

PAXOS SECURITIES SETTLEMENT COMPANY, LLC
FITNESS STANDARDS FOR DIRECTORS

I. Purpose

The Board of Directors (“Board”) of Paxos Securities Settlement Company (“Company”) have established fitness standards (“Fitness Standards”) for individuals who may serve as Board directors (“Directors”). Under the Bylaws, the Fitness Standards are used: A. by the Board’s Governance, Nominating and Policy Committee in nominating a candidate to be a Public Director, as that term is defined in the Bylaws (“Public Director”), and by the Board in electing any such Public Director; B. by representatives to the Participant Advisory Committee in nominating and selecting any Participant Director, as that term is defined in the Bylaws (“Participant Director”), and by the Governance, Nominating and Policy Committee in evaluating any such Participant Director nominee prior to selection by the Participant Advisory Committee; and C. by the Member, as that term is defined in the Bylaws (“Member”), in nominating and selecting any Member Director, as that term is defined in the Bylaws (“Member Director”), and by the Governance, Nominating and Policy Committee in evaluating any such Member Director nominee prior to selection by the Member.

II. Criteria Applicable to All Directors

The Company’s governance arrangements are designed to satisfy regulatory requirements applicable to the Company and to promote the service of Directors who are capable of performing the duties required of a Director, including in connection with service on a particular committee.

The Company believes that important characteristics for a Director to be effective include, but are not limited to, integrity, objectivity, sound judgment, availability and leadership. In addition, Directors should meet at least some of the following criteria:

- Expertise and experience in an area relevant to governance of the Company and qualifications that would be necessary for the Director to serve on relevant Board committees under the committee charters, including but not limited to:
 - strategic planning, such as new business development, expansion of markets, products and customers, and joint venture development;
 - risk management regarding relevant risks (such as credit, market, liquidity, operational, and/or legal risks);
 - clearance and settlement;
 - new products;

- risk modeling;
- risk valuation and systemic risk management;
- technology (such as infrastructure, applications development and maintenance, information security, cyber security, and disaster recovery);
- operations;
- trading;
- business management;
- finance, accounting and overall financial literacy (which may be demonstrated through a variety of means including past employment or relevant experience, certifications and/or education);
- audit functions;
- government and legislative affairs;
- compensation, human resources, and employment matters; and
- legal, regulatory, and compliance expertise;
- Ability to help demonstrate that the Board, taken as a whole, has a diversity of skills, knowledge, experience and perspectives;
- Understanding of the general position and views of other stakeholders, aside from the Member and participants, including transfer agents, settlement banks, nostro agents, liquidity providers, and technology or other service providers, as applicable;
- Seniority in their own firm (or previous service in senior leadership positions);
- Knowledge of the securities industry;
- Appropriate educational credentials or other certifications; and
- Appropriate promotion of diverse views, expertise and backgrounds.

For current Directors who are eligible for re-election or re-selection, as the case may be, the following should be considered: A. length of the current Director's service on the Board; B. record of attendance, participation, and contributions; and C. potential benefits to the Board and the Company regarding re-election or re-selection, as the case may be, and continuity of service by that Director weighed against the potential benefits of service by a new person who may bring different knowledge, skills and abilities.

No person will be qualified to serve on the Board if such person:

- is subject to a "statutory disqualification" under Section 3(a)(39) of the Securities Exchange Act of 1934, as amended; or
- has a history of serious disciplinary offenses from foreign or domestic regulatory authorities, including self-regulatory organizations.

III. Additional Criteria for Independent Directors

The Board, and each standing committee of the Board that is granted the authority to act on behalf of the Board, will consist of a majority of Directors that are Independent Directors as that term is defined in the Bylaws. In particular, the term “Independent Director” is defined to have the same meaning as in Rule 17Ad-25(a) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), which is “a director of the registered clearing agency who has no material relationship with the registered clearing agency or any affiliate thereof.” The term “material relationship” is further defined to mean “a relationship, whether compensatory or otherwise, that exists or existed during a lookback period of one (1) year from the initial determination in [Rule17Ad-25](b)(2) and that reasonably could affect the independent judgment or decision-making of the director.”

IV. Additional Criteria for Participant Directors

In nominating and voting for a candidate for a Participant Director seat, representatives on the Participant Advisory Committee will consider whether service by the individual as a Participant Director would, given the overall composition of the Board and the past service of Participant Directors, promote balanced representation of participants on the Board by reflecting a cross-section of participants. Factors relevant to balanced representation of a cross-section participants may include, but are not limited to, the following: past service by Participant Directors who are affiliated with a particular participant, the business model of the participant with which a nominee is affiliated (e.g., retail versus institutional clients), and the extent of the use of the Company’s services by the participant with whom a nominee is affiliated.

V. Additional Criteria to Support Potential Director Service on Board Committees

The Company maintains five (5) Board-level committees composed of Directors:

- A. Governance, Nominating and Policy Committee;
- B. Audit Committee;
- C. Compliance and Risk Management Committee;
- D. Business, Technology and Operations Committee; and
- E. Compensation Committee.

Each of the charters for these committees requires at a minimum that the committee will be composed of at least one (1) Participant Director, Public Director and Member Director. This ensures representation on each committee of each of these three (3) types of Directors who serve on the Board.

Under the committee charters, the individual charters specify certain additional requirements and desired characteristics for service. To ensure the Board is composed of an appropriate number of

Directors who are able to meet the requirements and who possess the desired characteristics, the committee charters should be considered in the nomination and election or selection, as the case may be, of Directors. The following summarizes the composition considerations under the relevant committee charters.

For Potential Service on All Committees.

- Independence from management.
- If such committee is granted the authority to act on behalf of the Board, a majority of the Directors serving on the committee must be Independent Directors.

For Potential Service on the Governance, Nominating and Policy Committee.

- Skills and experience in corporate governance matters relevant to the Company.

For Potential Service on the Audit Committee.

- Basic understanding of financial controls and financial statements.
- Freedom from any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of the committee.
- Past employment experience or other equivalent expertise (of at least one (1) member) in finance or accounting and experience in preparing and evaluating financial statements with a level of complexity comparable to the Company's financial statements.

For Potential Service on the Compliance and Risk Management Committee.

- Experience in identifying, assessing and managing financial risk exposures.
- Overall composition of the committee so as to able to provide a risk-based, independent, and informed opinion on all matters presented to it for consideration in a manner that supports the overall risk management, safety and efficiency of the Company.

For Potential Service on the Business, Technology and Operations Committee.

- Experience dealing with matters relating to strategic planning, new products and business development, operations and technology, information security, and/or business continuity and disaster recovery.

For Potential Service on the Compensation Committee.

- Experience in matters relating to compensation structure, total rewards, talent acquisition and development, performance management, succession planning, and diversity.