

CRYPTO MARKET INTEGRITY COALITION

CODE OF CONDUCT

Goals and Scope

The Crypto Market Integrity Coalition (CMIC) brings together market participants in the digital asset space who are committed to enabling a safe and sensibly-regulated crypto ecosystem.

CMIC members are committed to the principles stated in this Code of Conduct (the Code) and the CMIC Pledge and agree that, regardless of regulatory requirements, market activity should be reviewed and monitored on a reasonable ongoing basis for purposes of detecting and eliminating Market Manipulation and market abuse. CMIC members recognize that instances of fraud and manipulation are illegal, and commit to preventing these activities to the best of their ability.

This Code is designed to integrate principles that uphold Market Integrity and Market Efficiency into the operations and business strategy of CMIC members across a broad range of digital asset activities.

The Code seeks to address and complement laws, rules and regulations where gaps may exist across regulatory jurisdictions in which CMIC members operate. CMIC Members agree to adhere to the existing laws applicable in their respective jurisdictions of incorporation and operation.

The Code also addresses the novel forms of market activity and Market Manipulation presented by digital assets and digital asset market structure, continually enhancing risk management and adjusting to these unique challenges.

CMIC Members seek to advance the integrity and efficient functioning of digital asset markets (in line with their respective roles in the markets) while building trust in support of more inclusive, transparent, and productive digital asset markets for all consumers and market participants.

Adherence to the Code of Conduct

CMIC members agree to adhere to the principles laid out in this Code of Conduct as a condition for maintaining membership in CMIC by committing to Market Integrity and a safer ecosystem.

Below are the CMIC Code of Conduct Principles designed to address all CMIC members' activities.

I. MARKET INTEGRITY

As responsible, innovative participants in digital asset markets, CMIC members, in line with their respective roles in the market, will seek to promote the integrity and efficient functioning of these markets.

1. Members will provide fair market conditions and services to their clients, establishing a safe market environment and protecting clients' assets. Where appropriate and consistent with legal obligations, members will ensure clients' compliance with regulatory requirements.
2. Members will adopt necessary policies and procedures for monitoring, detecting, analyzing and preventing illicit activities in the digital assets markets, including policies prohibiting their personnel from engaging in insider trading, inappropriate use of confidential information and other illicit activities.
3. Members will implement effective manual and/or automated systems and controls designed to identify Market Manipulation and other illicit activities, take necessary actions in line with their respective roles to prevent such activities, report the activities as appropriate and provide support to ensure regulatory oversight.
4. Members will ensure robust AML/KYC/CFT policies, procedures, tools and programs, to prevent illicit actors from operating in the digital assets space.
5. Members will adopt necessary risk-management and market surveillance mechanisms, implement tools and procedures to improve risk assessment, prevention and mitigation, as well as ensure robust market oversight.
6. Through CMIC and other industry efforts, members will take reasonable steps to develop industry standards based on the values of Market Integrity, as well as evaluate and provide objective comments, advice and recommendations to regulators to support their efforts in developing adequate regulatory frameworks for digital assets to ensure safe, fair and resilient digital assets markets.
7. Members will ensure that their personnel are qualified to detect and investigate potentially manipulative activities.
8. Members will endeavor to select partners that act with integrity and will appropriately monitor their partners' operations in regards to Market Integrity.

II. TRANSPARENCY AND INFORMATION SECURITY

1. Members will take necessary measures based on their relevant activities to ensure high quality information and market data is available to their clients, authorized entities and regulators.
2. Members will institute adequate policies and procedures designed to prevent information asymmetry, improper use of insider information and other illegal activities related to data.
3. Members will provide transparent disclosures about their policies and procedures to promote behavior that can improve Market Integrity.



4. Members will adopt and implement adequate record retention, record-keeping and reporting processes to ensure clients' data protection.
5. Members will institute industry best practices for information security and data protection and conduct regular assessment of the effectiveness of such mechanisms.
6. Members will protect confidential information in accordance with applicable legislation and relevant contractual obligations.
7. Members will ensure secure data collection and storage mechanisms to maintain proper information protection.

III. INVESTOR SAFETY AND CONSUMER PROTECTION

1. Members will exercise due care of safeguarding customers' assets and ensuring a high degree of customer protection.
2. Members will adopt and maintain transparent and fair policies and procedures for the handling of clients' assets and maintain necessary internal controls systems.
3. Members will communicate to clients in due course any changes in the terms related to the provision of services to clients.
4. Members will conduct their respective activities in the best interest of their clients and disclose to the clients potential conflicts of interest.
5. Members will support their clients' efforts in detecting known forms of Market Manipulation, except in circumstances where assistance would not be appropriate.
6. Members will make necessary efforts to inform their clients, the industry and regulators of newly discovered Market Manipulation challenges and abuse patterns to support the integrity of digital asset markets broadly.

IV. CYBERSECURITY

1. Members will ensure that robust and secure technology systems and business processes are in place.
2. Members will put in place cybersecurity protections, firewalls and resiliency to prevent cyber risks.
3. Members will ensure appropriate cybersecurity crisis management and business continuity plans.

V. CORPORATE GOVERNANCE & BUSINESS CONTINUITY

1. Members will appoint highly qualified management teams that ensure proper corporate governance, conduct of internal and external audits, including proof of reserves auditing, and compliance with applicable laws, rules and regulations, as well as this Code of Conduct.
2. Members will conduct appropriate staff background screening and due diligence to hire competent and professional people and advisors who act in the interest of Market Integrity.
3. Members will adopt policies and systems that demonstrate sufficient levels of capacity, integrity, transparency, resiliency and security to support members' operations.
4. Members will engage in regular business resiliency and continuity planning to enable the timely recovery of operations and fulfillment of the members' contractual and legal obligations.
5. Members will adopt business continuity plans and conduct regular stress-testing of their systems.



6. Members will carefully assess the risks of external dependencies on critical service providers and/or third party IT infrastructures, taking these risks into account in their business continuity plans.

VI. ETHICS

1. Members will adhere to the best standards of professionalism acting with integrity and high ethical standards, building capacity for detecting and preventing potentially manipulative or illegal market practices.
2. Members agree that Market Manipulation is unethical and agree to participate in digital asset markets that demonstrate Market Integrity as well as to integrate the principles of honesty, fairness and integrity in the operation of their business or investment strategies.
3. Members agree that digital asset trading activities should be conducted in an ethical and fair manner avoiding Market Manipulation, information asymmetry or improper use of insider information.
4. Members will provide their staff with ongoing training and education to ensure their commitment to ethical standards and practices.



Appendix: Definitions

Market Integrity is the preservation of fair and orderly digital asset markets which are appropriately defended against manipulation and abuse, such that public confidence and investor protection within those markets is maintained. (Source: GDF MI CoC)

Further, Market Efficiency refers to the ability of market participants to transact business easily and at a price that reflects all available market information. Factors considered when determining if a market is efficient include liquidity, price discovery and transparency. (Source: IOSCO)

Market Participants is an intentionally broad term that encompasses digital asset trading platforms, market makers, liquidity providers, brokerages, lending platforms, network operators, custody providers, and infrastructure providers, among other stakeholders in the space.

Market Manipulation is when someone intends to artificially affect the supply, demand or price of a digital asset. It involves entering into a transaction, placing an order to trade or any other behavior intended to give misleading signals regarding supply, demand, or price of the digital asset and engage in fraud. (Source: Investor.gov and GDF MI CoC)

A. Wash Trading, where a single market player buys and sells the same asset so as to increase trading activity, attract investors, and ultimately affect prices.

B. Spoofing, where traders place orders with no intent to execute (non-bona fide orders) with the purpose of providing a false level of supply or demand for a given asset.

C. Layering, where traders place multiple non-bona fide orders on one side of the order book with the intent of moving the market price of the asset. Upon favorable market movement, the trader then executes an order on the other side of the book and cancels non-bona fide orders.

D. Pump and Dump schemes, where perpetrators engage in coordinated buying and/ or receive tokens in exchange for promoting them, creating hype and excessive optimism (pump), and later sell the tokens (dump) before the market adjusts the price back downward and mainstream investors lose their money

E. Front-running orders, where trading platform operators may use insider information to take advantage of attractive buy and sell orders before customers have an opportunity to do so.

F. New crypto-specific Market Manipulation schemes unique to digital asset trading, as they are discovered and typologized, including but not limited to cross-market abuse and cross-asset wash-trading. (Source: GDF MI CoC)

