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Legal Opinion

T O SDKB Co., Ltd.

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SUBJECT Legal Opinion on ENTERBUTTON Token(ENTC)

1. Regarding ENTERBUTTON Token(ENTC), we express the legal opinion as attached. The scope of this opinion memorandum is limited to the query set out in the documents the Company(SDKB Co., Ltd.) provided. This opinion memorandum is addressed to the Company for its benefit only.
2. The opinions set out in the attached opinion memorandum are not legally binding, and rendered as of the data hereof and are only expression of our understanding of the issues based on current Korean legislation, which is subject to change. We do not undertake to advise you of any charges set out in this opinion memorandum from matters that may hereafter arise or to revise or supplement such opinions should the present laws of any jurisdiction be changed by legislative action, judicial decision or otherwise.



- attached document : Legal Opinion on ENTERBUTTON Token(ENTC)

2021. 11.

Hanil Law Corporation

Attorney in charge Go-eop Lee

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Attorney in charge Ho-seong Jo





Legal Review

Title : Legal Review on ENTERBUTTON Token (ENTC)

[1] ENTERBUTTON Token (ENTC)

ENTERBUTTON Token (hereafter referred to as “ENTC”) is a token (otherwise referred to as a coin, virtual currency, cryptocurrency, virtual asset, etc.) issued on the basis of ERC-20, the Ethereum platform.

It is designed to function as the common “means” within the ecosystem of the project planned by the issuer, which encompasses all the activity that uses, directly or indirectly, the project or ENTC. These means range from simple uses, such as storing value within the ecosystem, to complex and diverse uses, such as buying, selling and leasing luxury assets and trading NFTs (non-fungible tokens).

Here, “means” refers to a kind of “use-case” for which ENTC is used within the project, and “use-case” refers to that which the token holder seeks to obtain or the reasoning by which the holder validates and assesses the value increase thereof.

[2] Current State of Virtual Assets

There are numerous virtual assets around the world, both large and small, of which about 10,000 are known. Controversy has not ceased since their first appearance, as individuals and organizations have issued virtual assets claiming their own ecosystems. As of 2021, however, there are tens of millions of holders or users of virtual assets, and those ecosystems are in the process of being broadly recognized. In one indication of this, just as Tesla CEO Elon Musk began to draw and boost attention to virtual assets, the Bitcoin ETF was approved in the U. S. and has begun to be recognized as an “investment asset.”

Additionally, institutions and funds in each country also manage portfolios of virtual assets, and so the day has come that they cannot be regarded as a simple “means of speculation.”

On January 2021, the South Korean government announced an amendment to the enforcement ordinance to act as a guideline for taxing income on virtual assets, which implies that virtual assets will eventually be recognized as “assets” as such. Meanwhile, both the ruling and opposition parties are proposing a bill to suspend the January 2022 amendment,



which would impose an income tax on virtual asset transactions, for 1 or 2 years, due to insufficient monitoring and investor protection.

Since the May 30, 2018, *2018Do3619* ruling by the Supreme Court, the South Korean government has also unified the nomenclature of cryptocurrency, coin and token under “virtual assets,” and proceeded with the seizure and collection of virtual assets through the “Act on Reporting and Use of Specific Financial Transaction Information,” effective on March 25, 2021.

From this, it is clear that the governments of countries around the world, including South Korea, regard virtual assets as “assets.” And it seems various attempts are being made to embrace this within the institutional sphere.

[3] Legal Nature of ENTC

A. Whether It is Currency

(1) The General Nature of Currency and Virtual Assets

According to the Standard Korean Dictionary, currency refers to a 'generalized means of mediating the exchange and being a measure of the value of a product exchange', which functions as a medium for exchange and a measure of the storage and value of the value.

When checking whether "virtual assets" correspond to currency according to the definition and function of currency, as of 2021, virtual assets are rarely used as a general means of payment in the category of daily life, and are used for investment or speculation rather than as a means of transaction. In very limited areas, "virtual assets" are sometimes used as a means of transaction, but this is based on a private agreement and is not used as a commonly used means of exchange of values.

In general, considering that "currency" is mainly used and stored for exchange and value storage, it has not reached a commonly used means of value exchange, and its price volatility is very high, so it cannot be said that it is sufficiently functioning as a medium or a means of value measure.

Until now, it does not seem to function as a "currency" in light of the fact that virtual assets are not recognized and only performing limited functions as a means of transaction, and that they do not perform their functions as a measure of value storage and autonomy due to high volatility and uncertainty in their value.



(2) Because there are no significant differences between the characteristics of virtual currencies provided in A (1) and those of ENTC, ENTC cannot be regarded as an ordinary currency.

B. Whether It Is an Equity Security

(1) Definition of Financial Investment Instruments

According to the Korean Capital Markets Act, financial investment instruments are defined as “a right acquired by an agreement to pay money or any other thing with property value at a specific point in the present or in the future, with intent to earn a profit or avoid a loss, where there is a risk that the total amount of such money paid or payable, to acquire that right may exceed the total amount of money already recovered or recoverable from such right” (Article 3 (1) of the Capital Markets Act). In addition, the Capital Markets Act classifies financial investment instruments into securities and derivatives (Article 3 (2) of the Capital Markets Act) and provides definitions of the concepts of securities and derivatives.

(2) Classification of Securities and Derivatives

The Capital Markets Act defines securities and derivatives, classifying securities as “financial investment instruments that may cause loss only up to the value of the principal,” and derivatives as “financial investment instruments that may cause loss exceeding the value of the principal.”

(3) Equity Securities

Article 4 of the Capital Markets Act classifies securities into Debt Securities, Equity Securities, Beneficiary Certificates, Investment Contract Securities, Derivatives-Linked Securities, and Depositary Receipts according to their economic qualities. Among these, Equity Securities is defined as “stock securities, securities indicating preemptive right, investment certificates issued by corporations directly established by law, joint stock companies, limited liability companies, limited companies, limited partnerships, and investment shares of anonymous partnerships under the Commercial Act, and other similar securities indicating investment shares or the right to obtain investment shares.”

(4) Legal Status of ENTC Under the Capital Markets Act

ENTC is a virtual asset issued based on the Ethereum platform and exists in an electronic form issued by a predetermined algorithm, and each holder has the status of a distributed ledger holder using blockchain technology. However, under the Capital Markets Act, “financial



investment instruments" cannot be said to be "financial investment instruments" subject to the Capital Markets Act, given that are basically rights acquired by investors through agreements.

Moreover, under the Capital Markets Act, equity securities should be "investment shares" or "the right to acquire investment shares," and even if ENTC holds them, they cannot be regarded as "equity securities" in that they do not have the right to acquire any shares or shares in the entire ENTC ecosystem.

Recently, the Financial Services Commission is known to be considering including STO (Securities Token Offering) as an investment contract securities under the Capital Markets Act, as it is similar to stocks in that it owns coin issuers, and users can receive some of the profits generated by coin issuers as dividends. Given that ENTC is not an STO, it is difficult to regard it as an investment contract securities under the Capital Markets Act.

In conclusion, ENTC does not mean the right to acquire any shares or shares within the project ecosystem planned by the issuer, but cannot be regarded as a "securities" or "stake securities" under the Capital Markets Act, as it agrees to pay money or other property values for profit or loss.

C. Whether it is Collective Investment Scheme

(1) In Korea, collective investment is defined as "a type of indirect investment that collects money from multiple investors and distributes the results of management to them without receiving routine management instructions," and the business of such collective investment is defined as "collective investment business." A collective investment scheme is defined as "collecting money from 2 or more people by recommendation of investment, managing the investment assets with property value by means of acquisition, disposal, etc., without receiving routine management instructions, and distributing the results to investors."

(2) ENTC uses profits generated from listing on the exchange or project ecosystems to maintain and develop its own ecosystem, and not to allocate, distribute, or attribute the results to investors. Therefore, ENTC is not a collective investment scheme under the Capital Markets Act, and no action constitutes a collective investment.

D. Current State of Virtual Assets in Korea

It has not been long since virtual assets were designated as such, and there have been few



precedents for collection and confiscation of bitcoin as having property value related to criminal proceedings. Even the regulations on virtual assets in Korea are unclear. Therefore, unless regulations on virtual assets are established through steps such as the implementation of the income tax amendment scheduled for 2022 and the Bitcoin ETF in the United States, legal interpretation cannot conclude whether most activities related to virtual assets are legal or not.

Due to the lack of clear guidelines, activity around virtual assets has been cautious or altogether avoided in Korea, leading most Korean virtual asset issuers to set up and operate paper companies in overseas tax havens. Such is the state of affairs for Korean virtual assets so far. Such behavior in the virtual assets industry is not desirable, but the absence of authoritative definition and regulation is also undeniable. At such a juncture in Korea, where virtual assets have undergone countless trial-and-error and yet still cannot be judged legal or illegal, it is very encouraging that ENTC desires to avoid establishing a paper company and instead form a project ecosystem in Korea by claiming “Korean fundamental virtual asset” status. However, ENTC’s actions must be accompanied by authoritative definition and governmental support and guidance for Korean virtual asset issuers.

E. Conclusion

As stated above, ENTC cannot be regarded as an equity security or collective investment scheme under the Capital Markets Act of Korea. It is also difficult for ENTC to be seen as another type of security (debt securities, beneficiary certificates, investment contract securities, equity securities, derivative-linked securities, depository receipts) under Article 4 of the Capital Markets Act.

In addition, whereas financial investment instruments are defined as “a right acquired by an agreement to pay money or any other thing with property value at a specific point in the present or in the future, with intent to earn a profit or avoid a loss, where there is a risk that the total amount of such money paid or payable, to acquire that right may exceed the total amount of money already recovered or recoverable from such right,” whereas ENTC does not fall under security tokens or stablecoins, which link to or guarantee a fixed value, nor does it “agree to pay a monetary or other property value at a specific future point,” although it is one kind of virtual asset used in its own ENTC project ecosystem and can be freely issued and used in Korea like other virtual assets, ENTC cannot be viewed as currency, a security, or a financial investment instrument.