FairTrade Financial

Regulatory & Third-Party Due Diligence Overview

Executive Summary

FairTrade Financial Ltd. ("FTF") operates a Canadian digital loan trading marketplace for regulated financial institutions. FTF provides technology, workflow automation, standardized documentation frameworks, and analytics to support loan sales, participations, and syndications between buyer and seller institutions.

FTF is not a lender, underwriter, borrower, payment service provider, fiduciary, or financial intermediary. FTF does not hold, custody, remit, transmit, or intermediate funds under its current operating model.

All principal and interest payments currently move directly between seller and buyer institutions outside the FTF platform, pursuant to bilateral loan or participation documentation agreed between the parties.

The relationship with FairTrade Financial is appropriately managed as a third-party technology arrangement under OSFI Guideline B-10 (for federally regulated financial institutions) or applicable provincial credit union operational risk and resilience frameworks.

1. Business Model & Legal Structure

Legal Entity and Role

- Legal Entity: FairTrade Financial Ltd. (Canada)
- Role: Non-custodial technology platform operator
- Clients: Regulated financial institutions only
- Geographic Scope: Canada

Service Boundaries

FTF provides the following services:

- Digital loan trading marketplace access
- Transaction workflow tools
- Standardized documentation frameworks
- Portfolio reporting and analytics

FTF explicitly does not provide under its current operating model:

- Lending or underwriting
- Credit decision-making
- Fiduciary or agency services
- Securities exchange or brokerage services
- Custody, settlement, clearing, or remittance services

2. Cash Settlement & Regulatory Classification

Current Cash Flow and Settlement Model

Principal and interest payments flow directly between seller and buyer institutions. FTF does not receive, pool, hold, or transmit funds. FTF provides reporting, visibility, and allocation calculations only.

FINTRAC / MSB Position

Under this operating model, FTF does not engage in remitting or transmitting funds, does not hold client monetary value, and does not perform money services business activities under the PCMLTFA.

Accordingly, FTF is not a FINTRAC reporting entity.

Retail Payments (Bank of Canada) Position

FTF does not perform payment functions such as safeguarding funds, initiating electronic funds transfers, or settlement services under the Retail Payment Activities Act and is not a Payment Service Provider.

3. Governance, Risk & Optional Structural Flexibility

Third-Party Risk Governance

FTF engagements are structured to preserve full accountability for credit, servicing, and settlement with participating institutions. FTF does not constrain regulatory access, internal audit review, or supervisory oversight.

Future Structural Optionality

FTF may, in the future, support optional settlement or cash-management structures where funds are held by a regulated third-party financial institution (e.g., a clearing bank or trust company), without FTF assuming custody, beneficial ownership, or payment intermediary responsibilities.

Any such arrangements would be implemented only with full transparency, updated contractual documentation, and completion of all appropriate regulatory, legal, and risk assessments by participating institutions. FTF would remain a technology and workflow provider.

4. Data, Oversight & Summary

Data Security and Confidentiality

- Role-based and permissioned user access
- Secure document and data management
- Confidentiality obligations embedded in client agreements
- SOC 2 Type 2 Report available upon request

Summary for Risk Committees

FairTrade Financial operates as a non-custodial loan trading technology platform. Cash settlement currently occurs directly between participating financial institutions. FTF does not hold or transmit funds, make credit decisions, or act as a fiduciary.

FTF engagements are appropriately governed as third-party technology arrangements, with prudential, regulatory, and risk accountability remaining entirely with participating institutions.

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Appendix A – OSFI-Specific Considerations (Federally Regulated Financial Institutions)

For OSFI-regulated institutions, FairTrade Financial is appropriately classified as a third-party technology service provider under OSFI Guideline B-10 – Third-Party Risk Management.

• Accountability: The FRFI retains full accountability for lending, servicing, settlement, and compliance obligations.

• Access: FTF does not impede OSFI supervisory access or audit rights.

• Criticality: FTF does not perform core banking, payment, or custody functions.

• Subcontracting: Technology partner dependencies are disclosed and contractually governed.

• Exit: Institutions retain the ability to exit or substitute the platform without impacting loan cash flows.

Any future optional arrangements involving third-party settlement banks or trust structures would be assessed independently by the FRFI in accordance with OSFI's proportional, risk-based application of Guideline B-10.

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