

## **Coyn Systems, LLC**

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FORM ADV PART 2A

FIRM BROCHURE

AUGUST 10, 2018

This brochure provides information about the qualifications and business practices Coyn Systems, LLC. If you have any question about the contents of this brochure, please contact us at (813) 994-0984. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Coyn Systems, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Coyn Systems, LLC is available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Coyn Systems, LLC's CRD number is 297843.

## ITEM 2 - MATERIAL CHANGES

We have no material changes to note as this is our initial brochure. In the future, this section will list all changes that are material in nature.

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## ITEM 4 – ADVISORY BUSINESS

### OWNERSHIP/ADVISORY HISTORY

Coyn Systems, LLC (“We”) is a Delaware limited liability company owned by Nicholas Cannon, Michael Cheung and Parmjit Singh Sandhu. We became registered as an investment adviser with the Securities and Exchange Commission in 2018. We are an internet-based investment adviser that provides software-based portfolio management services to clients exclusively through an interactive website and/or mobile apps (collectively, “Website”).

### PROGRAM DESCRIPTION

We offer an automated investment platform for individuals looking to invest any amount of money in Cryptocurrencies. Our proprietary algorithm searches several Cryptocurrency exchanges for price anomalies. When favorable anomalies are discovered, we execute a purchase or sale for the client. All trades are based on the client’s chosen Cryptocurrencies and criteria.

A new client will complete an online questionnaire that covers the following questions, among others:

1. What is the client’s risk tolerance?
2. How much Cryptocurrency does the client want traded per month?
3. Does the client prefer where the trades are executed?
4. Which exchanges does the client wish for the automated algorithm to operate on?
5. Which cryptocurrency positions does the client hold and would like to ensure trading with?

Clients grant us limited access to their exchange wallets (“Account”). Our access is limited to buy and selling the client’s selected amount of Cryptocurrency. We do not have any other access to the client’s Account.

### TAILORED SERVICES

We tailor our services to the client’s Cryptocurrency investment objectives. We allow them to impose restrictions on investing in certain Cryptocurrencies. All restrictions must be presented to us in writing.

### WRAP PROGRAM

We do not participate in or sponsor a wrap program.

### CLIENT ASSETS MANAGED

Being a newly formed adviser, we do not manage any client assets as of the date of this brochure, August 10, 2018.

## ITEM 5 – FEES AND COMPENSATION

We offer a one-week trial for \$99 management fee. The one-week trail management fee is collected upon engagement.

After the initial one-week trial period, we charge a performance-based management fee equal to 20% to 40% of the account's gains above the last annual "high water" mark. The performance-based management fee is negotiable based on the services selected by the client. The performance-based management fee will be calculated on the account's previous month-end value. In determining the return on client accounts, we consider the "high-water mark," the highest value of the assets during the year previous to the end of the current billing period (as adjusted for deposits and withdrawals). If a new high-water mark is not achieved, no performance fee would be due for the management of client's account.

At the end of each month we send the client an invoice that due within 15-days of receipt.

#### PERFORMANCE FEE CALCULATIONS

The performance fee is calculated as follows: We receive a percentage of the net capital appreciation (i.e. capital appreciation less capital depreciation and any accumulated net capital depreciation carry-forward from prior periods) of each client's account. The performance fee is payable only if and to the extent that the net capital appreciation of the client's account exceeds any net capital depreciation accumulated during the performance fee period (as adjusted for withdrawals of capital). All performance fees will comply with Section 205 of the Investment Advisers Act of 1940, Rule 205-3 there under, or similar state statutes, as applicable. We in our discretion may waive all or any portion of the performance fee or may agree with a client to other changes to the performance fee by written agreement only.

#### Performance Based Management Fee Example:

For example, if on Sept 1 Client A has 50 Bitcoin, 500 Ethereum and 1000 Litecoin and at the end of the month has 51 Bitcoin, 495 Ethereum and 1088 Litecoin. Then our performance is based off the USD spot prices at 00:00. UTC time on the 1st of the following month. If Bitcoin is worth \$8,000, Ethereum \$500, and Litecoin \$100. Then for September, our performance is  $1 \text{ bitcoin} * (8,000) + (-5 \text{ Ethereum} * 500) + (88 \text{ litecoin} * 100) = \$14,300$ . After deducting any carry forward losses, we take a performance fee of 30% for anything above the high-water mark. This is a monthly performance fee rather than annualized. Assuming no carry forward losses the fee that we would invoice for the month would be  $\$14300 * 30\% = \$4290$ .

#### Performance Fee Disclosure

Performance based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. We have procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

### Definition of Qualified Client

To charge a performance-based fee, the client must meet the definition of "qualified client." Pursuant to the Investment Advisers Act of 1940, an investment adviser can charge performance-based fees provided these fees are only offered to "qualified clients".

The definition of "qualified clients" can be found in SEC Section 275.205-3.

"Qualified Client" pursuant to SEC 275.205-3 means:

- (i) A natural person who or a company that immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;
- (ii) A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:
  - (A) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000, at the time the contract is entered into; or
  - (B) Is a qualified purchaser as defined in section 2(a)(51)(AA) of the Investment Company Act of 1940 (15U.S.C. 80a-2(51)(A)) at the time the contract is entered into; or
- (iii) A natural person who immediately prior to entering into the contract is:
  - (A) An executive officer, director, trustee, general partner or person serving in similar capacity, of the investment adviser; or
  - (B) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

### Other Fees and Expenses

Our fees are separate and distinct from any transaction fees, exchange fees, wallet fees or other third-party expenses.

### Termination of Services

A client may terminate services for any reason within the first five (5) business days after signing the Advisory Agreement ("Agreement") without any cost or penalty. Thereafter, the Agreement may be terminated at any time by giving ten (10) days written notice. Upon termination, any fees charged in advance will be prorated for the time services were rendered during the termination month and refunded to the client. If the client terminates the Agreement before the end of the month and there is a net return during the performance fee period, the client will be billed the performance-based management fee on assets under management for all profits accrued during the performance period to termination date, as agreed upon in the Advisory Agreement.

## ITEM 6 – PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT

We offer performance-based fees to qualified clients. This is described above in Item 4 and 5 above. Performance based fee arrangements may create an incentive for us to recommend trades that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. We have policies and procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients. These policies and procedures include:

- ) All accounts are managed according to the strategy agreed to with each client.
- ) We perform a periodic review of each client's account. In this review, performance account trades are reviewed and compared with non-performance account trades to ensure favoritism was not exercised.
- ) We have trade allocation policies and procedures designed to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities.

## ITEM 7 – TYPES OF CLIENTS

We offer our services to individuals and high net worth individuals. We do not require a minimum account size or place any restrictions on opening an account.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Our algorithm searches several Cryptocurrency exchanges for price anomalies. Trades are executed based on the client's chosen criteria.

### INVESTMENT RISKS

All investment programs have certain risks that are borne by the client and **investing in securities involves risk of loss that clients should be prepared to bear**. We work exclusively with Cryptocurrencies. There are several risks associated with Cryptocurrencies. These include but are not limited to:

- ) **Prices Volatility:** Because Cryptocurrencies are a relatively new market, the prices are volatile. There can be large price and volume swings that will affect a Cryptocurrency's price.
- ) **Security Risk:** With Cryptocurrencies, there is a security risk associated with using exchanges and digital wallets. Cryptocurrencies are digital, which can result in data breaches by exchanges or digital wallets. Even with encryption to protect cryptocurrency transactions there have been hacks resulting in substantial losses.

- ) **Liquidity Risk:** This is the risk of not being able to sell or liquidate an investment quickly at a reasonable price. Cryptocurrencies can see periods of illiquidity because some cryptocurrencies have a finite amount. Additionally, when liquidity is low, there is a risk of price manipulation. For example, owners of large positions can move the market to their favor by placing massive orders or not placing any orders.
- ) **Regulation Risk:** This is the risk that a change in laws and regulations will materially impact a security, business, sector or market. A change in laws or regulations made by the government or a regulatory body can increase the costs of trading, reduce the attractiveness of an investment, or change the competitive landscape.
- ) **Tax Risk:** This is the risk that transactions may have unforeseen adverse tax consequences. For example, giving rise to additional tax costs or changes in tax laws.

#### ITEM 9 – DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. We do not have information applicable to this item.

#### ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

We do not have any other industry activities and affiliations.

#### ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTION AND PERSONAL TRADING

##### DESCRIPTION

Our Code of Ethics establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Our Code of Ethics covers all supervised persons and it describes its high standard of business conduct, and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All of our supervised persons must acknowledge the terms of the Code of Ethics annually or as amended.

##### MATERIAL INTEREST IN SECURITIES

We do not have a material interest in any securities.

##### INVESTING IN OR RECOMMENDING THE SAME SECURITIES

Our owners may buy or sell for their own account the same assets at or about the same time that they recommend clients purchase or sell the assets. A conflict of interest exists because our owners can trade ahead of client trades. We mitigate any conflict of interest in two ways. First,



our Code of Ethics requires our owners and access persons to report personal transactions on at least a quarterly basis and provide us with a detailed summary of certain holdings (both initially upon commencement of employment and quarterly thereafter) in which employees have a direct or indirect beneficial interest. The reports are reviewed to ensure we do not trade ahead of client accounts. Second, we generally attempt to place client transactions ahead of our owners' trades.

## ITEM 12 – BROKERAGE PRACTICES

### RECOMMENDATION CRITERIA

Our API is designed to work with multiple Cryptocurrency exchanges. We do not recommend one over another. We review multiple exchanges attempting to receive the best prices for our clients.

### RESEARCH AND SOFT DOLLARS

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. Soft dollars are not available from any Cryptocurrency exchanges. Therefore, we do not receive any soft dollars.

### BROKERAGE FOR CLIENT REFERRALS

We do not receive client referrals or any other incentive from any broker-dealer or custodian.

### DIRECTED BROKERAGE

Some clients may direct us to a specific Cryptocurrency exchange to execute transactions for their accounts. When so directed, we may not be able to effectively negotiate lower brokerage commissions or achieve best execution on clients' transactions. This can result in substantially higher fees, charges or dealer concessions in one or more transactions for the clients' account because we cannot negotiate favorable prices.

### TRADE AGGREGATION

We do not aggregate trades.

## ITEM 13 – REVIEW OF ACCOUNTS

Our propriety system reviews and trades the client's funds as often as the client selects. Client have 24/7 access to our Live Metrics Portal that shows the client's transaction history.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

### OTHER COMPENSATION

We do not receive extra compensation or any other economic benefit for providing investment advice or other advisory services to clients.

## CLIENT REFERRALS

We may enter into an agreement with other financial services firms or individuals pursuant to which we will pay a portion of our management fee for the financial services firms or individual's solicitation and referral services ("Solicitors). In turn, the Solicitors share a portion of the fees. Clients obtained using Solicitors do not pay a different fee (higher or lower) than the fee a client would have been charged if the client had been obtained without their services.

We are aware of the special considerations promulgated pursuant to the Solicitor's Rule 206(4)-3 of the Investment Advisers Act of 1940, and any comparable state regulations. As such, appropriate disclosures shall be made to our clients, all required written records will be maintained, and all applicable laws and regulations will be observed. A Solicitor's Disclosure Document will be provided to each client by the investment adviser representative, as required under the Rule, and we will retain the clients signed acknowledgement of receiving our Form ADV Part 2A and the Solicitors Disclosure Document.

## ITEM 15 – CUSTODY

All client assets are held at third-party exchange wallet providers ("Account"). We do not take possession of a client's Cryptocurrencies. Our access to a client's account is limited to buying and selling only. Client have 24/7 access to our Live Metrics Portal that shows the client's transaction history. Additionally, the client's Cryptocurrency wallet will also tract Account's transaction history including the amount of management fees withdrawn. We urge clients to carefully review both histories.

## ITEM 16 – INVESTMENT DISCRETION

Our services are discretionary, which is granted when a client signs an investment management agreement. The agreement contains a limited power of attorney granting us limited discretionary power buy or sell assets in amounts we deem appropriate for the account, without first obtaining the client's consent.

## ITEM 17 – VOTING CLIENT SECURITIES

We do not vote proxy solicitations for any client. Proxy solicitations are sent directly to the client from the account's custodian. Any proxy materials received by us will be forwarded to clients for response and voting. Clients may contact us regarding proxy materials for investments recommended by us.

## ITEM 18 – FINANCIAL INFORMATION

### BALANCE SHEET

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to provide a balance sheet.

FINANCIAL CONDITION

We are required in this Item to provide you with certain financial information or disclosures about our financial condition if we have a financial commitment that impairs our ability to service you. We do not have a financial commitment that impairs our ability to service our clients.

BANKRUPTCY

We have not been the subject of a bankruptcy proceeding.