



Legal Structures:
Know your rights.

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Why are the Pet Rock Funds not registered financial products?

There are two primary pieces of legislation to be considered when assessing whether a service provider dealing in the investment of crypto-assets requires a license in South Africa: the Financial Advisory and Intermediary Services Act ("FAIS") and the Collective Investment Schemes Control Act ("CISCA"). If the activities of a service provider falls within the scope of regulation by either Act, then a license is usually required.

FAIS regulates the financial services industry and the provision of services relating to financial products. Licenses are not required to deal in crypto-assets in South Africa, to private investors, as crypto-assets fall outside the definition of "financial product" as contained in FAIS. This means that parties trading in crypto-assets, with private investors, do not need to be licensed by the Financial Sector Conduct Authority (FSCA).

The FSCA has made further remarks on the regulation of crypto-assets: "Crypto-related investments are not regulated by the FSCA or any other body in South Africa"

Each of the four South African Pet Rock funds (Pet Rock USD Digital Asset Fund, Pet Rock Ethereum Fund, Pet Rock Fantom Fund and Pet Rock Bitcoin Fund) ("the Pet Rock Funds") are structured as en commandite partnerships. These are partnerships consisting of a general Partner and a number of limited partners, whose identities are unknown to the public and who do not participate in the management of the partnership. These partnerships are not open to the public and are used to manage investments of the limited partners, who become partners by invitation to the partnership. The investments, in this case, are into crypto-assets and crypto-asset products, not financial products.

What is the legal structure of the funds?

South Africa

Locally, funds are structured as partnerships allowing for a number of anonymous partners – as en commandite partnerships. These partnerships are managed by a general partner – a limited private company – who operates as the face of the partnership and attracts liability to third parties. These partnerships are designed to be for the benefit of a small circle of high-quality investors, and not the general public. **Pet Rock Investments provide access to crypto markets using these fund structures and best practices that are well known and trusted by the industry.**

Anonymous partners' liability is limited to the partnership, to the extent of their contribution. This means that the amount invested in the fund is the extent of what anonymous partners (i.e. clients of Pet Rock Investments) can lose. The funds are governed by a partnership agreement which each partner signs. This is the founding document of each fund. Each agreement details the particulars of the different funds, the associated risks (which are substantial given the inherently risky nature of crypto-assets), and grants authority to the Fund Manager to administer the funds.

The funds are managed by the Fund Manager, Pet Rock Digital Asset Management (Pty) Ltd ("PRDAM"). This is the entity currently applying for a Financial Service Provider License in anticipation of the day where cryptocurrency becomes a regulated financial product. PRDAM also complies with anti-money laundering and Financial Intelligence Centre Act best practices, which compliance is currently not required but which will become mandatory when cryptocurrency becomes a regulated product.

Each fund is a separate legal entity and accounted for separately from the other funds.

Offshore (Cayman Islands)

The offshore funds are structured as segregated portfolios within a segregated portfolio company (SPC) located within the Cayman Islands. This type of company is useful as it allows one corporation, with its own separate legal personality, to open several segregated portfolios (the funds) each with their own limited liability.

This means that each fund is treated akin to a company and is accounted for independently.

What protections do the legal and administrative structures of the funds offer to clients' investments?

Local (South African Funds)

- Investor liability is limited to the extent of their contribution
- Investors may redeem their investment at any time, subject to a notice period (this ensures sufficient liquidity)
- Strict compliance in line with regulated best-practices (AML/FSCA)
- Segregated accounting practices between funds, investors' contributions are distinct from one another.
- Respected and established independent Fund Administrators
- Regular, independent reporting to investors of account statements
- Secure custodianship with institutional grade technology
- Sound investment practices informed by crypto-asset experts

Offshore Funds

- The SPC insulates the liability of one fund from another
- Strict compliance in line with regulated best-practices (AML/FSCA)
- Investors may redeem their investment at any time, subject to a notice period (this ensures sufficient liquidity)
- Segregated accounting practices between funds, investors' contributions are distinct from one another
- PetRock Investments Limited (the 'Manager') is authorised and regulated by the Financial Services Commission (BVI)
- Respected and established independent Fund Administrators
- Regular, independent reporting to investors of account statements
- Secure custodianship with institutional grade technology
- Sound investment practices informed by crypto-asset experts

What is the client's recourse in an unregulated environment like ours?

Investors may enforce their rights in respect of their investment through the contractual agreement (the partnership agreement) they sign. As with any contract, the parties have rights and obligations according to the terms they agree to.

What is the legal status of a client's contribution after they have invested?

After a client invests, their investment is regarded as their contribution to the partnership. They will have a right to that investment and their stake in the partnership – i.e. the growth of their investment. This amount will be detailed in their monthly statements.

Legal status of cryptocurrency held by the Funds on clients' behalf

Cryptocurrency bought by the Funds (the partnerships) is owned in the partnership's capacity, not the clients. Clients will have a right to the underlying crypto-assets to the value of their stake in the partnership.

Disclaimer: All reasonable steps have been taken to ensure the information in this document is accurate. The information provided in this document does not constitute investment, financial or other advice nor does it represent financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act, 2002. Independent professional financial advice should always be sought before making an investment decision. Past performance is not a guide to future returns. The Funds are exposed to counterparty risk which may, in the highly unlikely event of default by any counterparty, result in significant losses. By investing in any of the Funds, you acknowledge that you have read and agree to the terms and conditions of use, privacy policy, and risk disclosure as listed on our website from time to time.

Pet Rock Digital Asset Management (PTY) Ltd (PRDAM) (Registration number 2021 / 667301 / 07), registered at 42 Keerom Street, Cape Town, is the Fund Manager for the Digital Asset funds. PRDAM is an authorised Financial Services Provider (FSP 62636) registered with the Financial Sector Conduct Authority (FSCA). As an authorised FSP, the company and its employees have to act ethically and impartially with due diligence and care in the interests of the clients and the integrity of the financial services industry.

Pet Rock SPC (the 'Fund') is a segregated portfolio company incorporated in terms of the laws of the Cayman Islands with company registration number SE-391893. PetRock Investments Limited (the 'Manager') is authorised and regulated by the Financial Services Commission (BVI) with registration number IBR/AIM/22/0748.