FIN-2013-G001. The guidance also indicated centralized systems circulating a precious metal backed currency as also being virtual currencies.

Within this designation virtual currencies also include non-crypto-currencies such as that issued by COEPTIS' Global Standard System. The Global Standard System's currency (AUG) is most appropriately described as a privately issued currency which circulates in digital form. Like many sovereign currencies, it is the liability of the issuer – in this case, COEPTIS. COEPTIS is contractually bound to maintain a reserve, gold, to back this liability. Further, the currency circulates on a centralized settlement platform which also is governed by contractual arrangements.

What Should a Consumer Consider?

Prior to buying, selling, transacting with, or investing in a virtual currency, consumers should consider the following:

Virtual currencies are volatile in value. Virtual currencies are not backed by a central bank and are highly volatile with the potential for complete loss of value. This may affect investors as well as consumers using virtual currencies as a means of payment. Virtual currency volatility also may make securities offerings tied to these currencies unsuitable for most investors.

The volatility of a virtual currency such as COEPTIS' Global Standard Currency (AUG) is substantially moderated by the gold that backs it. In fact, gold moderates volatility similar to that of foreign currency and provides additional protection for consumers from potential currency default.

<u>Virtual currencies can be stolen or otherwise subject to loss.</u> There is the potential for consumers to incur financial losses if an account is not maintained in a secure manner. Currently, most virtual accounts or "wallets" – unlike funds held in U.S. banks or credit unions – are not insured against loss. There is no way to reverse virtual currency transactions.

All systems are vulnerable to security risks, however, those systems that operate on a central platform in a regulated environment are able to implement strong and consistent security measures to mitigate risk. Consumers are more vulnerable when wallets held on individual computers or hosted by unregulated entities that may or may not be able to ensure full security. COEPTIS is implementing strong overall system security measures and additionally is taking active steps for preventing individual account intrusions.

Transactions on Global Standard are immediate and final, however, provisions exist for dispute resolution for possibly erroneous Spends (a transaction on Global Standard). Further, for a dispute over product or service acceptability, or law enforcement requirements, information is available on all account holders to facilitate legal action and potential recovery of funds. Action can be taken to reverse transactions under proper legal authority.

<u>Virtual currencies have been connected to criminal activities.</u> Like other forms of payment, virtual currencies and virtual currency exchanges have been used to fund illicit activities. Legitimate customers of virtual currencies may be unable to access accounts if an exchange is shut down as part of a criminal investigation or for any other reason.

All payment systems - traditional and emerging - are targeted for criminal use. The Global Standard System's strong AML program which exceeds the capabilities of other money transmitters, including proactive transaction monitoring on the centralized platform, should significantly deter if not stop criminal activity on the System. In contrast, the decentralized nature of crypto-currencies affords greater opportunity for nearly anonymous wallets to engage in criminal activity and in a decentralized system no one is responsible for proactive transaction monitoring.

<u>Virtual currencies and companies dealing in virtual currencies may or may not be regulated.</u>

- State and federal regulators are evaluating and developing approaches to regulating virtual currencies and companies that deal in virtual currencies. Any company that offers to exchange, administer, or maintain virtual currencies may be subject to state regulation and licensing as well as federal regulation.

- An administrator or exchanger that accepts and transmits a convertible virtual currency or buys or sells convertible virtual currency for any reason is a money transmitter under federal regulations and therefore should be registered[1] as a money services business (MSB).

COEPTIS will only operate the Global Standard System in states or countries in which it is licensed or otherwise authorized to conduct business. Recognizing the FinCEN guidance that any administrator or exchange that accepts or transmits a convertible virtual currency is a money transmitter and should be registered as a money services business we understand it should be both registered as a MSB and appropriately licensed as a money transmitter is the states.

Virtual currency transactions may be taxable. For federal tax purposes, the IRS has announced that virtual currency is treated as property. General tax principles applicable to property transactions apply to transactions using virtual currency. This includes determining the fair market value of virtual currency in U.S. dollars as of the date of payment or receipt, as well as any gain or loss incurred. For more information, go to http://www.irs.gov/uac/Newsroom/IRS-Virtual-Currency-Guidance.

Precedence is available for the IRS treating the Global Standard Currency like a foreign currency for tax treatment. However, we concur that persons carefully examine IRS regulations and consult with a tax advisor.

The System executes a transaction in AUG, but we will encourage persons to express the transaction in the numeraire of their preferred national currency, typically USD. The System will maintain records of the transaction amount in AUG and the national currency value at the reference rate maintained by the System at the time of the transaction. This detailed data provides members the data to easily determine tax liabilities respective to national currency.

Do your home work. Consumers considering the use of virtual currencies should research any company offering services related to virtual currencies. This includes exchanges, platforms, administrators, sellers, or ATMs. There are a variety of sources of information available:

Consumers should do their homework when using any payment system. They should be better educated on how to view whether an entity is appropriately licensed under state money transmitter laws and regulators should be more proactive in identifying entities that may be inappropriately offering services that may require licenses.

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[1] Convertible virtual currency is virtual currency that either has an equivalent value in real currency or acts as a substitute for real currency. The FinCEN guidance can be located here: http://fincen.gov/statutes_regs/guidance/html/FIN-2013-G001.html

Gold as a Reserve Asset Establishing Monetary Value

The Global Standard System Issuer has an unambiguous, explicit contractual obligation memorialized and published as "The Global Standard Issuer's Declaration of Liability", to maintain a 100% reserve of physical gold against the aggregate of all Global Standard currency in circulation, liabilities which are denominated in the same weight units as the underlying bullion reserves. The purpose of this system using Global Standard currency is to mobilize the value of gold for transactions online. The only possible asset that could fulfill this obligation is physical gold, held in allocated storage, as a bailment. Moreover, it must be noted that in this instance there are no investments. No investment is permissible, only a 100% reserve. By contract with account holders, only gold can be used as a reserve for Global Standard currency. No ambiguity exists for customers; no uncertainty as to the nature of the reserve assets protecting their value. All account holders must agree to "The Global Standard Issuer's Declaration of Liability" in order to obtain their accounts.

The Gold held by the Trust is a reserve for the Global Standard currency for the collective benefit of all Account owners. The Account owners do not share title to the gold and have ownership in any manner. The physical gold is not redeemable by Members except in the special case of the specially credentialed Primary Dealers. These provisions are presented clearly in the Issuers Declaration of Liability to which each Member must agree before obtaining a Global Standard Account.

The Global Standard System is modeled after recognized financial institutions. The convention of the Global Standard currency Issuer is the same as the convention of all monetary authorities. The gold reserve asset is consistent with gold reserves held by central bank institutions. These gold reserves are held to establish monetary value for the national currency, or in the case of the Global Standard System to establish monetary value for Global Standard currency. Central banks, however, also hold assets that are classified either as reserves or as investments. Investments are securities and interest bearing debt instruments. The reserves of all the major government monetary authorities in addition to gold consist of foreign currency holdings, including Special Drawing Rights (SDRs) of the IMF. Global Standard holds no investments or foreign currencies, only a 100% gold reserve.

The Global Standard System, though private, can rightfully be compared to a monetary authority as it issues a distinct brand of money which cannot be construed as part of the broad money supply of another existing currency; has been issued explicitly to serve as a medium of exchange and as the medium in which other like-denominated liabilities are to be payable; and are continuously backed in full by otherwise unencumbered current assets held in readiness for their redemption. A holder of Global Standard currency does so with the unambiguous understanding that the purpose of Global Standard currency is to mobilize the value of gold for use as money over the Internet.

Suitability of gold as a monetary reserve asset is not relevant to the Issuer's asset portfolio. The Issuer has no discretion, and does not make any investment. The Global Standard Customer by agreeing to terms for membership and use willingly accepts to obtain and hold a balance of a monetary liability that is designed to serve as a medium of exchange with the value equivalence of gold. That liability is clearing defined as having corresponding assets of (fine content) Good Delivery gold. Acknowledging any investment or alternative asset as acceptable violates the contractual terms and subrogates the desire of the customer.

Gold serves as a safe, liquid, and acceptable reserve for the Global Standard currency. Gold has been a recognized form of money and served as a base for sound currencies for thousands of years. Gold has multiple attributes that make it suitable as a monetary commodity. It is durable, rare but not too rare, divisible (an enhanced characteristic serving as a reserve to Global Standard currency), consistent and convenient. It is recognized as a store of value and medium of value exchange by a preponderance of people globally. It has been recognized internationally as one of only four commodities, non-sovereign issued money, by the International Organization for Standardization as a currency - designated XAU.

As noted central banks hold significant amounts of gold as a reserve for their respective national currencies. Gold represents the third largest reserve asset after the U.S. dollar and the Euro, and unlike these national currencies it is not contingent upon government responses.

Additionally, a well-established institutional infrastructure exists to facilitate liquidity in the gold markets and support gold's use as a stable monetary asset. Underlying this institutional infrastructure is the London Bullion Market Association (LBMA), a London-based consortium of major international banks who participate in the wholesale gold bullion market, buying and selling gold bullion on behalf of their bank customers. The list of banks includes central banks for a number of countries. The presence of a market and international standard for Good Delivery (described below) ensures a ready market for the sale and purchase of the bullion, thereby providing ready liquidity for the reserve asset. The gold market is global providing 24 hour trading capability.

The general acceptance, even promotion, of gold as an monetary asset store of value is growing, providing a strong indication as to its stability, value, and liquidity. Several examples in which gold is considered an acceptable reserve, circulating medium, or store of value. Use of gold in the Global Standard context is consistent with the Basel Accord proposed standards where gold is assigned a zero risk weight and "is to be dealt with as a foreign exchange position rather than a commodity because its volatility is more in line with foreign currencies and banks manage it in a similar manner to foreign currencies." In the U.S. "Regulatory Capital Rules: …" released in July 2013 jointly by the Office of the Comptroller of the Currency, U.S. Treasury; Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation have proposed gold bullion as a zero percent risk weight for bank capital requirements, the same as cash. It is defined as a form of financial collateral, is treated similar to a foreign currency, and carries a value equal to the current market value.

Additionally, the U.S. Mint notes gold as "an internationally recognized monetary and financial asset; CME Europe now accepts gold as clearing collateral; in July 2011, the European Parliament voted unanimously to recommend that central counterparties accept gold as collateral, under the European Market Infrastructure Regulation (EMIR); in late 2010 ICE Clear Europe, a leading European derivatives clearing house, became the first clearing house in Europe to accept gold as collateral; in February 2011, JP Morgan became the first bank to accept gold bullion as collateral via its tri-party collateral management arm; and the Chicago Merchantile Exchange is accepting gold as collateral for certain trades.

The position of these institutions reflects the strength of gold being used as a reserve by the Global Standard System, accurately reflecting market value for the corresponding Global Standard currency.

In addition to the overall benefit and acceptability of gold as a reserve for the Global Standard currency, this business model is restrictive in providing further consumer safeguarding features.

All gold held as a reserve is held unencumbered by a Special Purpose Trust for the collective benefit of all Global Standard currency owners. It cannot be used for any other purpose than as the reserve.

The criteria specifying the physical gold held by the Trust as a reserve for the Global Standard currency must be Good Delivery gold as defined by standards of the London Bullion Market Association. Good delivery describes the fine gold content and specifying marks which a physical gold bar must have in order to be acceptable for delivery to a purchaser without question in settlement against transactions conducted between LBMA members and with other acceptable counterparts. Good Delivery gold bullion is also a requirement of central banks for Monetary Gold held on their balance sheets.

For a gold bullion bar to be certified as Good Delivery it must be produced in a qualified refinery that meets the refinery requirements specified by the LBMA. The bar must also conform to certain physical specifications relating to size, shape, purity and even the format of assay hallmarks stamped into the bar. The bar must remain at all times in a closed custodial system. The bar may travel from refinery to storage at only one of a handful of select repositories acceptable to members of the London clearing system. When bars are sold and bought they stay within this closed custodial system. In fact, as a practical matter, few bars ever leave this closed custodial system; they typically move from stack to stack within the original vault. In the rare instance a bar must be transported to a vault at another repository, the transfer is made by one of a handful of bonded common carriers in accordance with secure shipment protocols acceptable to the repositories. In the event a bar leaves the custodial system, it would need a new assay hallmark as per Good Delivery Standards. Physical gold assets and corresponding liabilities are defined in the proposed rule in terms of fine content (pure gold) or as specified in a manner that enables precise calculation of fine content. Good Delivery gold typically has 99.9% or higher fine content. Jewelry and coins generally have a much lower gold content.

This business model requires that the physical gold must be held against a liability denominated in weight units of the same commodity. This liability is the Global Standard currency in which the customer's value transfers are transacted in an effective and efficient manner. It also is imperative that the total amount of this liability to the customer never exceeds the physical gold assets held in allocated storage. The requirement ensures that the currency is 100% backed by physical gold (fine content) and that no unsupported transaction occurs. This requirement eliminates the possibility of any element of credit in the money transmission.

The physical gold held by the Trust must be held in "allocated storage". The contractual details between the gold owner and the storage facility defining how the gold bullion bars are to be stored are of critical importance to ensuring the security of the gold. Most gold stored on account for a repository customer is held in the form of "unallocated storage". Gold held in unallocated storage constitutes a liability of a depository institution, in essence a bank deposit. As with conventionally designated deposits, the depository institution has wide latitude in determining what assets it will hold against such liabilities. In addition, if the depository institution becomes insolvent and goes into receivership, the unallocated liabilities will be subject to priority determinations, introducing the possibility that they may not be satisfied in full or even with specific performance. This means that gold in unallocated storage could conceivably be repaid with national currency at an arbitrarily established rate of exchange that results in payment at a rate lower than the value of the gold. By specifying that physical gold that must be held in allocated storage, the gold bullion bars must be individually identified and segregated to clearly distinguish it from other gold held in storage. This designation also eliminates the risk of creditors placing a valid claim on the gold for debts of the depository institution that is not the gold's owner.

The expanded definition of physical gold for this payment system model is intended to ensure that all value transfers are fully protected. Requiring the physical gold and the corresponding liability created by the Issuer to be in the same and equal weight unit measurement means the Issuer cannot incur liabilities that exceed the value of the physical gold, and the liabilities must at all times be valued in exactly the same way as the physical gold. The imposition of the Good Delivery standard—a known standard of quality with respect to physical gold—and the requirement that the physical gold must be held in allocated storage that qualifies as good delivery, ensures that physical gold satisfies the intent to protect the value of transfers and account balances.

Reserve and Global Standard currency circulation visibility to Members and potential Members is absolute. The amount of Global Standard currency in circulation as well as details of the physical gold held in reserve is continuously published online. The reserve will be regularly audited with the report also published online.

A liability to be used as a payment medium fully supported by a reserve of Good Delivery physical gold as defined in the proposed rule enables the deployment of a money transmitter system that can be free from default and offer immediate settlement. The benefit of a system free of credit and its associated risks provides increased security to both recipients and payers of a money transmission. The elimination of credit risk also allows for a money transmitter system to operate with a lower cost structure providing additional benefit to both sides of a financial transaction.

COEPTIS's Global Standard Payment System Summary Business Plan

CMO, Inc. (dba COEPTIS) is a Membership Organization dedicated to advancing the welfare of its Members through economic means. COEPTIS will offer its Members exclusive access to a unique alternative payments system consisting of a Settlement Platform and a medium of exchange circulating electronically which mobilizes the value of gold for Internet payments. This Global Standard System addresses a number of shortcomings that have traditionally plagued online payments, provides substantial benefits and protections to customers, makes e-commerce more accessible to customers not adequately served by traditional payment systems, and brings greater efficiency to payment settlement. The System is defined as a money transmitter by FinCEN guidance FIN-2013-G001 released March 18, 2013.

The Business currently holds money transmitter licenses in Florida, Mississippi, Washington, N Dakota, and Iowa ultimately intends to obtain required licensing or otherwise be authorized in all 50 U.S. States, Canada, and the European Union followed by development of an expanded global market becoming a preferred payment system for all forms of electronic payment. The business model offers a complementary relationship with other financial institutions.

Market Advantage

The Global Standard System has competitive advantages that address shortcomings of traditional systems and provide more credibility and consumer protection than other emerging systems.

<u>Consumers benefit from greater protections</u> – Consumers using the System are better protected from credit card and identity theft. Once customers provide the necessary information to complete the System's rigorous Customer Identification and Due Diligence requirements, they are typically not required to trust their personal information with merchants on whom they must rely to safeguard such information and other account related data. In addition, all payment instructions are directly and securely processed on the closed Global Standard Settlement Platform.

<u>Recipients benefit from immediate and final payment</u> – In accepting payments processed over the Global Standard System Platform, recipients, including retail merchants, avoid the risks of payment failure or reversal present in other systems. Recipients have <u>immediate access</u> to the value paid to them. Once the payer authorizes a Spend transaction to transfer value, a credit is recorded in the payer's Account and a debit is recorded in the recipient's Account. This process affords immediate and final payment settlement. The risk of payment default is eliminated by System rules that prevent a payer from executing a Spend unless the available balance recorded in the payer's Account equals or exceeds the Spend amount.

<u>Global Capability</u> – Payments can be made/received via the Global Standard Settlement Platform 24 hours, 7 days a week all year and do not require financial intermediaries or external underlying settlement platforms. The System allows direct access of all users to the settlement platform as opposed to traditional international payment systems. This capability can reduce time, cost, possibility of error, and complexity. The advantages for international remittances and micro payments could increase the level of payments having a tangible effect on third world countries' GDP. It also provides opportunity for frictionless international payment between businesses and other global organizations.

<u>Lower fees and other benefits</u> – Fees are lower than, if not the lowest of, other online payment methods, benefiting consumers and merchants. Where the fee for a payment using a traditional payment method valued at $100.00 would be 2.5 - 3% or more, the Global Standard System fee would be only 1%. On transactions at higher value levels, fees in traditional systems could be in the hundreds of dollars whereas fees in the Global Standard System are capped and would be only approximately $8.00. Payments can be made or received 24 hours, 7 days a week all year.

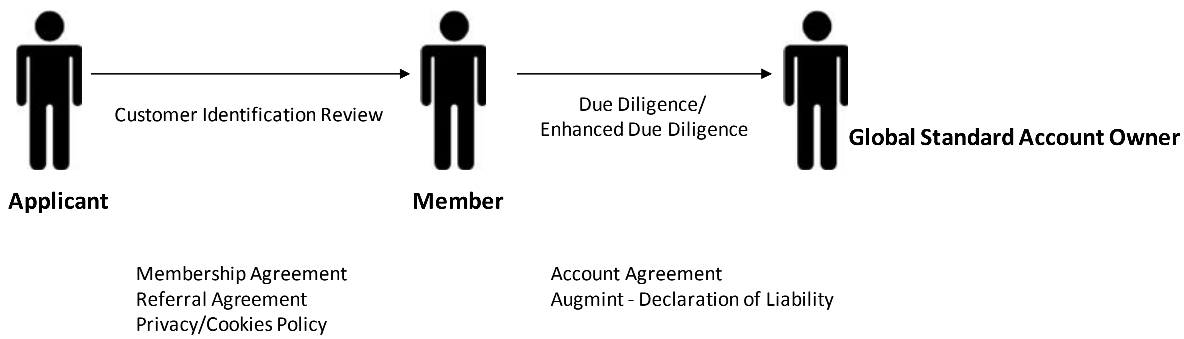
<u>Privacy, data security, scalability</u> – Controls to protect consumer non-public personal information are very strong and the System is secure. The System entails robust system level cyber-security measures as well as individual account access protections. It is designed to be highly and quickly scalable to meet a growing global demand. Payment interfaces are easy to implement and are highly efficient.

<u>Multiple uses</u> – The possible uses of the System are as diverse as the reasons for receiving or making payments with any other mechanism or currency. The System can be used to effect e-commerce online payments, person-to-person payments, business-to-business payments, international remittances, micro finance-related transactions, intermediary

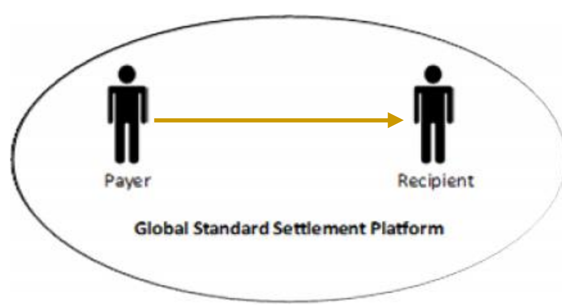
funds movement, mobile and social payments, and as a store of value. As a general matter, the System is offered not as a competing platform to existing payment systems, but as an alternative for those persons that would benefit most from its unique features or to whom traditional systems are not preferred or may not be available. Also, the use of Global Standard Currency makes transactions in varying denominated national currency payments easier.

Services and Operations Summary Description

COEPTIS Membership – Only COEPTIS Members have access to the Global Standard System. A Member may be an individual or an organization. Membership requires completion of a thorough Customer Identification Review. To obtain and use a Global Standard Account a Member must also complete Due Diligence or Enhanced Due Diligence for financial institutions or other potentially higher risk persons.



Global Standard Settlement Platform – The Global Standard Settlement Platform is a centralized, closed platform on which direct account-to-account transfers, or Spends, are executed. Global Standard Accounts are used to record the amount of Global Standard Currency held by each Member and provide a mechanism for tracking the value being transferred through the System. The System will not accept any money or other form of value directly from Members.



Global Standard Spend

Global Standard Spend – A Spend is the only transaction that occurs on the Settlement Platform. The possible reasons for a Spend are as diverse as the reasons for receiving or making payment with any currency. As with paper based currencies, Spends are immediate and final. Unlike paper currency and due to the System's Customer Identification Program, Spends are not anonymous. To eliminate the risk of a payment default, System rules prevent a payer from executing a Spend unless the payer's Account record indicates the payer has a balance of Global Standard Currency that equals or exceeds the Spend amount. Although payments are immediate and final, the System does provide for Spend dispute resolution.

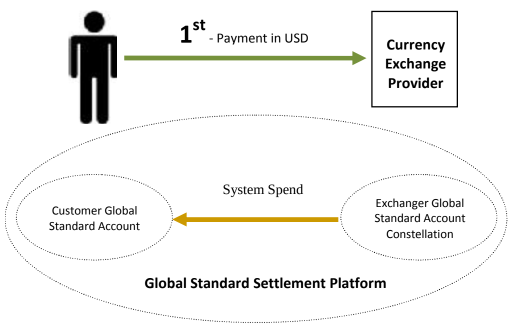
Global Standard Accounts – Global Standard Accounts are used for a bookkeeping record of the amount of Global Standard Currency held by each Member and provide a bookkeeping mechanism for tracking the value being transferred through the System.

Records – Customer identification and due diligence obtained from all customers is maintained by COEPTIS. All transaction data is also maintained. This information is used for transaction monitoring, investigatory purposes, possible dispute resolutions between account owners, and is available to legal requests from law enforcement. Reporting capability allows account owners and users to readily view their account information. The information will be maintained well beyond standard legal retention periods unless otherwise restricted by law.

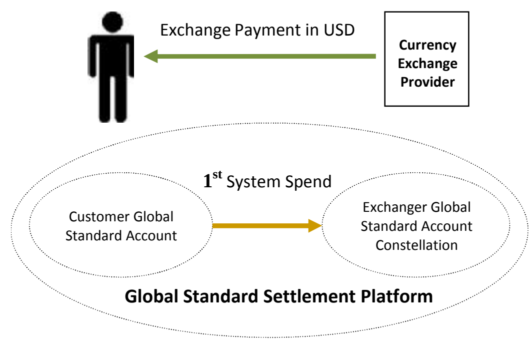
The only way to obtain a quantity of Global Standard Currency is to receive a Spend from an individual or entity who already has some. For example, Global Standard Currency could be received in a Spend transaction as payment for a product or service, a transfer made from a family member or friend, or wages paid by an employer.

A person may also obtain Global Standard Currency from an Exchange Service, which must be a Member of COEPTIS. This process is a simple exchange of Global Standard Currency and a national currency, not unlike a traditional currency exchange of, for example, U.S. dollars for Euros. Exchange Services are independent institutions that must be appropriately licensed in the state(s) and/or country in which they conduct business and credentialed by Global Standard to provide exchange services associated with the System.

Exchange to obtain Global Standard Currency



Exchange Global Standard Currency for USD

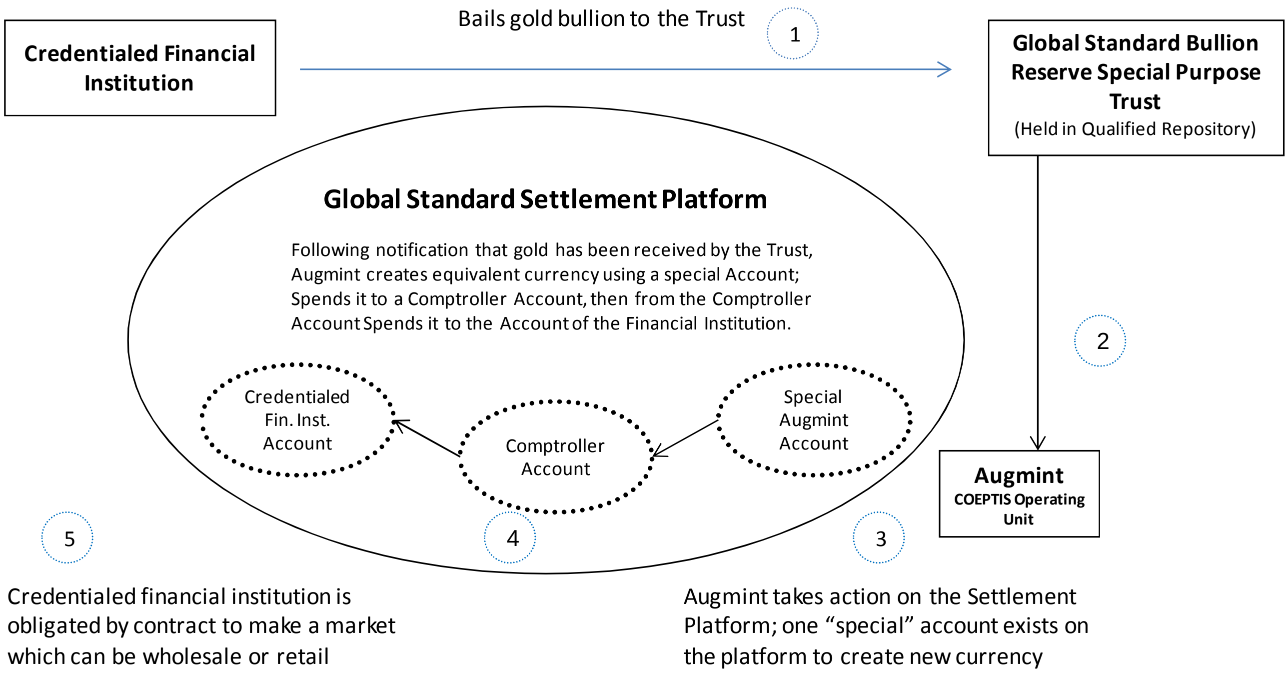


Electronically circulating currency – The Global Standard Currency is recorded in Accounts, moves electronically across the Settlement Platform, and is 100% reserved by physical gold. Global Standard Currency is denominated in the unit weight measure of gold corresponding exactly to the amount of physical gold held as a reserve. Global Standard Currency's value corresponds precisely with the market price of the physical gold.

Customers must agree to the Global Standard Account Agreement and the Augmint Declaration of Liability in order to obtain a Global Standard Account thereby indicating agreement to the nature of the Global Standard Currency. The gold is held in a Special Purpose Trust for the collective benefit of all owners of Global Standard Currency. No owner of Global Standard Currency owns any of the gold, has any beneficial interest in the gold, or has any share or right in the Trust. In fact, with the exception of the specially credentialed financial institutions who participate in the processes of creation and retirement of Global Standard Currency, no owner has the right or ability to redeem their Global Standard Currency for gold.

All reserves are held in gold and all transactions on the Settlement Platform are in the Global Standard Currency. COEPTIS does not accept or disburse national currency and therefore does not maintain a bank account to hold customer value. Transactions using national currency are only conducted by independent financial institutions.

Global Standard Currency creation and retirement –- The only way value, in the form of Global Standard Currency, can be introduced into the System is through an "open market operation" in which a licensed financial institution specially credentialed by Global Standard bails physical gold to a Special Purpose Trust. Pursuant to contractual agreements and System protocols, the COEPTIS operating unit, Augmint, creates Global Standard Currency once notified that the bailment is completed. Augmint then transfers electronically to the credentialed financial institution, via a Spend transaction, a quantity of Global Standard Currency in the same weight equivalent as the bailed gold. Financial institutions that are specially credentialed for this task are also obligated by contract to make a market for Global Standard Currency.



To reduce the amount of Global Standard Currency in circulation a reverse process occurs whereby the Financial Institution Spends Global Standard Currency to Augmint which, with approval of an Escrow Agent, releases an equivalent amount of physical gold from the Trust to the Financial Institution which then may sell the physical gold.

Global Standard Bullion Reserve Special Purpose Trust – The Global Standard Bullion Reserve Special Purpose Trust exists to hold the physical gold reserve in bailment, unencumbered, for a defined class of beneficiaries comprised of all Global Standard Account holders collectively. The physical gold is placed in allocated storage in a qualified repository. Because the reserve is held by the Trust and not by COEPTIS, each Member's value is shielded from COEPTIS' actions and is free from default.

Gold Reserve

Gold provides a 100% reserve for the Global Standard Currency which circulates on the Global Standard Settlement Platform for the purpose of making payment or transferring value on the Internet. The purpose of this System using Global Standard Currency is to mobilize the value of gold for transactions online. The use of gold is clearly defined to all Members and the 100% reserve of physical gold is contractually defined. By contract, only gold can be used as a reserve for Global Standard Currency. No ambiguity exists for customers; no uncertainty as to the financial reserve protecting their value.

Gold is widely accepted as a reserve and as a form of money. It has been recognized for thousands of years as a sound basis for money with attributes that make it suitable as a monetary commodity; it is rare, divisible, and durable. It is one of only four commodities that carry an International Organization for Standards currency designation, XAU. Gold is held as a reserve by central banks globally.

Gold is a very liquid commodity with a market depth and breadth greater than nearly all debt markets in the world. By any standard measure its liquidity characteristics are typically equal to sovereign debt without corresponding credit risk helping to preserve value. Even central banks can conduct transactions in gold without undue attention. The U.S. "Regulatory Capital Rules" treat gold bullion as a zero percent risk weight for bank capital requirements, the same as cash.

Further, the gold market is supported by a well established institutional infrastructure that exists to facilitate liquidity in gold markets and support its use as a monetary asset. The London Bullion Market Association (LBMA) provides standards for the quality and purity of gold as well as safe storage parameters.

This System takes the safeguards of using gold as a reserve beyond these favorable market features. All gold held as a reserve is held unencumbered by the Global Standard Bullion Reserve Special Purpose Trust as Good Delivery in allocated storage in a qualified repository for the collective benefit of all Global Standard Currency owners combined. It cannot be used for any other purpose than as the reserve. Good Delivery means the gold meets purity standards established by the LBMA, and qualified repositories are those meeting LBMA standard. Allocated storage means title is held specifically by the Trust. For every gram equivalent of Global Standard Currency in circulation on the Settlement Platform a corresponding weight of physical gold is held by the Trust.

Reserve and Global Standard Currency circulation visibility to Members and potential Members is absolute. The amount of Global Standard Currency in circulation as well as details of the physical gold held in reserve is continuously published online. The reserve will be regularly audited with the report also published online.

Governance and Compliance

The integrity of the System is preserved through a separation of roles that provides a series of checks and balances for critical System functions. The Settlement Platform and Augmint are established as separate operating units of COEPTIS. The entities conducting open market operations to increase or decrease Global Standard Currency circulation and exchange services are independent financial institutions not part of COEPTIS. Physical gold is not owned or held by COEPTIS or Global Standard but by the Global Standard Bullion Reserve Special Purpose Trust. The gold is physically stored in allocated storage by custodians at qualified repositories meeting standards of the London Bullion Market Association. Records detailing the bullion reserves held by the Trust and the amount of liabilities of Global Standard Currency in circulation will be continuously published on the Augmint managed website to provide maximum transparency. An Escrow Agent is used to facilitate and approve redemption of gold held by the Purpose Trust.

The relationships between these participants as well as the responsibility between the System and Members is defined and strictly controlled by contract.

The Global Standard System includes a robust Anti-Money Laundering Program and OFAC protocol with fully documented procedures and training, software enhancements and controls, and documented business procedures. The AML Program addresses Bank Secrecy Act recordkeeping and reporting requirements to the extent applicable to the System. It was developed with the assistance of KPMG, a former Director of FinCEN's Money Services Business Section, and Patton Boggs LLP.

Global Standard will ensure appropriate System compliance with applicable FinCEN regulations, including as necessary money services business registration, state licensure and other federal, state and foreign (non-US) requirements.

The comprehensive safeguards of Global Standard's AML Compliance Program far exceed the programs and efforts of traditional money transmitter businesses; and compare favorably to the most robust in the banking industry. Global Standard's strong Customer Identification Program is applied to all Members and Accounts regardless of the value held or transacted, distinctly more stringent than traditional money transmitter businesses. As a closed system in which transactions are only allowed between Members and no value can directly enter or leave the System, Global Standard knows and maintains records for every transaction conducted. The Membership and identification review guarantees a one person, one Member rule. Contractual controls between Global Standard and financial institutions offering exchange define information that must be obtained and shared with Global Standard on the transaction outside the

System which results in an account receiving Global Standard Currency, and defines the account structure they must maintain. These controls provide extensive information for rigorous transaction monitoring not available to other systems.

Global Standard has embraced AML requirements to be more than meeting regulatory requirements. COEPTIS Member's using Global Standard to transact on the Internet will have a far higher assurance of who they Spend to or from whom they receive a payment, an assurance and trustworthiness that will provide a competitive advantage.

Market and Competition

Use of the Internet for all types of online payment continues to grow rapidly. Online retail sales exceed $1.3T globally and are growing over 10% annually; international remittances are approximately $550B and still continuing to increase, the volume of business-to-business transactions are up due to escalating use of electronic payment systems, person-to-person payments are a rapidly emerging market as social networking and mobile device capability develop, and total electronic global payments are into the trillions.

Requirements of the market for security to protect identity and assured payment are growing in importance and match extraordinarily well with the strengths of the Global Standard System.

The payments space is diverse and highly competitive. Global Standard enters this market not merely to wrest market share as a payment system but with a focus on settlement, providing solutions with the potential to reduce costs and mitigate risks faced by every category of customers as well as would-be competitors. Credit card providers and intermediaries (such as PayPal), as well as traditional money transmitters, rely on bank payment systems which in turn require clearing arrangements that depend on settlement platforms which are multiple layers removed from end users. The consumer making point of sale or online payments, whether with plastic or Apple Pay, still pays the payment intermediary every month by check or ACH. Likewise, the merchant eventually receives some sort of lump sum payment into a bank account. PayPal's model entails "funding a payment", often forcing it as intermediary to bear fixed interchange fees as a credit card merchant. All of these payment recipients would lower costs by accepting transfers via Global Standard.

More importantly though, at the systemic level, any existing financial institution could benefit from the novel institutional arrangements afforded by a settlement capability that is inherently global and designed to preclude credit risk.

One such extension made possible by Global Standard would be a global clearing house, enabling cross currency payments between bank accounts with intraday settlement but without any need for actual FX. Similar Gordian knot-cutting possibilities planned by Global Standard will merge the efficiencies of book entry settlement used in existing PvP and DvP protocols with peer-to-peer direct end user access.

Global Standard's gold based currency, AUG, is designed to ultimately serve as an alternative global currency. AUG would never supplant national currencies but is intended to circulate alongside them, playing a complementary role. A subtle yet profound design element facilitating such emergence without disruptive effects is Global Standard's purposeful decoupling of the numeraire for specification of a payment instruction from the native unit of account of the settlement currency.

Other novel systems exist as competitors and it is certain more will evolve. These novel systems include "virtual currencies" like Bitcoin which are receiving significant attention by regulators and the press. Typically these systems have not met regulatory requirements and lack financial support/reserve for their exchange medium and methods necessary to assure long term stability and payment certainty. They are expected, however, to evolve into more stable platforms. There visibility is bringing attention to the market which should be beneficial.

Market Acceptance Expected High

Global Standard is well positioned to capitalize on a growing Internet payment market with its competitive advantages; for a number of historical and developed reasons market acceptance is expected to be high.

Market trends surrounding protections for transacting online, the use of precious metal backed currencies, visibility of other emerging payment systems, privacy concerns, and requirements of businesses in challenging economic conditions all are addressed by Global Standard's market advantages.

A prior deployment of the core principles and logic — with fewer features, lacking licenses or regulatory clarity, and with very limited marketing — attained annual transaction volumes approaching $3.0B USD equivalent and over 400,000 active accounts with several periods of exponential growth across all fifty U. S. States and numerous foreign countries. Global Standard has overcome previous deficiencies and is poised to surpass these results.

Strategic partners have been developed, and continue to be developed, who plan to aggressively market as well as use the System with existing access to substantial numbers of active online customers who we anticipate will be favorably disposed to this alternative payment method. Included among these partners is the Economic Development Commission of Florida's Space Coast (EDC) which will provide assistance in introducing the System to Government entities and other economic development organizations nationwide.

The financial market today has a high and increasing cultural affinity for gold which should drive awareness and early System adoption. Use by Government entities is anticipated which will raise credibility and awareness. And, the business will market aggressively and comprehensively.

The System capabilities facilitate international payments, denominated in different national currencies, in a more efficient "frictionless" process supporting increasing global electronic payments.

Marketing Program

The business will market aggressively and comprehensively. The marketing plan will contain a number of key elements.

It will clearly differentiate the model's competitive advantages to key market segments. Establishing credibility is essential. The most important message is that the System is safe, secure, and fully compliant with regulations. The message will be propagated to defined market segments based upon customer need, demographic information and other relevant data; and rolled out geographically based on the receipt of necessary state licensures and other regulatory approvals for the components of the System.

Various means of online advertising will be used, including such vehicles as Google ad words, social media, and as appropriate banner ads. The Marketing Department will participate in respectable blogs and forums. Attendance and participation in national/regional/local trade shows, professional conferences, and industry associations for the payments industry will be used to increase the System's exposure. News releases, personal media contacts, academic papers, and webinars will also be utilized.

A critical element will be developing key strategic relationships such as the one with the EDC. We anticipate strategic relationships will also include online news and information sources, community based organizations, and key segment retail contacts. We also will look to develop relationships with complementary or even "perceived" competition within the payments space including credit card companies, prepaid card programs and online payment alternatives that will view a Global Standard Currency Spend as any other transaction moving value into or out of the payment alternative.

Use of the System by Government entities is expected and should add to both credibility and a wide spread awareness and adoption of the System's capabilities.

COEPTIS will have a Member referral program, similar to those used by many internet business models, in which a Member benefits by the Spend activity of new members they introduce to the System. This program will be promoted as a means to increase membership and requires no investment by Members.

Global Standard will also target appropriately regulated financial institutions and seek to qualify them to perform exchange as described in the System Summary Description above. This marketing campaign will be more direct and personal. As noted above, in addition to being licensed, these exchange services will be subject to and need to comply with the terms of Global Standard's Supplemental Agreement of Exchange Providers.

Organization and Formation

COEPTIS (CMO, Inc.) is duly organized in Delaware as a non-stock corporation with its primary office in Satellite Beach, Brevard County, Florida. The company's start-up is being supported by the Economic Development Commission of Florida's Space Coast (EDC) under a Memorandum of Understanding. Pending licensing approval in Florida COEPTIS and the EDC will enter into a services contract. COEPTIS has two operating units, Global Standard and Augmint which have distinct responsibilities. The System technology, business practices, and protocols are being purchased from an unaffiliated third party.

COEPTIS by employment, contract, or advance agreement has the necessary functions in place including compliance, accounting, IT systems support, IT development, systems development, customer service, business development, and strategic consulting.