

Before The Arbiter for Financial Services MALTA

Case No 048/2022

DG (the 'Complainant')

Vs

Zillion Bits Ltd

Reg No. C88757

(the 'Service Provider' or 'ZBL')

Hearing of 21st December 2023

The Arbiter,

Having seen the complaint filed by the Complainant on 03 May 2022, having seen the reply filed by the Service Provider on 30 May 2022, and having seen the submissions made by both parties, is now proceeding to analyse and adjudge this case in terms of the provisions of Chapter 555 of the Laws of Malta, with particular reference to Article 19(3)(b) of the said Act which stipulates that the Arbiter shall:

“determine and adjudge a complaint by reference to what, in his opinion is fair, equitable and reasonable in the particular circumstances and substantive merits of the case.”

The Complaint

The Complainant explained that he has an account with ZBL and in 2019 had participated in an exchange of the token **ZBX** on the exchange **ZBX.ONE** operated by the Service Provider.

Later, on 08 August 2019, ZBL issued an announcement that they wanted to buy-back the ZBX tokens for destruction. Holders of such tokens were offered a choice of these solutions:

1. ZBX.ONE exchange will repurchase the exchange token ZBX at a unit price of 0.3 USDT¹ with repayments spread in monthly instalments over 12 months.
2. A direct negotiation for one-time settlement according to the subscription price.

All users were requested to deposit tokens through the official website of ZBL within 30 days and tokens not deposited by such date will be considered abandoned.

Complainant claims having chosen solution no. 1 and deposited within the stipulated time 240,325 ZBX tokens. According to the offer, he was entitled to compensation of $240,325 \times 0.3 \text{ USDT} = 72,097.5 \text{ USDT}$.

Accordingly, on 30 September 2019, the first instalment out of twelve amounting to approx. USDT 6008 was received.

Similar instalment payments of USDT were received for the next 3 instalments for October, November and December 2019.

The Complainant explains that for the 5th instalment of January 2020, ZBL violated the agreement it had proposed and had been accepted and forced the Complainant to accept payment in XC tokens for the remaining USDT 48064 still due for the remaining 8 instalments.

¹ USDT is a virtual asset referred to as stable coin linked to the value of the US dollar (USD). The key difference between USD and USDT is that USD is a physical currency that the US government issues and backs, whereas USDT is a digital asset. Instead of the government, it is backed by an equivalent amount of USD that Tether Limited holds in reserve.

*“it violated the previous announcement issued by the ZBX.ONE exchange itself, and violated the contract signed with the user. And in the subsequent eight buy-back, the exchange token (ZBX) that should be exchanged for USDT was forced to be exchanged for XC token (all of the 48063.9 XC-token). At the same time, ZBX.ONE (Zillion Bits Ltd.) has deleted the relevant announcement regarding the buy-back of exchange tokens ZBX and deleted the display of the exchange token ZBX in the ZBX.ONE website”.*²

By way of remedy, the Complainant is seeking compensation for USDT 48063.9 and asks for such compensation to be paid to 2 external (not with ZBL) wallets as he maintains that once ZBL stopped serving the Chinese mainland, he cannot log into his ZBL account.

Reply of the Service Provider

In their reply of 30 May 2022, the Service Provider submitted:

“Zillion Bits Ltd. (‘us’ ‘we’ or ‘the Company’) would like to hereby address and clarify the aforementioned Case that refers to the complaint by Mr DG (‘former Client’).

Please note that the former Client’s claim for compensation for the ZBX token (the ‘Token’) was limited to the amounts previously subscribed to. The Company is not able to verify the source of the articles submitted within the Case, as legitimate, authorised media releases, issued from the Company, however, we can confirm that the repurchase process was for verified subscribers only.

Please note that the former Client only subscribed to 54,013 Tokens at a total cost of 6,830.60 USDT as detailed below:

² Page (p.) 3

Date	Operation	Amt (ZBX)	Buying with	Price	Cost (USDT)	Token balance
17/04/2019	Subscription	39,720	USDT	0.1	3,972	39,720
14/05/2019	Subscription	14,293	USDT	0.2	2,858.6	54,013
	Total	54,013			6,830.60	

The former Client subsequently made 16 deposits and 1 withdrawal for a total aggregated deposit amount of 186,244 Tokens. These deposits were predominantly made after August 8th 2019, the date of the repurchase plan and had not been subscribed for by the former Client.

It is unknown from which sources the former Client would have received these Tokens given that the plan to unwind the Token project had already commenced. It should be noted that the Company does not allow clients to operate for and on behalf of third parties on their account. Despite the fact the former Client had subscribed to 54,013 Tokens only, at a cost of 6,830.60 USDT, the Company repurchased 80,112 Tokens from the former Client for a total amount of 24,033.60 USDT, a 350% return for the former Client.

Please further note that in September 2021, the Chinese authorities banned all virtual currency-related business activities stipulating that these transactions would constitute illegal financial activities.

It is the Company's position that, for the subscriptions made, the former Client has been adequately compensated. Furthermore, any correspondence and activity with the former Client could indeed jeopardise their personal safety and, considering the virtual currency ban, implicate the Company in illegal activity which may be constituted as money laundering, thereby as a subject person, triggering obligations to further assess potentially fraudulent or otherwise reportable suspicious activity.³

³ P. 94 – 95

Hearings

Due to language problems of the Complainant, it was agreed during the sitting of 22 November 2022 that the proceedings will continue through written submissions.

Submissions by Complainant

On 08 December 2022, the Complainant made his submissions addressing the defence raised by the Service Provider in their official reply to the OAFS above referred to.

The Complainant explained that the source of his evidence are announcements made on the ZBX.ONE exchange related to the ZBX token which announcements have been since deleted. However, the technology of Google Snapshots saves web records for a period of time, and these records show that ZBX.COM had included all their social media addresses including Twitter, Facebook, Weibo, English Telegram and Chinese Telegram.

1. Regarding the Service Provider's claim that the announcements were only relative to the amounts originally subscribed and not to amounts acquired on the secondary markets, the Complainant argues that the announcement

*"makes it clear that buybacks are aimed at all users who own zbx-token, not specific groups of people."*⁴

2. Regarding the Service Provider's claim that after the 8th August 2019 announcement of the repurchase plan, the Complainant made 16 deposits and 1 withdrawal for a net of 186,244 tokens deposited beyond the amount of his original subscription of 54,013 tokens, the Complainant submitted:

"ZBX.COM said the buyback began on August 8, 2019. In fact, through the announcement and the account statements⁵ provided by ZBX.COM, we can clearly see that the first repurchase date is September 30, 2019.

⁴ P. 107

⁵ P. 96; 110

August 8, 2019 is only the date of the announcement. Then, ZBX.COM made a new announcement in Sept. 16, 2019. The announcement says that zbx-token recharge and withdrawal will be closed at 14:00 on September 18, 2019. All zbx-token holders are asked to charge into their accounts before this time. And the first phase of zbx -token buyback will begin on September 30, 2019 (Hong Kong time).

The following is the original link (ZBX.COM has deleted this announcement)

<https://zbx.zendesk.com/hc/zh-cn/articles/360033766751>

However, the corresponding information can still be found from the ZBX official Chinese telegram group at that time.⁶ The Internet has memories.”⁷

3. Regarding the Service Provider’s argument that they do not allow for clients to operate for and on behalf of third parties, and that the Complainant had subscribed to only 54.013 tokens at a cost of USDT 6,830.60, and the Service Provider repurchased 80,112 tokens for a total amount of USDT 24033 giving 350% return, the Complainant submitted:

“According to Law Chapter 590 Virtual Financial Assets Act of Malta ... any restrictions on the free transferability of the virtual financial assets being offered and the DLT’s exchange/s on which they may be traded, to the extent known by the issuer ... It means that users are considered to be allowed to transfer assets freely as long as there is no restriction on the free transfer of assets in the whitepaper. Therefore, I am in line with the law and have a basis.”⁸

The Complainant also repeats his arguments that in stopping the buyback programme after the first 4 normal buyback instalments, the Service Provider infringed unilaterally and through abuse the rights of token-holders who had deposited the tokens in terms of the original announcement.

⁶ P. 109, a copy of the said announcement in Chinese with free translation provided by Complainant.

⁷ P. 108

⁸ P. 110

In summary, the Complainant submitted that:

“3. Summary

To sum up, all my claims are reasonable, legal and well-founded. However, ZBX.COM shows the evidence in a dishonest way (I have proved zbx.com wrong above). ZBX.COM does not know the relevant laws of the work he is engaged in, so it is difficult to believe that ZBX.COM will be able to conduct business well and be honest with his customers in the future.

According to Law ‘Chapter 590 – Virtual Financial Assets Act’ of Malta (Part II Initial VFA Offerings – 9), An Issuer shall: (a) conduct its business with honesty and integrity; (b) communicate with his investors in a fair, clear and not misleading manner; (c) conduct its business with due skill, care and diligence; (d) identify and manage any conflict of interest that may arise; (e) have effective arrangements in place for the protection of investors’ funds; (f) have effective administration arrangements; (g) maintain all of its systems and security access protocols to appropriate international standards; and (h) be considered as a subject person.

ZBX.COM treated his clients in a dishonest way, and against the Law ‘Chapter 590 – Virtual Financial Assets Act’ of Malta.”⁹

Submissions by Service Provider

ZBL replied on 06 March 2023 stating:

“Zillion Bits Ltd (‘us’ ‘we’ or ‘ZBL’), would like to hereby address the second submission of evidence we received from the Office of the Arbiter for Financial Services and additionally clarify the aforementioned Case that refers to the complaint by Mr DG.

We would like to stress that the claim for compensation for the ZBX token (the ‘Token’) referred to in the Case was limited to the amounts previously subscribed to by those clients who had legitimately participated in the initial subscription. Mr DG was adequately compensated for his initial subscription of

⁹ P. 111 - 112

54,013 Tokens in accordance with the evidence provided in our letter of 27 May 2022.

No evidence was provided of the way in which Mr DG acquired additional Tokens exceeding his subscribed for amount. The additional Tokens were deposited after the buyback notice hereby confirming that they could not have been part of his initial subscription which has been evidenced in our letter of 27 May 2022, and moreover, the ownership or entitlement to those additional Tokens cannot be ascertained given that there is no evidence of an arm's length acquisition of the additional Tokens.

In Part 1 of Section 2 of his response, Mr DG describes a situation where a user ('user B') might be compensated for Tokens transferred to him/her by another user ('user A') hereby declaring an operation that falls outside the Company's commitments to repurchase the Tokens. In addition, we have legitimate grounds to suspect that in this scenario Mr DG is acting for and on behalf of other persons which constitutes a breach of ZBL's Terms of Business, namely, section 3.1 and section 10.1. Kindly find attached as Annex 1 a screenshot of the Client Declaration that was to be accepted by all subscribers at the account opening stage. With this, all customers declared that any asset deposited with ZBX was their own and that they did not act for and on behalf of a third party."¹⁰

Cross-examination by Service Provider

The Service Provider posed the following cross-examination questions to the Complainant:

- 1. "Are you acting for yourself or on behalf of other people?"**
- 2. You subscribed to 54,013 ZBX Tokens – why did you acquire more after the buyback announcement?"**
- 3. Can you show proof of ownership through payment for the assets deposited at ZBL?"¹¹**

¹⁰ P. 119 - 120

¹¹ P. 125

In reply, the Complainant submitted:

1. ***“I am acting for myself and only on my own behalf, not on behalf of any third party.***
2. ***From the first subscription of zbx.com (2019.04.17) to the announcement of repurchase (2019.08.08), a total of three subscriptions were conducted. The prices are 0.1usdt, 0.2usdt and 0.4usdt respectively. In the middle of nearly 4 months, because zbx-token could not be online for a long time, many users began to lose confidence and patience for the ZBL platform. When ZBL announced the buyback plan, it was learned that the duration of Plan 1 would take another year. At this point, there are many different voices in the market. Many users no longer trust ZBL or don't have the patience to wait a year. I have always trusted the ZBL, and I am willing to spend a year following Plan 1 to buy back. At the same time, it is clearly shown in the buyback announcement that the buyback users are all users who hold zbx-token. Based on the above information, I conducted voluntarily, fair and reasonable transactions with other users holding zbx-token under the supervision and witness of a mutually trusted third party user. From the moment the transaction with another user ends, ownership of the zbx-token is mine. Therefore, buyback users should include me who hold zbx-token.***
3. ***Below I will present my fair purchase information and transaction process in detail.***

In order to clearly demonstrate that each transaction is fair, the buyer and seller invite a mutually trusted intermediary guarantor to ensure that the transaction goes smoothly and fairly. The guarantor is Ms Miao.

The transaction process:

I negotiated a price with the seller

Both parties confirm the transaction and notify the guarantor, Ms Miao

To start trading, I transferred RMB to the guarantor, Ms Miao

The guarantor, Ms Miao, confirms the payment and informs the seller of the successful payment

The seller transferred zbx-token to my account

After confirming receipt of the seller's zbx-token, I notify the guarantor, Ms Miao

The guarantor, Ms Miao, transfers RMB to the seller

Seller confirms receipt of RMB transfer

Transaction ends

When there was no exchange that could trade zbx-token, this was already the fairest and most widely used way of trading at the time.¹²

The Complainant attached what purports to be various screen shots in Chinese¹³ in evidence of the trading on an unofficial secondary market.

Cross-examination by Complainant

The Complainant submitted the following questions for cross-examining the Service Provider on the evidence given:

“Question 1:

In his reply dated May 27, 2022, ZBL mentioned: ‘The Client’s claim for compensation for the ZBX token was limited to the amounts previously subscribed to. In fact, there was no such restriction at the time of the announcement. And in its announcement of the buyback in 2019, it is clearly shown that the object of the buyback is all users who hold zbx-token. May I ask why ZBL does not follow the announcement?’

Question 2:

ZBL announced two solutions in its August 8, 2019 buyback announcement. The first option is to repurchase at a unified price of 0.3usdt per unit for 12 months. In fact, the first and second subscription prices for zbx-token are 0.1usdt and 0.2usdt respectively. However, the user’s choice of the first buyback option means that ZBL will pay the user at the price of 0.3usdt per ZBX-Token. Is it because the price is too high and stop the compensation to the

¹² P. 132

¹³ P. 133 - 150

user? Why not calculate whether the exchange can afford it before issuing the buyback announcement?

Question 3:

The buyback announcement requires users to transfer the zbx-token into their account in accordance with the time specified by ZBL. The time of the ZBL made announcement is August 8, 2019, and the period is 1 month. Subsequently, updated on 16 September 2019, it said it closed zbx-token deposits and withdrawals on September 18, 2019, and began the first zbx-token buyback on September 30, 2019. So, the first repurchase of the zbx-token was on September 30, 2019. It can be seen that the deadline set by ZBL is September 18, 2019. Why did ZBL incorrectly state the buyback date as August 8, 2019 in its May 27, 2022 reply?

Question 4:

From the public offering of the first zbx-token to the announcement of the repurchase of the zbx-token, as well as the zbx-token White Paper, does ZBL explicitly prohibit private, fair and reasonable transactions between users? (It's not traded on exchange). If so, please submit proof of authenticity.

Question 5:

Why did ZBL delete the relevant buyback announcement before it completed the repurchase of user zbx-token? To destroy evidence to avoid payment?

Question 6:

Xc-token is the exchange token of www.x.plus. (<https://www.x.plus/coinDetail/xc#>).

And www.x.plus is an illegal exchange that operates without any global regulation. Why does ZBL force me to exchange my zbx-token into xc-token? Why exchange my virtual assets for an illegal exchange token?

Question 7:

What is the relationship between ZBL and the unregulated, illegal exchange www.x.plus?¹⁴

ZBL replied as follows:

'Question 1:

We would like to stress that, per the announcement of compensation for the ZBX token published in official ZBX communication channels, the repurchase was limited to the amounts previously subscribed to by those clients who had legitimately participated in the initial subscription.

Question 2:

These considerations relate to the business decisions of ZBL and do not relate to the substance of the claim.

Question 3:

The emphasis of the statement in ZBL's letter of 27th May 2022 is to be placed on the fact that the deposits were not related to the initial subscription of Mr DG. After August 8th, 2019 no new subscriptions for the ZBX token could be made.

Question 4:

ZBX only allows customers to invest their own funds and prohibits customers from acting for and on behalf of third parties. As at today, no evidence has been provided on the way in which Mr DG acquired ZBX tokens in excess of the initially subscribed amount, no evidence is available of an arm's length acquisition of those tokens.

Therefore, we have legitimate grounds to suspect that Mr DG is acting for and on behalf of other persons which constitutes a breach of ZBL's Terms of Business, namely, section 3.1 and section 10.1.

¹⁴ P. 127 - 128

Question 5:

Please note that ZBX fulfilled its obligations by repurchasing ZBX tokens subscribed for by Mr DG. Please further note that Mr DG made a profit from this buyback.

Question 6:

Mr DG was effectively compensated in USDT for the ZBX tokens he had initially subscribed for.

Question 7:

There is no relationship between ZBL and www.x.plus.”¹⁵

Final submissions

In the final submissions by Complainant, he repeated his claims about ZBL not honouring their commitment to redeem all his deposited ZBX tokens in USDT and demands compensation for the missed 8 instalments amounting to USDT 48063.9

He again refutes the argument that the buyback was available only to the original subscribers and not to holders who acquired same on the secondary market and reiterates that the White Paper never made such restriction, and that the announcement for buyback was for all holders and not restrictedly for original subscribers. He consequently maintained that:

“I participated in ZBL’s zbx -token public offering, and after ZBL released the buyback announcement, I carried out some actions according to the buyback requirements in the announcement. Made voluntary, fair, and reasonable transactions with other users holding zbx-token prior to the buyback date ... all ZBX-tokens on the market were originally sold by ZBL.”¹⁶

¹⁵ P. 153 - 154

¹⁶ P. 156

He further made the following statements:

- i. That ZBL conducted three token public offerings on their official website without obtaining regulatory permission and published unregistered white papers. Subsequently, under supervision of the MFSA (Maltese regulator), a buyback arrangement was launched on August 08, 2019.
- ii. That between January 2020 and August 2020, ZBL made forcible exchanges of ZBX tokens into illegal XC-tokens which transactions were not reported in the Account statement submitted to OAFS by the Service Provider¹⁷ but were evident in the transaction history submitted with the complaint.¹⁸ He claimed that ZBL hid evidence to evade regulatory penalties.

In the final submissions of the Service Provider, they state:

“ZBL affirms that the intended purpose of the buyback was for those clients that legitimately subscribed to the token, and only for a period of 30 days after the buyback announcement. Again, we reiterate that the Complainant was more than adequately compensated for his subscription amount.

The actions of the Complainant post buyback announcement seem to indicate a dishonest and somewhat predatory nature to profit from ZBL and an unsuspecting community of investors.

Moreover, as evidenced by the Complainant, it is not possible to show that the assets held on account were legitimately acquired through arm’s length transactions, nor can the Complainant verify the legitimacy of the funds, if any funds were used, during the acquisition. The Complainant has not provided any credible nor verifiable evidence that the tokens were legitimately purchased, therein the ownership to the Tokens remains unconfirmed and deemed to belong to 3rd parties.

¹⁷ P.96

¹⁸ P. 12

As such ZBL cannot legally conduct business with the Complainant as per our terms of business, the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta), its subsidiary legislation and the Malta Financial Intelligence Analysis Unit ('FIAU') Implementing Procedures that require confirming the source of wealth and the source of funds used in clients' transactions as well as ensuring that a client does not carry out transactions on behalf of other persons.

Note that the ZBL Terms of Business are the rules set for company operations and can be as strict as the Company requires, exceeding the minimum provisions of the VFA act, whilst remaining compliant to the VFA Act.

Furthermore, non-Chinese Crypto Operators are prohibited from conducting business in mainland China and at such time it would be a breach of Maltese law and Chinese law to engage with Mainland China residents.

Note that in preparation to wind down any business activities with mainland China residents, ZBL allowed adequate time for clients to the transfer out their assets providing an option to transfer on our website. This was not forced. These actions were in good faith and in the interest of clients wishing to continue their trading activities.

We believe that the Complainant has volunteered into evidence, activities that are prohibited at ZBL. ZBL cannot be held responsible for the Complainant's actions post buyback announcement and those in contravention of our Terms of Business.

It is the Company's position that, for the subscriptions made, the former Client has been adequately compensated. Furthermore, considering the virtual currency ban, any correspondence and activity with the Complainant could indeed jeopardize their personal legal standing and implicate the Company in illegal activity which may be constituted as providing illegal financial services and money laundering, thereby as a subject person in terms of Maltese AML/CFT regulatory requirements,

triggering obligations to further assess potentially fraudulent or otherwise reportable suspicious activity.”¹⁹

Analysis and Consideration

Having considered the Complaint, the reply of the Service Provider and the various submissions made by both parties, the Arbiter has to decide on these opposing positions:

1. Whether the buyback offer was open to all holders of ZBX tokens or only to holders that had originally subscribed them at issue.
2. Whether the tokens deposited that were acquired by Complainant on secondary market actually belonged to him or he was fronting for their true owners.

To gain more clarity on the above, the Arbiter tried to access, without success, a copy of the original White Paper covering the issue of ZBX tokens and a copy of the buyback announcements.

The Arbiter finds it very suspicious that in their defence, the Service Provider did not provide such White Paper or buyback announcements to prove their case that the buyback was being offered only to original subscribers.

The Service Provider even failed in any way to explain or deny that they had offered to exchange the tokens USDT but eventually switched to XC-tokens which are obviously much less valuable than USDT.

Such evidence should be within easy access of the Service Provider, their issuer. On the other hand, the Complainant made considerable effort to procure evidence of such documentation by accessing past internet records even though these are no longer freely accessible on Service Provider’s website.

Such documents are in Chinese language with free translations provided by the Complainant. Even though these documents do not constitute unquestionable evidence, the absence of any rebuttal from the Service Provider by providing evidence to the contrary makes the case of the Complainant more credible.

¹⁹ P. 163 - 164

This also taking into consideration the following aspects:

1. No case has been made that the tokens deposited by the Complainant, over and above those of his original subscription, were not original tokens for which ZBL gained value at the issue stage. Consequently, it seems irrelevant to the Arbiter, in the absence of evidence of conditions to the contrary included in the White Paper or the Announcement of the buyback, whether these were presented for redemption by the original subscribers or by a holder who validly acquired them through genuine trading on the secondary market.
2. ZBL seemed to be making rules for redemption on the trot. If it is true that the redemption offer was only valid for original subscribers, then there arises the question as to why they accepted the deposit and paid 4 out of 12 instalments on the total amount deposited by the Complainant and not only on the element covered by his initial subscription.
3. ZBL made no defence on the accusation that after the 4th redemption instalment they switched their redemption funding from USDT to XC tokens. What is evident even from the statement submitted by the Service Provider themselves²⁰ is that the buyback instalments continued between January 2020 and August 2020 (8 instalments). Accordingly, one asks: if the redemption was only valid for original subscribers why did the redemption programme related to the Complainant continue through using XC tokens rather than USDT as originally offered?

Ultimately, the defence made by ZBX focuses on:

- a. The Complainant has made a profit of 350% on his original investment at the subscription stage and he should be happy with what he made rather than pursue his case for the promised redemption in USDT for the last 8 instalments (redeemed in XC tokens for which there is no evidence of value in the statements of account).²¹

²⁰ P. 96

²¹ P. 95

- b. The Complainant's behaviour indicates a dishonest and somewhat predatory nature to profit from ZBL and an unsuspecting community of investors.²²
- c. As from September 2021, Chinese authorities banned all virtual currency business activities.²³
- d. That in the absence of source of wealth and source of funds evidence, the Service Provider would be in breach of the Prevention of Money Laundering Act (Chapter 373) and Implementing Procedures issued by the FIAU if they meet the request for compensation pretended.²⁴

The Arbitrator considers defence as per point (a) above as irrelevant. The question is not how much profit the Complainant made on his original subscription but on whether he has rights on the promised redemption of the tokens deposited.

As regards defence (b), suspicion is no proof and, if anything, the Complainant submitted evidence of organised, even if unofficial, secondary market trading with good explanation for the motivation of original investors to sell on the secondary market rather than accept the offer of ZBL.

Events leading to this Complaint have further proven the risk faced by original subscribers in accepting ZBL's direct redemption offer with instalments spread over 12 months, rather than trade them for prompt payment on the secondary market.

On the other hand, it is ZBL that stands to gain at the expense of unsuspecting community of investors if tokens are cancelled without offering the promised buyback compensation.

As to defence (c), if the buyback redemption payments had been completed on time by August 2020, this issue would not have arisen. Consequently, the Complainant should not suffer the consequences of the Service Provider's failure to honour commitments.

²² P. 163

²³ P. 95

²⁴ P. 163

As to defence (d), the Arbiter has no brief or expertise in determining issues related to AML/CFT obligations. If the Service Provider had any such issues, they should have made the necessary representations with the relevant authorities for further investigation.

However, this would not exempt the Service Provider from honouring their obligations. If they have such AML/CFT suspicions, they should have got directions from the Financial Intelligence Analysis Unit (FIAU) and block the funds until such issues are cleared. But AML/CFT issues cannot be used for convenience to avoid honouring one's obligations as seems to be the reality in this case.

Decision

For reasons explained above, the Arbiter finds this Complaint to be fair and reasonable and is upholding it, hereby ordering the Service Provider to pay in USD fiat currency the equivalent of USDT 48063.9 to a named account in name of the Complainant.

The Arbiter does not accept the request of the Complainant for this compensation to be paid in virtual assets to anonymised virtual wallets. It is up to the Complainant to make arrangements to have a proper fiat currency account in his name to which the compensation can be transferred.

Given the circumstances of this case, no interest will accrue on the payment until it is made. Costs of this case are to be borne by the Service Provider.

The Arbiter is sending a copy of this decision to the MFSA for their consideration, as the regulatory body responsible for conduct supervision of licensed institutions, on allegations made by the Complainant that:

- a. That ZBL conducted three token public offerings on their official website without obtaining regulatory permission and published unregistered white papers. Subsequently, under supervision of the MFSA (Maltese regulator) a buyback arrangement was launched on August 08, 2019.

- b. That between January 2020 and August 2020, ZBL made forcible exchanges of ZBX tokens into illegal XC-tokens which transactions were not reported in the Account Statement submitted to OAFS by the Service Provider²⁵ but were evident in the transaction history submitted with the Complaint,²⁶ claiming that ZBL hid evidence to evade regulatory penalties.

Alfred Mifsud
Arbiter for Financial Services

²⁵ P. 96

²⁶ P. 12