

Regulation Best Interest Disclosure Statement

What is this Disclosure Statement?

This Regulation Best Interest Disclosure Statement (the "**Disclosure Statement**") is an informational document that Hiive Markets Limited ("**Hiive**", "**we**", or "**us**") is providing to disclose the material facts relating to the scope and terms of the brokerage services we offer, as well as the conflicts of interest that may arise with our retail customers when we make recommendations.

While Hiive facilitates transactions in private company securities, it typically does not make recommendations to customers. Hiive cannot help customers decide what to invest in, or how much to invest. It is entirely up to our customers to make their own investment decisions. In the infrequent instances that Hiive makes a recommendation to a customer, the contents of this Disclosure Statement will apply.

Hiive's customers should review this information, along with all agreements and disclosure documents Hiive has provided and made available, which include our: [Form CRS](#), [Relationship Disclosure \(Canada\)](#), and our [Disclaimers and Disclosures](#).

We will make periodic updates to this Disclosure Statement.

What is Regulation Best Interest ("Reg BI")?

Reg BI went into effect on June 30, 2020. It is a rule issued by the SEC that requires all broker-dealer firms that provide recommendations to retail investors to act in the investors' best interests. Broker-dealer firms may not place the financial or other interests of the broker-dealer ahead of the interests of their retail customers.

The Reg BI rule also requires broker-dealers to identify and disclose potential conflicts of interest and financial incentives the broker-dealer may have in making these types of recommendations.

The goals of Reg BI are to empower customers by making the relationship between the broker-dealer and customer more transparent and understandable and by ensuring that any conflicts of interest between the broker-dealer and customer are eliminated or mitigated, to the extent possible.

Who is considered a retail customer, according to Reg BI?

Reg BI defines a "retail customer" as a natural person, or the legal representative of such natural person, who

- receives a recommendation of any securities transaction or investment strategy involving securities from a broker-dealer, or a natural person who is an associated person of a broker-dealer, and
- uses the recommendation primarily for personal, family, or household purposes.



Who We Are

Hiive Markets Limited is a broker-dealer who is registered with the U.S. Securities and Exchange Commission ("**SEC**"), and a member of the Financial Industry Regulatory Authority ("**FINRA**") and the Securities Investor Protection Corporation ("**SIPC**") and operates a SEC-registered Alternative Trading System. Hiive is also an Exempt Market Dealer registered with the Ontario Securities Commission ("**OSC**") and the British Columbia Securities Commission ("**BCSC**"). As such, Hiive is subject to various laws and regulations, including the Securities Act 1933, as amended, the Securities Exchange Act of 1934, as amended, and the rules of the SEC, FINRA, OSC and the BCSC. Hiive has a duty to comply with the obligations of Regulations BI to act in the "best interests" of customers when making recommendations relating to securities.

What services we provide and risks to be aware of

Hiive offers certain limited brokerage services to retail investors, specifically by (i) facilitating the resale of private unregistered securities of non-reporting issuers ("**Issuers**"), including through Hiive's online trading platform at app.hiive.com (the "**Platform**"); and (ii) facilitating membership interests in private funds organized by Hiive affiliates or third parties. The latter investments typically involve these private funds holding the securities of the Issuer or securities of another private fund which holds securities of the Issuer, and the fund investors holding an interest in or units of the fund.

Customers must be, at minimum, "accredited investors" to purchase private company securities. There is no accreditation requirement if customers are selling private company securities.

We do not provide investment services. We do not carry any customer accounts or hold customer funds or securities.

Not all private companies will "go public" or "IPO" or be acquired, and not all IPOs or acquisitions will result in successful investments for our customers. Investments through Hiive are highly speculative and involve a high degree of risk. Therefore, only customers who are willing and able to bear the risk of loss and can accept a lack of liquidity for an indefinite period of time, and are prepared to withstand a total loss of investment, should enter into transactions facilitated by Hiive. Neither the SEC nor any other federal or state securities commission have approved any investments that Hiive facilitates.

As there is no guarantee that customers will meet their investment goals, or that any recommendation will perform as anticipated, customers should conduct their own due diligence on transactions they intend to enter into and are encouraged to consult with a financial advisor, attorney, accountant, and any other professional that can help the customer to understand and assess the risks associated with any investment opportunity.

When Hiive and its registered personnel make recommendations to customers, we evaluate the customers' needs based on the information the customers provide to us and recommend products that we reasonably believe are in the customers' best interests based on the information provided to us. Once an initial recommendation is made, neither Hiive nor its representatives monitor customers' investment on an ongoing basis.

Four components of “Best Interest”

The SEC has determined that the “best interests” of retail customers are comprised of four obligations:

1. disclosure obligation;
2. care obligation;
3. conflict of interest obligations, and
4. compliance obligation.

Disclosure obligation: We make full and fair disclosure to customers, in writing, prior to or at the time of a recommendation, of all material facts relating to:

- the scope and terms of the Hiive–customer relationship;
- the costs that apply to a transaction;
- if a recommendation is made, any limitations disclosed by Hiive or its associated persons; and if a recommendation is made, any conflicts of interest associated with the transaction, such as those related to compensation arrangements.

Care obligation: We exercise reasonable diligence, care and skill when making a recommendation to a customer, including:

- understanding the potential risks, rewards, and costs associated with a recommendation and having a reasonable basis to believe that when a recommendation is made, it is in the best interests of customers generally, even if it may not necessarily be appropriate for a customer in particular;
- in addition, having a reasonable basis to believe that when a recommendation is made, it is in a customer’s particular best interests based on that customer’s investment profile and that the potential risks, rewards and costs associated with the transaction do not place the financial or other interests of Hiive ahead of the customer. The customer’s investment profile includes the customer’s investment horizon, level of investing knowledge, risk tolerance, and immediate liquid net worth, and any other information that the customer may disclose to Hiive in connection with the transaction. *However, it is the customer’s responsibility to provide Hiive with complete and current information regarding the customer’s personal and financial situation;*
- having a reasonable basis to believe that, when a series of recommended transactions are made, even if in the customer’s best interests when viewed in isolation, are not excessive, are in the customer’s best interests when taken together considering the customer’s investment profile, and do not place Hiive’s interests ahead of the customer’s; and
- considering alternative investments before making recommendations to customers.

Conflict of interest obligation: We have established, maintained, and enforce written policies and procedures reasonably designed to:

- identify and disclose, mitigate or eliminate conflicts of interest associated with recommendations, when one is made, that places Hiive’s interests ahead of the customer’s; Hiive has created policies and procedures designed to disclose and mitigate such conflicts;
- identify and disclose any material limitations that apply to the product or service being recommended, such as what investments Hiive is licensed to recommend, and prevent those limitations from causing Hiive to suggest an investment that places Hiive’s interests ahead of a customer’s;

- identify and eliminate any sales contests, quotas, bonuses, and non-cash compensation that are based on recommending specific securities or specific types of securities within a limited period of time.

Compliance obligation: We have established, maintained and enforce written policies and procedures reasonably designed to:

- prevent violations of Regulation BI from occurring;
- detect violations of Regulation BI that have occurred; and
- correct promptly any violations of Regulation BI that have occurred.

This Disclosure Statement, the terms and conditions in the Customer Agreement customers will enter or have entered into with us, should customers choose to have Hiive facilitate their transaction, our suitability assessment program, our written policies and procedures, and internal staff training program are all specifically disclosed to customers and implemented in order to satisfy all four "best interest" obligations. If customers have any questions about this Disclosure Statement or their relationship with Hiive, customers should contact Hiive's Chief Compliance Officer at compliance@hiive.com.

Fees and costs

Hiive does not charge any fees when customers sign up to or use the Hiive platform or access the information, data and resources therein. Hiive charges transaction fees when there is a successful (closed) transaction. These fees include a minimum fixed dollar amount, as well as a commission, or percentage-based fee, that is calculated based on the size of the completed transaction.

The fees that customers will pay to Hiive for Hiive's services will range from approximately 2% to 5% of the total dollar amount of the securities bought or sold in the transaction. The exact amount depends on the total size of the transaction and may also depend on the nature of the services Hiive provides with respect to it.

Customers will pay fees and costs whether customers make or lose money on their investments. Fees and costs will reduce the amount of money customers make on their investments over time. Customers may also pay additional fees to the issuer, such as legal opinions, transfer fees, or escrow. Some third party funds may also charge "management fees" or "carried interest" (generally, a percentage of profit) over the life of the fund, but these are fees paid to the fund or its organizer/sponsor/advisor, and not to Hiive. Customers should ensure they understand what fees and costs they are paying.

Conflicts of Interest

Hiive has established policies and procedures designed to identify, disclose, manage and, where necessary, avoid material conflicts of interest in relation to our business, our customers, and third parties. This includes actual, potential and perceived material conflicts of interest.

Below are potential material conflicts of interest that may arise as a normal part of doing business with us, how they might affect customers, and, where possible, how we intend to address them in our customers' best interests. We are required to avoid any material conflict of interest between our customers and us where the conflict cannot otherwise be addressed in our customers' best interests.

- **Compensation and fees.** Hiive earns fees for transactions that customers may enter into. Generally speaking, the more customers use our platform and services, and the more investing activities that customers undertake, the more fees that we will earn. This may give rise to the perception that, when providing services to customers, we will favour our business interests. We address this by being transparent about our fees, and by clearly informing customers of the applicable fee before they enter into or complete a transaction. Also, Hiive only facilitates transactions; it does not typically recommend that customers enter into them and it does not enter into them on behalf of customers.
- **Employee compensation.** Some of Hiive's employees are compensated with both base salary and bonuses or other incentive-based compensation that increases with the volume and size of transactions completed by customers they work with. We address this conflict by using a comprehensive approach to compensation. Also, we cannot and do not provide recommendations or advice solely for the purpose of generating revenue for us without a benefit to our customers.
- **Employee outside business activities.** Some of our employees may engage in approved outside business activities, for which they may receive compensation. This may give rise to the perception that these activities influence an employee's professional dealings with a customer. We address this through internal policies and procedures that are reasonably designed to ensure that, prior to engaging in an outside business activity, employees disclose and obtain approval from Hiive. Outside business activities that give rise to a material conflict of interest are not permitted.
- **Employee gifts and entertainment.** Some of our employees may give or receive gifts or entertainment from customers, third parties, or other employees. This may give rise to the perception that these inappropriately influence an employee's professional dealings with a customer. We address this through policies and procedures that are reasonably designed to ensure that gifts or entertainment are limited, are in accordance with applicable law and regulation, and are provided merely to foster and maintain a business relationship and not to influence.
- **Referral arrangements.** We may enter into an arrangement where we receive or pay a referral fee to a broker, exempt market dealer or other finder involved in a transaction, or receive or pay a referral fee for referring a customer. This may give rise to the perception that our interests are divergent from our customers in receiving or providing this referral. We address this by requiring the types of referral arrangements to be approved by our Chief Compliance Officer, and where there could be the perception of a conflict, by disclosing to customers the terms of any referral before it takes place.