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To:	James Asset (PTC) Limited
Date:	23 March 2023
Subject:	Legal structure for assets held on trust for the holders of DAI

Introduction and Reliance

This memorandum contains information relating to the holding structure for USDC 1,250,000,000.00 of assets held on trust for the holders of DAI. It is provided on a strictly non-reliance basis. You may disclose this memorandum to third parties but only on the basis that they shall not have reliance on its contents. By accessing this memorandum you acknowledge and agree that we do not owe any duty to you whatsoever or any other person in relation to its subject matter.

We are advising Monetalis Services Limited as to matters of English law. This is a high-level summary of certain legal matters in other jurisdictions.

Executive Summary

- James Asset (PTC) Limited (the “**Trustee**”) is a private trust company incorporated in the British Virgin Islands (“**BVI**”). It is an independent company with its shares held on trust for charitable purposes.
- The Trustee has established and will establish certain trusts under the laws of the British Virgin Islands to hold assets on trust for the holders from time to time of the stablecoin DAI (the “**Beneficiaries**”).
- The trusts are documented pursuant to deed polls which set out the limited purposes of the trust and their rules of operation.
- Assets held on trust do not form part of the bankruptcy estate of the Trustee.
- The Trustee establishes a custody account for each trust which holds the assets which comprise the property of that trust.
- Each trust is funded with DAI issued by a vault (the “**James Asset Vault**”). The DAI is converted directly or indirectly to USD. The USD is held in the applicable custody account until it is applied to purchase the relevant assets approved in the relevant MakerDAO resolution.
- The Trustee receives services from and is monitored by certain service providers being Fiduciary Group Limited acting as Administrator and Monetalis Services Limited acting as Reporting Agent.

Background

- DAI generated by the James Asset Vault becomes property of the Trustee and is immediately settled into the relevant trust and held on trust for the Beneficiaries.
- USDC 500,000.00 was transferred to the Trustee to be held on trust for the Beneficiaries under “**James Asset Trust 1**” and USDC 750,000,000 is to be held on trust for the Beneficiaries under “**James Asset Trust 2**” (James Asset Trust 1 and James Asset Trust 2 each a “**Trust**” and together the “**Trusts**”).
- The Trustee shall convert the DAI to the applicable cryptocurrency and/or fiat currency and acquire assets in accordance with the relevant restrictions set out in a MakerDAO Resolution pursuant to the governance protocols of the MakerDAO (the “**Assets**”). Such assets, any distributions or sale proceeds therefrom and any related contractual rights are to be held within the Trusts.
- The Trustee will pay the proceeds of the Assets (less costs), after converting them to a relevant cryptocurrency, to the James Asset Vault and/or the Surplus Buffer for the purpose of maintaining the general value stability of DAI.

Trust Structure

- Each Trust is created by way of a deed poll (a “**Declaration of Trust**”) governed by the laws of the BVI and executed by the Trustee.
- The effect of the Assets being held on trust is that they are owned beneficially for the Beneficiaries and no longer form part of the estate of the Trustee or settlor.
- The Trustee holds Assets in separate trusts to seek to limit the value of the assets which any given third party creditor (such as a service provider) could allege they had a claim on.
- The rules of each Trust are set out in the relevant Declaration of Trust. The key principles are that the actions that can be undertaken with respect to the Assets are strictly limited to:
 - acquiring, holding and disposing of Assets
 - paying the proceeds of such Assets to the James Asset Vault and/or Surplus Buffer for the purpose of maintaining the general value stability of DAI; and
 - appointing service providers relating to such Assets.
- Each Declaration of Trust specifies that the holders of MKR determine governance decisions via the MKR voting mechanism.
- Day to day running of the Trusts will be conducted by the Trustee in conjunction with service providers who will establish and run accounts with one or more cryptocurrency exchanges and a custodian/account bank for it.
- The shares of the Trustee are in turn held on trust by SHRM Trustees (BVI) Limited for the purpose of promoting and maintaining the Trustee (the “**Share Trust**”), until the Share Trust is terminated, when the shares are held on trust for charitable purposes.

- The Share Trust is constituted by a share trust settlement executed by SHRM Trustees (BVI) Limited, as the original trustee, and Belvaux Management Limited, as the enforcer for the purposes of applicable BVI law. The role of the enforcer can generally be described as to ensure that a trust is managed in accordance with the trust instrument.

We have included a diagram in the Appendix to illustrate these relationships.

Note on the Use of Trusts

Trusts are used in certain common law jurisdictions because they provide a flexible means of holding assets for multiple beneficiaries in accordance with trust law and the instrument creating the trust. Trust assets sit outside the bankruptcy estate of the trustee. The interests of the beneficiaries are protected by long established legal principles which can be enhanced through the trust instrument.

Oversight and Supervision

- Fiduciary Group Limited acts as Administrator of the Trusts. It is regulated by the British Virgin Islands Financial Services Commission. Its role is to confirm that transactions carried out for the Trusts are consistent with the applicable resolutions and, that being the case, to approve such transactions.
- Monetalis Services Limited carries out certain reporting and auditing services including monthly reconciliations and portfolio analysis and annual audits.

Appendix

