

EXHIBIT M.1.

BACKUP SYSTEMS DESIGNED TO PREVENT INTERRUPTIONS TO AUTOMATED CLEARING FACILITIES

The Paxos Securities Settlement Company, LLC (“PSSC”) Regulation SCI Compliance Policy and Business Continuity and Disaster Recovery Plan describe all backup systems which are designed to prevent interruptions in the performance of any automated functions of the clearing agency.

In connection with its automated clearing agency functions, PSSC intends to execute a service agreement with a cloud services provider. PSSC understands that the use of cloud services by registered clearing agencies is a relatively new and evolving practice. Nevertheless, FAQ 2.03 of the “Responses to Frequently Asked Questions Concerning Regulation SCI”, which are published by the staff in the SEC Division of Trading and Markets, contemplates that when an SCI entity contracts with third parties in connection with the operation of SCI systems the SCI entity may seek to comply with Regulation SCI by establishing certain reasonably designed processes and requirements as necessary for that purpose, including through establishing appropriate contractual terms with the third party.

Therefore, PSSC intends to pursue in its commercial negotiation with the cloud services provider contractual terms and conditions that will enable PSSC to satisfy the requirements of Regulation SCI for the Paxos Settlement Service, including terms to ensure that the backup systems provided by the cloud service provider are designed to prevent interruptions in the performance of any function as a result of a technical or other malfunction (including with respect to input or output links to the system and precautions with respect to malfunctions in any areas external to the system). For example, PSSC will attempt to negotiate terms and conditions requiring that the cloud services rely on separate availability zones only within the United States. These availability zones will not rely on the same infrastructure components, such as for water and electric power. PSSC believes that this would be consistent with the requirements in Regulation SCI regarding geographic diversity. Additionally, PSSC would intend to change to a multi-region arrangement within the United States within six (6) months if the following occurs:

In four (4) of the preceding six (6) calendar months PSSC settles:

- (a) for any single National Market System (“NMS”) stock, five percent (5%) or more of the average daily dollar volume reported by applicable transaction reporting plans; or
- (b) for any equity security that is not NMS stock, five percent (5%) or more of the average daily dollar volume as calculated by the self-regulatory organization to which such transactions are reported.

This threshold is based on certain thresholds that the SEC uses under Regulation SCI in determining whether an alternative trading system (as defined in 17 CFR 242.300(a)) qualifies as an “SCI alternative trading system” pursuant to 17 CFR 242.1000(a) and is therefore required to comply with Regulation SCI within six (6) months of meeting those thresholds.

More generally, PSSC will also seek to negotiate contractual terms and conditions that would obligate the cloud services provider to, among other things, establish, maintain and enforce written policies and procedures reasonably designed to ensure that each cloud service provided to PSSC has a level of capacity, integrity, resiliency, availability and security that is sufficient to allow normal operations at all times. In addition, PSSC will seek to establish a right in contractual agreements with the cloud service provider to request relevant documents and perform regulatory inspections or audits of applicable cloud systems and associated physical locations.