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## **Legal Opinion: FWC TOKEN**

### **Introduction**

This Legal Opinion was prepared upon request of **the QATAR 2022 Crypto Team**, to serve as a legal analysis of the business model, the QATAR 2022 (FWC) and its compliance with the requirements of the Listing Rules for the Trading Venue operated by Exchanges.

The Law Firm is collaborating at any given time with at least twelve (12) relevant Law Firms from all major jurisdictions around the world, exchanging information and updates on the crypto development and the underlying legal domain.

This Opinion is meant to serve as our legal analysis of the FWC Token and conclusions are limited to the matters expressly stated herein, are fully based on information and material provided to us by the QATAR 2022 Crypto Team, and no opinion or conclusion is to be inferred or may be implied beyond the opinions and conclusions expressly set forth herein. This Opinion is written in good faith, and cannot be deemed as guarantee or obligation, or ground of liability of our Law Firm.

For the purposes of issuance of the Opinion we have assumed without further inquiry that all factual circumstances stated in the provided documentation are a true and correct representation of actual circumstances surrounding the company and insofar as such factual circumstances are not or may turn out to be not true and correct, they will have no adverse effect on the opinions stated herein.

We hereby state that our Law Firm is EU based, and the interpretation of law is based on authority for Exchanges incorporated in the United States of America, the European Union and other relevant international areas, as described below.

### **Business description. Key features.**

As a whole concept, QATAR 2022 Qatar 2022 is a project that was created with the aim of bringing football and cryptocurrencies together so that users can enter the world of crypto football.

FWC has been created for the link between football and crypto currency join us to enter the world of crypto football. The Qatar 2022 token team will accompany their users until the end of the World Cup.

The project has become a unique social experiment in which the investors are integrated into the project both from a community and developmental standpoint.

### **The FWC Token**

First of all, what is a FWC Token? FWC is the native crypto utility asset, playing a central role in the QATAR 2022 ecosystem. The native digital cryptographically-secured fungible token of QATAR 2022 (ticker symbol FWC) is a transferable representation of attributed utility functions specified in the protocol/code of FWC, and which is designed to be used as an interoperable utility token inside and outside the platform.

FWC is a self-staking token that had its ownership renounced and given to the community upon its creation. This decentralization of power has allowed FWC to function as a 100% community-driven project with engaged holders and rapid growth on a daily basis.

FWC Token is a functional utility Token which will be used as the medium of exchange between participants on FWC in a decentralized manner. It is basically designed as a currency for QATAR 2022. The goal of introducing FWC Token is to provide a convenient and secure mode of settlement between participants who interact within and outside the ecosystem of FWC. No presale was conducted, allowing for a fair launch.

FWC Token will also provide the economic incentives which will be distributed to encourage users to contribute to and participate in the ecosystem on the FWC platform, thereby creating a mutually beneficial system where every participant is fairly compensated for its efforts. The FWC Token is a utility token that can be used for Staking, and exchanging for other cryptocurrencies.

It is, thus, in the team's intention that the FWC Token will be used a utility asset that can transfer a certain value between holders. Utility Tokens are digital assets that are used to finance the network and incentivize its use by providing the customers with a guarantee of being able to benefit of the full range of the network's services.

### **United States of America**

From a US legal standpoint, the institution of "securities" is being regulated by section 2(a)(1) of the Securities Act of 1933, which defines them as: "...any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement ... investment contract ... or, in general, any interest or instrument commonly known as a 'security', or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing."

In order for us to have a deeper understanding of the issue under debate, we should take into consideration the US Supreme Court case SEC v. Howey, 328 U.S. 293 (1946), which provides further clarifications on determining whether an instrument meets the definition of security, or not. In this Supreme Court case, Howey focuses specifically on the term "investment contract" within the definition of "security". Obviously, not every contract or agreement is an "investment contract".

The Court determined that a contract constitutes an investment contract that meets the definition of "security" if there is:

1. an investment of money;
2. in a common enterprise;
3. with an expectation of profits;
4. solely from the (entrepreneurial or managerial) efforts of others (e.g., a promoter or third party);

The four factors must be met all together, in order to be legally considered "security". Because this Supreme Court Decision is widely considered as fundamental to the determining elements of a "security", we will base our analysis to its conditional factors.

1. Is this an investment? Yes! It is generally accepted that an investment of money may include not only the provision of capital, assets and cash, but also of goods, services or of promissory notes. FWC is being distributed through a fair launch by the issuer FWC to purchasers with a price set per Token, so the first factor is actually met.

2. Is this a common enterprise? A common enterprise is deemed to exist where investors pool funds into an investment and the profits of each Token buyer correlate with those of the other investors. Whether funds are pooled appears to be the key question, and thus in cases where there is no proportional sharing of profits or pooling of funds, a common enterprise may be deemed not to exist. FWC is unlikely to be deemed a "security" at this stage of development, and that is even taking into consideration the fact that the QATAR 2022 platform is fully operational. It is worth noting that in the in case the development model is maintained in the future, the utility status of the Token is likely to be maintained after the platform will further develop new associated services. There is no pooling of funds at this stage for the purpose of investment in the company. Therefore, at this stage of development, FWC is substantially a utility token

consumed to transfer value across the blockchain with a relatively stable value across various exchanges. The second factor is not met.

3. Is there an expectation of profit? In our legal opinion, this factor is irrelevant to the matter, but we will analyze it in respect of the Supreme Court Decision. From an economic point of view, any type of investment is made with an expectation of profit. But just because there is a return on investment or profit, does not mean that the investment contract is a "security". Moreover, the main purpose of FWC is creating a blockchain-based world-cup fan token. So, the expectation of profit is mainly oriented towards another category of economic activities, not on FWC Tokens, which renders somewhat irrelevant the profits from the eventual Token Sale. Even so, this factor is probably met, on a low scale, provided that FWC is purchased by investors with an expectation of capital gain, even though we clearly express the opinion that this factor should not weigh in decisively on the matter.

4. Is there the "solely on the efforts of others" factor met? No! The profit of the platform user always depends on his own actions. As we said, even though there is also an investment in FWC Tokens, the expectation of profits results mainly from the economic activity, not from the volatility of the Tokens. There is no clear party to be determined, whose efforts will influence the profits of the company. So, any such incentives should ideally be derived through their own efforts, rather than through a passive investment. In such a case, the factor is not met.

### **European Union and UK**

From an EU and UK legal standpoint, when we conducted a detailed decomposition and analysis of all online FWC Token business processes, we were unable to detect and identify any process that can be regarded as a relationship between an investor and an Issuer of securities. On the other hand, if we aim to register the issue of securities, we will not be able to prove to the regulator body that Tokens are securities. Moreover, the main Token holders are interested in participating in the trading of transactions, and this is peer-to-peer mainly.

By our opinion, the expertise of FWC Token under the EU securities legislation cannot be applied to FWC Token due to the fact that all business processes and relationships within the platform are classic relationships for service providers and service consumers, all within a blockchain-based platform. There is no contribution to any business venture.

Nowadays, the matters of cryptocurrency turnover and production of digital assets has not special legal regulation. There are neither special laws, nor separate legal Institute or branch of law. Therefore, we cannot qualify a Token as a unique legal essence.

### **Token taxonomy according to ESMA and EBA**

Although not legally binding at a supranational level, it is advisable to refer to the regulatory framework structured on the Advice on Initial Token Offerings and Crypto-Assets of ESMA<sup>4</sup> and the Report with advice for the European Commission on crypto-assets of EBA<sup>5</sup>; both published on 9th January 2019.

Presently, there is no common taxonomy of crypto-assets in use by international standard-setting bodies. However, even if crypto-assets may have different features or serve different functions, a basic taxonomy of crypto-assets generally comprises three main categories of crypto-assets:

**Payment/Exchange/Currency Tokens:** Payment Tokens are Tokens which have no tangible value, except for the expectation they may serve as a means of exchange or payment to pay for goods or in the services that are external to the ecosystem in which they are built. "Stablecoins" are a relatively new form of payment/exchange Token that is typically asset-backed (by physical collateral or crypto-assets) or in the form of an algorithmic "stablecoin".

**Utility Tokens:** Utility Tokens are Tokens which are intended to typically enable access to a specific product or service, often provided using a DLT platform but are not accepted as a means of payment for other products or services.

Investment Tokens: Investment Tokens may represent financial assets, such as a debt or equity claim on the Issuer. Investment Tokens promise, for example, a share in future company earnings or future capital flows. In terms of their economic function, therefore, these Tokens are analogous to financial instruments. However, investment Tokens may also exclusively reflect the ownership rights of an asset, which may not be deemed as a financial instrument. There is a wide variety of crypto-assets, some of which have features spanning more than one of the categories identified above. The individual Token classifications are not mutually exclusive.

We will further analyze the legal qualification of crypto-assets under the European Banking legislation and ESMA's remit (MiFID II), and under the E-Money Act in line with the second Electronic Money Directive (EMD2) and the second Payment Services Directive (PS2). Reflecting on the above, the current perimeter of regulation is such that crypto-assets may, depending on their characteristics, qualify as financial instruments, electronic money, or none of the foregoing.

The definition of a financial instrument is the key element towards determining whether trading services with respect to a Token can be deemed to be regulated in terms of the Banking Act and other relevant laws.

Financial instruments are defined in terms of Section C of the Banking Act as follows:

1. Transferable securities of all classes which are negotiable on the capital market, such as:
  - a) shares in companies and other securities equivalent to shares in companies, partnerships, or other entities, including depository receipts in respect of such securities;
  - b) bonds or other forms of securitized debt, including depository receipts in respect of such securities;
  - c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, or other indices or measures;
2. Money-market instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit, and commercial papers and excluding instruments of payment;
3. Units in undertakings for collective investment in transferable securities, units in investment undertakings, and units in alternative investment funds;
4. Options, futures, swaps, forward rate agreements, and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination events;
6. Options, futures, swaps, and any other derivative contracts relating to commodities that can be physically settled provided that they are traded on a regulated market, a multilateral trading facility, or an organized trading facility, except for wholesale energy products traded on an organized trading facility that must be physically settled;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in point 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences; or
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination events, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, multilateral trading facility, or organized trading facility.
11. Emission allowances, consisting of any units recognized for compliance with the requirements of Emissions Trading legislation.

To round up a conclusion, we can safely iterate the following:

- The market price of the Token does not influence on the company's profit, and the company profit does not influence on the Token market price.
- There are no declarations in Whitepaper promising "Expectation of Profits" to Token buyers. Token holders can receive any income from the Token by their own efforts, or they can also lose the Tokens while trading.
- FWC Token is clearly not greenhouse emission allowances.
- FWC Token does not constitute any sort of debt obligation. For essentially the same reason, a FWC Token is not a bond or other tradable debt obligation.
- FWC Token does not constitute a share because it neither entitles its holder to a dividend nor grants its holder any right to participate in the governance of FWC or of any other company.
- FWC Token is not a subscription right or other tradable right granting the right to acquire securities. A FWC Token simply does not give its holder any option to acquire a bond or a share.
- The Company does not propose to use the monies received from the sale of FWC Tokens for following any defined investment policy for the benefit of the buyers of FWC Token in question and in their common interests: the buyers of FWC Token will not have distributed to them any income earned as a result of operating the platform.

Furthermore, a derivative security comprises a tradable security expressing a right or an obligation to acquire, ex-change or transfer, provided that its value depends, directly or indirectly, on:

1. the exchange or market price of a security;
2. on any interest rate;
3. securities index, other financial index or financial indicator, including the inflation rate, freight rate, emission allowances or other official economic statistics;
4. currency exchange rates;
5. credit risk and other risks, including climatic variables;
6. the exchange or market price of a commodity.

The FWC Token does not represent any of such cases.

While the value of a FWC Token would likely depend on the success of the ecosystem, the content available via that ecosystem does not constitute a commodity. Thus, a FWC Token is neither a derivative security nor a derivative contract.

Electronic money is commonly defined as a digital alternative to cash allowing users to make cashless payment with money stored over the internet with the final aim to facilitate the emergence of innovative electronic money services and encourages effective competition between all market participants.

A Token is to be classified as electronic money if the following conditions are met altogether:

- Is electronically stored;
- Has monetary value;
- Represents a claim on the Issuer;
- Is issued on receipt of funds;
- Is issued for the purpose of making payment transactions;
- Is accepted by persons other than the Issuer.

In our legal view, the FWC Token shall serve as an integral feature of the core processes of the platform, as denoted in the Whitepaper. However, nothing in the Whitepaper provided by the Protocol indicated that FWC Token holders can have a claim against the issuer's assets arising from funds which were initially placed against such issuance of FWC and that such holders can redeem their funds at par value. Therefore, FWC Token falls outside of the scope of the definition of Electronic Money.

Finally, FWC are likewise not depository receipts. A depository receipt is a security that represents ownership of the securities of a foreign issuer and which can be admitted to trading on a regulated market independently of the securities of the foreign issuer. To constitute a depository, receipt a FWC Token would need to represent an ownership of a security. All the functions of a FWC Token are listed above. An instrument fulfilling only those functions does not constitute a security.

## **Conclusion**

1. At this stage of development, the FWC Token is more likely **not** to be deemed a “security” under the US and EU and other international legislation.
2. In the future stages of development, the FWC Token should maintain the utility legal qualification, based on the Company’s business plan and the technical development of the blockchain.
3. We have found no signs of fraud and scam, Ponzi scheme, tort, consumer fraud, known schemes of income laundering and tax evasion.
4. Token buyers do not have any rights to the company’s profit. The FWC Token don't give equal rights to their holders. This fact excludes the identification of the Token as securities.
5. The founders of FWC Token do not possess any ability to effect on the Token price. The market price of Token does not influence on the company’s profit, and the company’s profit does not influence the Token market price.
6. All scenarios of the turnover of the Token is strictly ordered and implemented on the blockchain by smart contracts. No other scenarios are technically feasible. None of the scenarios of utilizing the Token has the signs of securities rights realizing.

Still, we recommend the Company to:

- Avoid granting rights, similar to the rights of shareholders / owners;
- Conduct marketing to avoid giving promises of the FWC Token price growth (but, it is possible to make reasonable predictions of the possible growth of the project itself);
- Conduct regular legal approach for tracking possible updates.



**Disclaimer:**

The above analysis is based on information obtained from a representative of FWC, the team's whitepaper, publicly available information, and the law as it exists as of the date hereof. Considered herein were the U.S. federal and the EU securities laws. We have also analyzed other legislations. No opinion is expressed with regard to any other body of law or legal construct, including without limitation the franchise laws of any other country. No court has addressed the question whether any blockchain-based Tokens are “securities” under U.S. federal law; as such, the SEC or a court of competent jurisdiction may reach an alternative conclusion to that stated in this opinion letter. No warranties or guarantees of any kind as to the future treatment of the FWC Token are being made herein.