

## **PART 2A OF FORM ADV: FIRM BROCHURE**

### **Koin Capital Inc**

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**This brochure provides information about the qualifications and business practices of Koin Capital Inc. If you have any questions about the contents of this brochure, please contact us at (517) 775-9786 and/or [ryan@koin.ai](mailto:ryan@koin.ai). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Koin Capital Inc also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Koin Capital Inc is registered as an investment adviser with the SEC. Such registration does not imply a certain level of skill or training.**

**Item 2. Material Changes**

Not applicable.

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#### **Item 4. Advisory Business**

Koin Capital Inc (“Koin”, the “Firm”, “we”, “us”, “our”), a Delaware corporation, is an investment advisory services firm registered with the Securities and Exchange Commission (the “SEC”). Koin was formed in October 2020, and is owned by Jiyu Ding, Hang Xu, and Yang Zhang, each of which owns 69.98%, 25.00%, and 5.02%, respectively, of the outstanding shares of the Firm.

Currently, Koin only provides non-discretionary investment recommendations and advisory services to retail investors exclusively through an investment services technology platform offered only through a mobile application (the “App Platform”). The App Platform provides individual investors with a simple and cost-effective way to invest in the domestic and foreign equity, exchange-traded funds, and other securities by using the App Platform. Currently, the App Platform provides our client with the access to invest in securities in both U.S. and international markets.

All investment activities and recommendations are provided directly by our AI algorithm via the App Platform. Koin does not actively manage client accounts and Koin’s clients execute trades at their own will. In addition, Koin interacts with investment advisory clients, as well as prospective clients, solely through the App Platform. The App Platform collects information of each client and prospective clients and delivers account notifications and content. Koin does not offer financial planning services, tax, accounting, or legal advice.

Koin is a technology company. Koin incorporates computer-based technology to make investment recommendations primarily through the use of algorithms. Koin owns and maintains the App Platform. Koin’s clients receive investment recommendations generated by Koin’s proprietary artificial intelligence (AI) algorithm solely through the App Platform. By utilizing Koin’s proprietary AI algorithm, the App Platform (i) proposes to each client a base portfolio for investment as a basic service, (ii) provides price prediction services to each client as a basic service, and (iii) provides ongoing investment opportunity recommendation service to our premium subscribers.

For each client, during the base portfolio proposal process on the App Platform, such client will be asked to complete a questionnaire on such client’s investment preferences. Based on the investment preferences provided by the client in such questionnaire, the App Platform, by utilizing Koin’s AI algorithm, will recommend the client a proposed base portfolio selected from the various securities. While the App Platform provides such proposed base portfolio recommendations, the client has the sole discretion to make the ultimate decision regarding the securities to be purchased and is not obligated to invest in any proposed portfolio. The base portfolio proposal is provided solely on our App Platform by AI algorithm.

Through the utilization of Koin’s proprietary AI algorithm, Koin also provides price prediction services to all clients as a basic service on the App Platform. Such price prediction services will allow the clients to get price movement prediction information, which may be used by each client as a reference for the client to make his or her own investment decision. The price prediction results are solely generated by Koin’s AI algorithm and are provided to Koin’s clients solely through the App Platform. While the App Platform provides price prediction services, Koin’s clients make the ultimate investment decision at their sole discretion.

For our premium subscribers, in addition to the portfolio proposal and price prediction services, our APP Platform provides an ongoing investment opportunity recommendation service through the utilization of our AI algorithm. Under the ongoing investment opportunity recommendation service, our AI algorithm will recommend the securities assets that have the most investment value (as analyzed by our AI algorithm) based on the market conditions and the performances of the securities, and will generally update the investment recommendation on a daily basis (and not exceed once daily). Such recommendation will be presented in a form of a table of list to a premium subscriber solely on such client's APP Platform. Each premium subscriber will in such subscriber's sole discretion decide if to invest in such securities and if to invest, the investment amount. All securities recommended would be solely based on the analysis and judgment of our AI algorithm. Only premium subscriber will receive such ongoing investment recommendation service. Our basic service subscribers may get a one-month free trial of such service by updating subscription to premium subscription on the APP Platform.

Each client is responsible for ultimately deciding whether to accept the suggested investment recommendations and price prediction information, and whether to make any investment. Clients also can search for securities within the App Platform that have not been recommended and decide whether to purchase those securities.

Upon account opening ("Client Onboarding"), the client will be prompted to complete a series of compliance questions that are required by the SEC and execution broker to open an account for the client. During the Client Onboarding process, the client will also be prompted to simultaneously enter into separate brokerage agreement with our designated broker-dealer and custodian (the "Brokerage Agreement") and open a brokerage account held by the designated broker-dealer and custodian to execute any trades. The independent custodian will hold client funds and securities. Please refer to Item 12 on page 8 for details on our brokerage practice.

Client Onboarding is only completed once a client (i) has linked the client's bank account to the Firm's custodian via the App Platform, and (ii) has accepted and countersigned Koin's investment advisory agreement electronically. Only when Client Onboarding is completed, will a client have the availability to purchase securities via our App Platform.

## **Item 5. Fees and Compensation**

In order for clients to access the App platform or its related features, we charge a flat monthly fee of \$4.99 for basic subscriptions or \$9.99 for premium subscriptions (the "Subscription Fee"). Under the basic subscriptions, clients will receive the following services: base portfolio proposal and price prediction. Under the premium subscriptions, in addition to the services that the clients may receive under the basic subscriptions, clients will also receive ongoing investment opportunity recommendation service. Our basic service subscribers may get a one-month free trial of such service by updating to premium subscription on the APP Platform. The Subscription Fee will be charged monthly in advance commencing on the date of the account opening and thereafter upon each monthly anniversary of the account opening. We will arrange for the automatic debit of applicable fees from a client's linked bank account for the Subscription Fee.

Clients will be charged fees by our selected custodian and broker-dealer in connection with transactions, account maintenance, etc. A client will incur certain separate additional charges

imposed by our selected broker dealer and custodian such as wire transfer and electronic fund fees or account termination fees, in addition to certain taxes on non-retirement brokerage accounts. A detailed description of fees of our designated broker are set out in the Brokerage Agreement. Any and all fees charged by our selected custodian and broker-dealer are separate from us, and we do not receive any portion of them. Please refer to Item 12 on page 8 for details on our brokerage practice.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

Koin does not charge performance-based fees. Koin's fees are not charged on basis of sharing capital gains on or capital appreciation of investors' accounts.

## **Item 7. Types of Clients**

Currently, Koin provides investment advice only to individuals. Koin sets a minimum account size required to open and maintain a Koin account. The minimum account size currently is \$200. Koin may modify the minimum account size from time to time, which will be set forth in the App Platform.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

We do not actively manage client accounts. Investors will only be provided with a recommendation on the App Platform that they either accept or reject. Clients also can search for securities within the App Platform that have not been recommended and decide whether to purchase those securities. Clients are solely responsible for all investment decisions and trades. All client accounts are self-directed.

**Clients are advised that investing in securities involves risk of loss that they should be prepared to bear.**

We currently only provide non-discretionary investment recommendations and advisory services to retail investors exclusively through electronic mobile application, i.e., the App Platform. We do not interact with clients in person, over the phone, in live chat, or in any other manner.

We incorporate computer-based technology to make investment recommendations primarily through the use of our algorithms. Our clients receive investment recommendations generated by our proprietary AI algorithm solely through the App Platform. By utilizing our proprietary AI algorithm, the App Platform will propose to each client a base portfolio for investment and provide price prediction to each client as basic services, as well as provide ongoing investment opportunity recommendation service to our premium subscribers.

Our recommendations will be based on information collected through the App Platform such as a client's answers to certain investment preference questionnaire. Clients are required to provide certain information and answers to certain investment preference questionnaire. Our AI algorithm will process a client's answers to a series of questions and information collected and

make recommendation. Our price prediction service will be solely performed and generated by our proprietary AI algorithm. Such price prediction services will allow the clients to get price movement prediction information, which may be used by each client as a reference for the client to make his or her own investment decision.

The investment recommendation(s) of our Platform is/are limited to account(s) of clients maintained on our App Platform and do not take into consideration client accounts held outside of us. The App Platform does not consider a client's personal tax situation when making stock recommendations. Clients should consult with their own tax advisor when considering investing for their own account. Clients are also advised that investing in securities involves risk of loss that they should be prepared to bear.

We currently offer only non-discretionary investment management services. Clients retain full investment discretion over the implementation of investment decisions of each recommendation. Clients are free to accept or reject any recommendation.

## **B. Risk of Loss**

Any investment in securities involves the possibility of financial loss that clients should be prepared to bear. There can be no assurance that clients would be able to achieve their investment goals or avoid substantial losses through the use of our App Platform. The following is a brief summary of certain material risks associated with our investment strategy:

- *Limited Nature and Scope of the Service.* We do not provide comprehensive financial or tax planning or legal advice. Clients should seek the advice and counsel of their own tax, financial, and legal advisers. Koin only provides stock recommendations to individual investors. We do not provide investment advice to IRA or tax-exempt investors. We are not responsible for withholding any tax penalties that may apply to our clients or for any state or federal income tax withholding, except as may otherwise be required by applicable law. Koin's recommendations are limited based on the information clients provide through the App Platform, the limitations of which are further discussed above. Clients should take into consideration the limited nature of the service in evaluating the recommendations provided through the App Platform. Furthermore, the service: (a) is not a complete investment service, (b) does not account for multiple investment goals, (c) does not consider outside assets, concentration, debt, or other accounts a client may have with any third party, (d) offers a limited number of investments, (e) may not be suitable for all investors, and (f) relies on the information provided by clients in providing investment advice and does not verify the completeness or accuracy of such information. There could be one or more products available in the investment community that are more appropriate than the investment products made available through the App Platform. Given the inherent limitations of the service, clients should carefully consider whether our service is the right investment solution for their savings and investing needs.

- *Use of Algorithms.* Koin incorporates computer-based technology to make investment recommendations primarily through the use of algorithms. Changes to the algorithmic code could have material effects on a client's stock recommendations. Koin's algorithms may not perform as intended for a variety of reasons, including but not limited to incorrect assumptions, changes in the market, and/or changes to data inputs. Koin may modify periodically these algorithms, or a

computer system's code or underlying assumptions, and these changes may have unintended consequences. Additional information regarding relevant considerations for clients considering an automated digital investment advisory program (sometimes referred to as a "robo advisor") is contained in the Investor Bulletin from the Securities and Exchange Commission available at [https://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_robo-advisers.html](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_robo-advisers.html).

- *Company Risk.* When investing in securities, there is always a certain level of company or industry specific risk that is inherent in each company or issuer. For example, there is the risk that a company will perform poorly or have its value reduced based on factors specific to the company or its industry. This is also referred to as unsystematic risk and can be reduced or mitigated through diversification.

- *Dollar-Based Transactions and Fractional Shares.* A fractional program allows clients to purchase securities in dollar amounts rather than share quantities. Trading in fractional shares has unique risks and limitations that clients should understand prior to participation. Fractional shares may not be liquid. Fractional shares are not transferable. In the event of an account closing or transfer to another firm, the fractional shares will likely need to be liquidated, resulting in potential fees. Fractional shares cannot be put into certificate form and mailed. Holders of fractional shares will not have voting rights for the fraction of a share owned, even if more than 0.50 shares are in their account.

- *Cybersecurity Risk.* The information and technology systems of Koin, as well as of key service providers, including third-party vendors, central agents, exchanges, clearing houses, and other financial institutions (including the custodian), are vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Koin and client accounts could be adversely impacted if any of the aforementioned parties is the subject of a cyber-attack or other information security event. Although Koin has implemented various measures designed to seek to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for Koin or a service provider to make a significant investment to fix or replace them and to seek to remedy the effect of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Koin's ability to transact business on behalf of its clients and could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information. While many investment advisers are subject to the same or similar risks in respect of their operations, these risks are particularly acute with respect to Koin due to Koin's fundamental dependence on technology.

- *Limited Nature of the Recommendations.* The use of algorithms carries the risk that changes to the algorithm's code may not have the desired effect with respect to a client's account. While this risk increases if changes to an algorithm are insufficiently tested prior to implementation, even extensively tested changes may not produce the desired effect over time. The App Platform relies on a limited universe of inputs to generate a stock recommendation for each client from a limited universe of possible outputs. In particular, the App Platform currently generates suggested



stock purchases based on a client's response to questions provided by the client through the App Platform. Koin does not verify the completeness or accuracy of such information or consider any information regarding outside assets, concentration, debt, or other accounts a client may have with any third party. The functionality of the App Platform is partly dependent upon information provided by the third-party custodian, and other external sources, meaning that performance of the App Platform could be impacted by issues with the delivery or the accuracy of the information provided.

- *Risk of Loss.* We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. You need to understand that recommendations made for your account by us are subject to various market, currency, economic, political and business risks. Despite our best efforts, the investment recommendations we make for you will not always be profitable nor can we guarantee any level of performance. Koin does not represent, warrant, or imply that the services or methods of analysis used can or will predict future results, successfully identify market tops or bottoms, or insulate clients from major losses due to market corrections or crashes. No guarantees are offered that clients' goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Koin will provide a better return than other investment strategies. Investments in securities and other financial instruments involve risk of loss that investors must be prepared to bear.

- *Reliance on Client Information.* The recommendations provided by Koin are not intended to comprise any client's complete investment program because Koin is not necessarily aware of the client's aggregate investible and invested assets and does not manage the client's accounts and assets on a discretionary basis. Our App Platform's recommendations are highly reliant on the accuracy of the information provided by clients. If a client provides inaccurate information, the quality and applicability of our App Platform's recommendations could be materially impacted. There may be additional information or other financial circumstances not considered by Koin based on the questions asked at the time a client establishes their investment goals that would inform the investment advice and recommendations provided by Koin.

- *Credit Risk.* Koin cannot control and clients are exposed to the risk that financial intermediaries or security issuers may experience adverse economic consequences that may include impaired credit ratings, default, bankruptcy or insolvency, any of which may affect portfolio values or management. This risk applies to assets on deposit with any broker utilized by a client. In addition, exchange trading venues or trade settlement and clearing intermediaries could experience adverse events that may temporarily or permanently limit trading or adversely affect the value of client securities. Finally, any issuer of securities may experience a credit event that could impair or erase the value of the issuer's securities held by a client.

- *Market Risk.* Performance of client portfolios are likely to be exposed to risks relating to weaknesses in various global economies and risks relating to economic cycles. A multitude factors might lead to declines in the value of such investments, which may include, without limitation, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, social events or natural disasters.

- *Investment Strategy and Method of Analysis Material Risks.* We cannot guarantee that an investment objective or planning goal will be achieved. As an investor, each client must be able to bear the risk of loss that is associated with their account, which may include the loss of some, or all principal invested.

- *Regulatory Changes.* It is possible that changes in applicable laws and regulations may affect Koin's operations. The consequences of additional regulation on the liquidity of markets and the functioning of the service (and, possibly, on Koin itself) cannot be predicted and may materially affect the investment advisory services offered by Koin.

## **Item 9. Disciplinary Information**

We do not have any legal, financial, regulatory, or other "disciplinary" item to report to clients. This statement applies to both Koin and to its employees.

## **Item 10. Other Financial Industry Activities and Affiliations**

At this time, neither Koin nor any of our management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO") or commodity trading advisor ("CTA"). In addition, neither Koin nor any of our management persons is an associated person of an FCM, a CPO or CTA.

Koin does not recommend or select other investment advisers for our clients. Koin does not have any material relationships to our advisory business that would present a possible conflict of interest.

## **Item 11. Code of Ethics, Participation or Interest in Fund Transactions and Personal Trading**

We have established a written Code of Ethics as part of our overall compliance program pursuant to Rule 204A-1 under the Advisers Act for purposes of establishing the standards of business conduct and fostering a culture of honesty and accountability.

The Code of Ethics includes policies and procedures relating to personal securities trading by firm personnel and protection against the misuse of material nonpublic information. The Code of Ethics is designed to prevent, among other things, any improper conduct whenever any potential conflict of interest may exist with client portfolios. In addition, the Code of Ethics requires the firm and/or all supervised persons (if any) of the firm to safeguard and prevent dissemination of non-public information, to refrain from engaging in self-interested transactions without prior approval, to maintain proper books and records, and to refrain from insider trading. The Code of Ethics also outlines the duties of care and loyalty that the firm and its supervised persons are required to follow with respect to clients, including our obligation to exercise a high degree of care, to seek best execution, to safeguard client assets, to act in the best interest of clients and to render impartial advice to clients.

## **Item 12. Brokerage Practices**

Our clients will be required to delegate to us the selection of service providers for brokerage and custody services. DriveWealth, LLC (“DriveWealth”) is selected by us to provide and/or arrange broker-dealer and custodial services for Koin accounts. Koin requires clients to use DriveWealth as their broker-dealer for the execution of the securities investment transactions and custodian for their Koin accounts. DriveWealth is selected based on the transaction fees compared to other custodians and broker-dealers and best quality in terms of technology. The general policy of Koin in selecting broker-dealers is to obtain the best results taking into account factors including, but not limited to, the creditworthiness and stability of the brokers, overall performance, support services, reputation, and cost-benefit.

Koin does not participate in any soft dollar arrangements and will not obtain any research, products, or services from its custodian or another third-party in connection with client’s transactions.

Koin does not allow clients to direct brokerage.

Koin does not have any arrangements to compensate any broker dealer or third party for client referrals.

## **Item 13. Review of Accounts**

Koin provides its clients with access to their account information via the App Platform. DriveWealth, as our clients’ custodian, will send account statements directly to clients with a frequency of not less than once every calendar quarter. These statements and reports will be sent directly by DriveWealth to clients at their respective addresses of record or delivered electronically.

Koin generally does not monitor client accounts. Our App Platform may on a periodic basis contact each client to request that the profile information previously provided be updated, if appropriate due to changes in circumstance. Clients should promptly update through the App Platform whenever information about their investment preference, financial situation or other material information that they previously submitted to the APP Platform changes in a meaningful way.

## **Item 14. Client Referrals and Other Compensation**

Koin does not presently have or pay for third-party client referrals.

## **Item 15. Custody**

Koin does not have custody over the assets of clients and does not provide any custodial services to our clients. The funds and securities of our clients will be maintained at DriveWealth. Clients will receive account statements directly from DriveWealth and should carefully review those statements.

**Item 16. Investment Discretion**

Koin does not have discretionary authority to manage securities accounts on behalf of clients.

**Item 17. Voting Client Securities**

Koin does not have the authority to vote client securities for clients, nor does it provide advice about particular proxy solicitations. Clients must vote proxies on securities held in their accounts directly based on information they receive from their custodians.

**Item 18. Financial Information**

Koin does not require or solicit prepayment of any advisory fees from clients. As a result, Koin is not required to provide a balance sheet for the most recent fiscal year. Koin is unaware of any financial condition that is reasonably likely to impair any ability to meet contractual commitments to clients. Koin has not been the subject of a bankruptcy petition during the past 10 years.