

**Haydar Tuncer**

**From:** s 22  
**Sent:** Wednesday, 30 March 2022 12:18 PM  
**To:** s 22  
**Subject:** FTX notes [SEC=OFFICIAL]

**Categories:** [SharePoint] s 22

## FTX meetings

Wednesday, 30 March 2022

11:03

s 47F - Head of Compliance and overseas operational matter, and a director and a qualified lawyer, experience in digital currencies

s 47F - CFO, works on daily client money reconciliations

s 47F - works on operational matters, policy and Government Relations

Also have a team for client onboarding, KYC

s 47F

- Commenced on 21/03/22 - Monday last week

s 47F

- PDS launched 21/03/22
- Soft launch prior to 21/03/22
- Business was acquired from IFS Markets
- Financial products - 3 types - options, futures on crypto asset and leverage token (wholesale only)
- There hasn't been any cessation of business from old ownership to new ownership

s 47F

- FTX is one of the top 3 crypto exchanges in the world
- Derivative crypto - 1 in the world
- Have 31 financial services licenses
- Japan, Turkey, Cyprus, UK FCA - all controlled by FTX
- Sam Bankman-Fried is the shareholder
- In one month issued the CFTC for clearing and settlement - the US entity - 1st to receive
- Well-known for efforts with positive talks with regulators
- Sent the \$18k to ASIC as unclaimed client money - but was from previous business
- Globally have a couple of million users (don't have exact number) - since launch have 210 clients sign up daily
- Already had Australian clients - had categorised spot-trading crypto, and derivative-trading crypto
- Sent notification to clients that they needed to meet suitability test (need to pass with 60 points)
- Also re-did wholesale client test/status for clients
- 75,000 clients based in Australia - not all of them are their clients - they don't trade derivatives - only traded spot - users on the global platform - just sign-ups - 8,000-10,000 per month that are engaging with the platform
- Don't know how many have been converted to derivative clients
- If not complete the quiz - derivative services are suspended (continue to be spot clients)
- Got rid of the traditional business
- Initial period of transition to AFSL is 2 weeks, but
- Can only take the test every 24 hours, no maximum number of times, about 40 questions
- Wholesale test - wealth test - produced by the client - trading - \$1m USD - 80 trades a year
- Do not ask for statements for retail investors, only wholesale
- 20:1 tokens and 3:1 - only available for wholesale
- 20:1 is the maximum
- All use the same website - only US have their own website - not keen to have a separate website
- Only on-board Australian based clients, no overseas clients
- Clients come to them

- In Australia haven't started their marketing
- Have shared ASIC's Infosheet on Finfluencers
- Had an internal workshop regarding Finfluencers
- Don't cold-call clients
- Have plan to engage local and reputable marketing agents - will work with them - still in the early phases
- FTX - proactively sponsoring sporting events - dealingn with blockchain - the young generation - best way to get their
- NBA - Miami Heat - named area - FTX arena, MLB, Cricket Australia, Tennis Australia, NFL, Mercedes Benz in F1
- Also crypto currency investors - Hamilton, Stephen Curry, Naomi Osaka, Tom Brady
- FTX is the only representative of digital currency exchange to Congress in the US before Joe Biden released - CEO gave testimony twice to Congress
- 1% of profit goes to charity
- DDO - sponsorship - depends on the content of the advertisement and the channel - eg whether is the channel is through Instagram or Gumtree - and whether it is advertising spot trading or derivative trading
- FTX don't see digital assets as client money - PDS states that it does not accept fiat for derivative trading
- When client opens the account - at that stage - the process of the client to deposit this money into fiat - they are not the client of FTX Australia - (AUSTRAC registered entity)
- In the process of applying for new registration with AUSTRAC as FTX Express
- Client becomes a client of both the AUSTRAC entity and the ASIC regulated
- Think that there would be minimal client money lodgements with ASIC
- Open to have a discussion with ASIC regarding client money issue - want to make things easier
- AUSTRAC entity is a subsidiary
- Stripe is doing KYC - bioscan - clients still have photo with ID
- Also use Jumio for KYC verification provider
- Will warn clients if they identify scams
- **s 22** - AFP - Crypto crime - will co-operate with AFP - have been doing already
- Ongong KYC on the client - noticed a lady had a huge balance but her profession was lecturer - put red flag on account
- Everyday he and **s 47F** receive customer support and how to deal with it - including trusts

**s 47F**

- Traders are high-risk traders - they are quite sophisticated people
- Client suitability quiz helps determine target market - this includes information about trading history
- TMD - 'generally for high risk tolerant people'
- FTX use a global website
- When they login - will only be able to trade 2:1 etc
- Staff have been trained in the PIO - prohibited benefits, negative balance protection, margin close out, leverage levels
- Increase to the education in sector
- FTX is a very large brand - don't think people associate with derivative probably with crypto trading - people can't tell the difference
- It is at the onboarding stage that they weed out those don't meet the target market
- Have legal act opinion that digital currency is not client money as per Part 7.8 of the Corporations Act - Piper Alderman
- Client gives a standing authority to FTX - if there is a margin call, then FTX has access to that funds - can liquidate funds
- Have global compliance and regulatory culture

**s 47F**

- KYC 1 - limited in what they can trade
- 75,000 includes those who failed the KYC
- Conversion rate "KYC 2" - 30-40% - would need to check the Australian figures
- Use a couple of different methods to identify the location of clients - IP tracking (usually retail users don't use VPN) - if provide Australian documents then become an Australian user
- Part of the marketing efforts - can target users by geographical region - sponsored ads -- only targeted in the Australian region
- Own social media posts - **s 47F** has responsibility - limited access
- Globally - no oversight on marketing figures - nothing spend so far on marketing in Australia

- Moved KYC over to Stripe because have better capabilities and publish educational articles on scams

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Call concluded 12:10pm

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**ASIC**