

## RISK FACTORS

*Investing in INX Tokens involves a high degree of risk. You should carefully consider the risks we describe below, along with all of the other information set forth in this prospectus, including the section entitled “Cautionary Note Regarding Forward-Looking Statements” and our financial statements and the related notes beginning on page F-1, before deciding to purchase INX Tokens. The risks and uncertainties described below are those significant risk factors, currently known and specific to us, that we believe are relevant to an investment in INX Tokens. If any of these risks materialize, our business, results of operations or financial condition could suffer, the price of INX Tokens could decline substantially and you could lose part or all of your investment. Additional risks and uncertainties not currently known to us or that we now deem immaterial may also harm us and adversely affect your investment in INX Tokens.*

*You may lose all monies that you spend purchasing INX Tokens. If you are uncertain as to our business and operations or you are not prepared to lose all monies that you spend purchasing INX Tokens, we strongly urge you not to purchase any INX Tokens. We recommend you consult legal, financial, tax and other professional advisors or experts for further guidance before participating in the offering of our INX Token as further detailed in this prospectus. Further, we recommend you consult independent legal advice in respect of the legality of your participation in the INX Token sale.*

*In order to participate in this offering, a purchaser must provide the Company with a digital wallet address to receive INX Tokens. We do not recommend that you purchase INX Tokens unless you have prior experience with cryptographic tokens, blockchain-based software and distributed ledger technology and unless you have received independent professional advice.*

**We have no operating history and our independent auditors have expressed substantial doubt about our ability to continue as a going concern. Even if this offering is successful, we may need to raise additional capital in the future to continue operations, which may not be available on acceptable terms, or at all.**

We are a recently formed company established under the laws of Gibraltar with minimal activity and no historical operating results. In their report dated April 23, 2020 our independent auditors stated that our financial statements for the year ended December 31, 2019 were prepared assuming that we would continue as a going concern and they expressed substantial doubt about our ability to continue as a going concern. This doubt is based upon the Company’s current lack of resources to execute its business plan. Since our date of inception in September 2017, we have incurred a loss from operations and as of December 31, 2019, we have an accumulated deficit of \$8,336,000. In addition to the accumulated deficit, we have entered into contractual arrangements committing us to future expenses, including the repayment of loans, as well as significant contingent obligations which are not currently reflected on our balance sheet. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Commitments and Contractual Obligations.*” Additionally, we expect that we will incur approximately \$19 million of expenses to complete the development of the two phases of development contained in our business plan. “See “*Business – Phases of Development.*”

This offering is subject to a minimum offering amount of \$7,500,000 and we will not commence operations of INX Trading Solutions until obtaining funding through this offering. However, we may meet our minimum offering amount, close on committed purchases and have access to investor funds before we obtain the funding that we expect will be required to complete our business plan. There is no guarantee that we will be able to raise any additional capital in the future or that additional capital will be available on acceptable terms.

Because we lack an operating history, you have no basis upon which to evaluate our ability to achieve our business objective. Our proposed operations are subject to all business risks associated with a new enterprise. The likelihood of our creation of a viable business must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the inception of a business operating in a relatively new, highly competitive, and developing industry. Even if we close this offering, there can be no assurance that we will ever generate any operating activity or develop and operate the business as planned. If we are unsuccessful at executing on our business plan, our business, prospects, and results of operations may be materially adversely affected and investors may lose all or a substantial portion of their investment.

### RISKS RELATED TO BLOCKCHAIN ASSETS

**Blockchain is a nascent and rapidly changing technology and there remains relatively small use of blockchain networks and blockchain assets in the retail and commercial marketplace. The slowing or stopping of the development or acceptance of blockchain networks may adversely affect an investment in our Company.**

The development of blockchain networks is a new and rapidly evolving industry that is subject to a high degree of uncertainty. Factors affecting the further development of the blockchain industry include:

- continued worldwide growth in the adoption and use of blockchain networks and assets;
  - the maintenance and development of the open-source software protocol of blockchain networks;
  - changes in consumer demographics and public tastes and preferences;
  - the popularity or acceptance of the Bitcoin or Ethereum networks;
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- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- government and quasi-government regulation of blockchain networks and assets, including any restrictions on access, operation and use of blockchain networks and assets; and
- the general economic environment and conditions relating to blockchain networks and assets.

Our business model is dependent on continued investment in and development of the blockchain industry and related technologies. If investments in the blockchain industry become less attractive to investors or innovators and developers, or if blockchain networks and assets do not gain public acceptance or are not adopted and used by a substantial number of individuals, companies and other entities, it could have a material adverse impact on our prospects and our operations.

**The application of distributed ledger technology is novel and untested and may contain inherent flaws or limitations.**

Blockchain is an emerging technology that offers new capabilities which are not fully proven in use. There are limited examples of the application of distributed ledger technology. In most cases, software used by blockchain asset issuing entities will be in an early development stage and still unproven. As with other novel software products, the computer code underpinning the INX Tokens and Ethereum blockchain may contain errors, or function in unexpected ways. Insufficient testing of smart contract code, as well as the use of external code libraries, may cause the software to break or function incorrectly. Any error or unexpected functionality may cause a decline in value of the INX Token and result in substantial losses to purchasers of INX Tokens.

If we discover errors or unexpected functionalities in the INX Token smart contract after it has been deployed, we may make a determination that the INX Token smart contract is defective and that its use should be discontinued. Although we intend to replace the INX Token and the INX Token smart contract with a new token using a new smart contract, we may be required to take certain measures, such as freezing digital wallet addresses so that such wallets cannot transfer INX Tokens, which may disrupt trading in the INX Tokens. Such a determination and our subsequent deployment of a new smart contract and replacement token could have a material effect of the value of any investment in the INX Token or our business.

The creation and operation of digital platforms for the public trading of blockchain assets will be subject to potential technical, legal and regulatory constraints. There is no warranty that the process for receiving, use and ownership of blockchain assets will be uninterrupted or error-free and there is an inherent risk that the software, network, blockchain assets and related technologies and theories could contain undiscovered technical flaws or weaknesses, the cryptographic security measures that authenticate transactions and the distributed ledger could be compromised, and breakdowns and trading halts could cause the partial or complete inability to use or loss of blockchain assets.

Risks associated with the distributed ledger technology could affect our business directly or the market for blockchain assets generally. In either case, the occurrence of these events could have a materially adverse effect on an investment in the Company.

**The open-source structure of blockchain software means that blockchain networks may be susceptible to malicious cyber-attacks or may contain exploitable flaws, which may result in security breaches and the loss or theft of blockchain assets.**

Most blockchain networks operate based on some form of open-source software. An open source project is not represented, maintained or monitored by an official organization or authority. Because of the nature of open-source software projects, it may be easier for third parties not affiliated with the issuer to introduce weaknesses or bugs into the core infrastructure elements of the blockchain network. This could result in the corruption of the open-source code which may result in the loss or theft of blockchain assets.

Blockchain networks may be the target of malicious attacks seeking to identify and exploit weaknesses in the software. Such events may result in a loss of trust in the security and operation of blockchain networks and a decline in user activity which could have a negative impact on the Company.

**Each blockchain network, including the Ethereum network, is dependent upon its users and contributors, and actions taken, or not taken, by the users or contributors of a blockchain network could damage its reputation and the reputation of blockchain networks generally.**

Developers and other contributors to blockchain network protocols generally maintain or develop those blockchain networks, including the verification of transactions on such networks. Because the networks are decentralized, these contributors are generally not directly compensated for their actions. Therefore, most blockchain networks provide that such contributors receive awards and transfer fees for recording transactions and otherwise maintaining the blockchain network. Such fees are generally paid in the blockchain asset of that network.

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The security and integrity of blockchain assets, including the value ascribed to blockchain assets, relies on the integrity of the underlying blockchain networks. We are issuing the INX Token, an ERC20 blockchain asset that is programmed using a smart contract that is compatible with the Ethereum blockchain.

If the awards and fees paid for maintenance of a network are not sufficiently high to incentivize miners, miners may respond in a way that reduces confidence in the blockchain network. To the extent that any miners cease to record transactions in solved blocks, transactions that do not include the payment of a transfer fee will not be recorded on the blockchain until a block is solved by a miner who does not require the payment of transfer fees. Any widespread delays in the recording of transactions could result in a loss of confidence in the blockchain network and its assets. To the extent that this occurs with regard to blockchain networks that underlie the blockchain assets traded on our platforms, including the Ethereum network, it could have a materially adverse effect on an investment in the Company. To the extent that this occurs with regard to the Ethereum network, it could have a materially adverse effect on an investment in the INX Token.

**The prices of blockchain assets are extremely volatile. Fluctuations in the price of Bitcoin, Ether and/or other blockchain assets could materially and adversely affect the Company.**

The prices of blockchain assets such as Bitcoin and Ether have historically been subject to dramatic fluctuations and are highly volatile. As relatively new products and technologies, blockchain assets have only recently become accepted as a means of payment for goods and services, and such acceptance and use remains limited. Conversely, a significant portion of demand for blockchain assets is generated by speculators and investors seeking to profit from the short- or long-term holding of blockchain assets.

In addition, some blockchain industry participants have reported that a significant percentage of blockchain asset trading activity is artificial or non-economic in nature and may represent attempts to manipulate the price of certain blockchain assets. For example, in a report published by Bitwise Asset Management<sup>8</sup>, Bitwise claimed that 95% of bitcoin trading activity appearing on 81 blockchain asset trading platforms is fake. Bitwise's report further stated that trading platforms and blockchain asset developers are incentivized to artificially inflate trading volumes so that their platform or asset rises in league tables and gains prominence in the industry. As a result, trading platforms or blockchain assets may seek to inflate demand for a specific blockchain assets, or blockchain assets generally, which could increase the volatility of that asset or blockchain asset trading prices generally.

The market price of these blockchain assets, as well as other blockchain assets that may be developed in the future, may continue to be highly volatile. A lack of expansion, or a contraction of adoption and use of blockchain assets, may result in increased volatility or a reduction in the price of blockchain assets.

Several additional factors may influence the market price of blockchain assets, including, but not limited to:

- Global blockchain asset supply;
- Global blockchain asset demand, which can be influenced by the growth of retail merchants' and commercial businesses' acceptance of blockchain assets like cryptocurrencies as payment for goods and services, the security of online blockchain asset trading platforms and digital wallets that hold blockchain assets, the perception that the use and holding of blockchain assets is safe and secure, and the regulatory restrictions on their use;
- Changes in the software, software requirements or hardware requirements underlying the blockchain networks;
- Changes in the rights, obligations, incentives, or rewards for the various participants in blockchain networks;
- The cost of trading and transacting in blockchain assets, and whether such costs may become fixed or standardized;
- Investors' expectations with respect to the rate of inflation;
- Interest rates;
- Currency exchange rates, including the rates at which blockchain assets may be exchanged for fiat currencies;
- Fiat currency withdrawal and deposit policies of blockchain asset trading platforms and liquidity on such platforms;
- Interruptions in service or other failures of major blockchain asset trading platforms;
- Investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in blockchain networks or blockchain assets;

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<sup>8</sup> <https://www.sec.gov/comments/sr-nysearca-2019-01/srnysearca201901-5164833-183434.pdf>

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- Monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- Regulatory measures, if any, that affect the use of blockchain assets;
- The maintenance and development of the open-source software utilized in blockchain networks;
- Global or regional political, economic or financial events and situations; or
- Expectations among blockchain network participants that the value of such blockchain assets will soon change.

A decrease in the price of a single blockchain asset may cause volatility in the entire blockchain industry and may affect other blockchain assets. For example, a security breach that affects investor or user confidence in Ether or Bitcoin may affect the industry as a whole and may also cause the price of other blockchain assets to fluctuate.

The value of blockchain assets and fluctuations in the price of blockchain assets could materially and adversely affect our business and investment in the Company.

**The regulatory regimes governing blockchain technologies, blockchain assets and the purchase and sale of blockchain assets are uncertain, and new regulations or policies may materially adversely affect the development of blockchain networks and the use of blockchain assets.**

Initially, it was unclear how distributed ledger technologies, blockchain assets and the businesses and activities utilizing such technologies and assets would fit into the current web of government regulation. As blockchain networks and blockchain assets have grown in popularity and in market size, international, federal, state and local regulatory agencies have begun to clarify their position regarding the sale, purchase, ownership and trading of blockchain assets.

Regulation of the trading of blockchain assets has evolved significantly over the past year. On November 16, 2018, the Division of Corporation Finance, Division of Investment Management, and Division of Trading and Markets issued the Statement on Digital Asset Securities Issuance and Trading, confirming the applicability of the federal securities law framework to new and emerging technologies, such as blockchain assets. The Statement summarized the Commission's stance with regard to actors and institutions that sell security tokens in initial offerings or develop and facilitate the secondary market for security tokens. Although the Statement provides additional guidance to participants in the blockchain asset marketplace, in general the regulation of blockchain assets under the current regulatory framework applicable to currencies or securities remains in its early stages and is subject to uncertainty.

In addition, various legislative and executive bodies in the United States and in other countries have shown that they intend to adopt legislation to regulate the sale and use of blockchain assets. Such legislation may vary significantly among jurisdictions, which may subject participants in the blockchain trading marketplace to different and perhaps contradictory requirements.

New or changing laws and regulations or interpretations of existing laws and regulations, in the United States and elsewhere, may materially and adversely impact the development and growth of blockchain networks and the adoption and use of blockchain assets. The imposition of restrictions on all blockchain assets, or certain blockchain assets, could affect the value, liquidity and market price of blockchain assets subject to heightened regulation, by limiting access to marketplaces or exchanges on which to trade such blockchain assets, or imposing restrictions on the structure, rights and transferability of such blockchain assets. Some governments may seek to ban transactions in blockchain assets altogether. See "*Business—Regulatory Oversight of Blockchain Assets.*"

The Company may be prevented from entering, or it may be required to cease operations in, a jurisdiction that makes it illegal or commercially unviable or undesirable to operate in such jurisdiction. Enforcement, or the threat of enforcement, may also drive a critical mass of participants and trading activity away from regulated markets, such as those provided by INX Trading Solutions, and toward unregulated exchanges. Although it is impossible to predict the positions that will be taken by certain governments, any regulatory changes affecting blockchain assets could be substantial and materially adverse to the development and growth of our business and investment in the Company.

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## RISKS RELATED TO OUR COMPANY'S OPERATIONS

**Our ability to develop INX Trading Solutions faces operational, technological and regulatory challenges and we may not be able to develop the INX Trading Solutions as contemplated or at all.**

We may not be able to develop INX Trading Solutions, including the INX Digital and INX Securities trading platforms, as contemplated by our business model or at all. In addition, a number of factors could materially adversely affect our ability to commercialize and generate any revenue from our proposed INX Trading Solutions platforms.

The development, structuring, launch and maintenance of our trading platforms could lead to unanticipated and substantial costs, delays or other operational or financial difficulties. Our proposed platforms are complex and their creation requires the integration of multiple technologies and the development of new software. There can be no assurance that we will have the financial and technological resources necessary to complete the development of our trading platforms if their development costs more than we have estimated or requires technology and expertise that we do not have and cannot develop. Even if we are able to develop INX Trading Solutions as contemplated, we may not be able to develop our platforms on a timely basis.

Further, there can be no assurance that our platforms will gain the acceptance of customers or other market participants. Because blockchain asset trading is in its early stages, it is difficult to predict the preferences and requirements of blockchain asset traders and our platform design and technology may be incompatible with new or emerging forms of blockchain assets or related technologies. Failure to achieve acceptance would impede our ability to develop and sustain a commercial business.

In addition, there can be no assurance that our platform will qualify for registrations that we are seeking or we plan to seek with the SEC, FINRA, U.S. state regulators and various other regulatory bodies both in the U.S. and in other countries. We intend that one of our subsidiaries, INX Digital, will apply for state money transmitter licenses in order to operate a trading platform for cryptocurrencies. In addition, we intend that another of our U.S. subsidiaries, INX Services, will register as a broker-dealer to act as an introducing broker and subsequently to operate an alternative trading system for security tokens. In addition, if in the future we determine to proceed with the establishment of a platform for the trading of derivatives, we would be required to seek registrations with other regulatory bodies, such as the CFTC.

We may fail to qualify for registrations under any of these authorities or we may be required to alter our business model as currently contemplated in order to meet the requirements of these regulatory authorities. Either of these results would have a broad impact on us and could have a material adverse effect on our businesses, financial condition, results of operations and prospects and, as a result, investors could lose all or most of their investment.

Because distributions to the INX Token holders are dependent on our cash flow, our failure to develop the INX Trading Solutions platforms, failure of the INX Trading Solutions platforms to gain regulatory approvals or failure of the INX Trading Solutions platforms to gain acceptance may prevent us from paying a distribution to the INX Token holders. Further, our failure to develop the INX Securities trading platform would prevent INX Token holders from using INX Tokens as payment for transaction fees on the INX Securities trading platform. Such adverse effects would impact the utility, liquidity, and the trading price of INX Tokens and potentially render INX Tokens worthless.

**INX Securities trading platform depends upon security tokens being transferred to and held by a custodian before being traded on our INX Securities trading platform; however, we have been unsuccessful in identifying a custodian relationship that the SEC has determined will satisfy our obligations under Rule 15c3-3 of the Exchange Act with regard to providing custodial services for security tokens.**

The model for our INX Securities trading platform envisions that security tokens traded on the platform will be transferred to a digital wallet held by one of our custodians, which transfer is recorded on the blockchain ledger that underlies such security token. Once a security token is deposited with our custodian, trades on our INX Securities trading platforms will be recorded only on our internal centralized servers, and they will not be recorded on a blockchain ledger.

Exchange Act Rule 15c3-3, known as the Customer Protection Rule, imposes several obligations on securities brokers and dealers, including an obligation to obtain possession or control of securities that its customers have purchased. After registering as a broker-dealer, INX Services plans to meet its obligations under Rule 15c3-3 with regard to security tokens traded by its customers by engaging a custodian and delivering the majority of its customers' security tokens to a segregated account controlled by such custodian. Prior to obtaining a broker-dealer license, INX Services is required to demonstrate that it is able to comply with Rule 15c3-3.

There is currently significant uncertainty regarding the application of Rule 15c3-3 and other federal securities laws and regulations to market intermediaries that seek to facilitate the trading of security tokens. On July 8, 2019, the SEC Division of Trading and Markets and FINRA Office of General Counsel issued the Joint Staff Statement on Broker-Dealer Custody of Digital Assets, stating that established laws and practices that the Staffs recognize as enabling broker-dealers to comply with aspects of the Customer Protection Rule may not be available or effective in the case of blockchain assets. We have yet to identify a custodial arrangement for the secure holding of security tokens that FINRA or the SEC will approve as meeting the requirements of Rule 15c3-3.

If we are not able to identify such an arrangement, or if the FINRA delays in approving our broker-dealer license as a result of our custodial relationship, such failure or delay could prevent us from developing the INX Securities trading platform or other operations of INX Services as currently envisioned. This would have a material adverse effect on the ability to use the INX Token as a means of payment for transaction fees on the INX Securities trading platform, and would further negatively affect our businesses, financial condition, results of operations and prospects and, as a result, investors could lose all or most of their investment.

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**We expect to face intense competition from other companies and, if we are not able to successfully compete, our business, financial condition and operating results will be materially harmed.**

We expect to encounter competition in all aspects of our business, including from entities having substantially greater capital and resources, offering a wide range of products and services and in some cases operating under a different and possibly less stringent regulatory regime.

We will face competition from other securities, futures and securities option exchanges; over-the-counter markets (OTC); clearing organizations; large industry participants; swap execution facilities; alternative trade execution facilities; technology firms, including electronic trading system developers, and others. New entrants may enter the market with alternative methods of providing trade execution and related services, and existing competitors may launch new initiatives.

Many of these competitors have greater financial, marketing, technological and personnel resources than we do. In addition, many of our competitors may offer a wider range of bundled services, have broader name recognition, and have larger customer bases than we do.

Our ability to develop competitive advantages will require continued enhancements to our products, investment in the development of our services, additional marketing activities and enhanced customer support services. There can be no assurance that we will have resources to make sufficient investments in the development of our services, that our competitors will not devote significantly more resources to competing services or that we will otherwise be successful in developing market share. If competitors offer superior services, our market share could be affected and this would adversely impact our business and results of operations.

**Failure to keep up with rapid changes in industry-leading technology, products and services could negatively impact our results of operations.**

The financial services industry is subject to rapid technological change and evolving industry standards. User demands become greater and more sophisticated as the dissemination of products and information to customers increases. If we are unable to anticipate and respond to the demand for new services, products and technologies, innovate in a timely and cost-effective manner and adapt to technological advancements and changing standards, we may be unable to compete effectively, which could have a material adverse effect on our business. Many of our competitors have significantly greater resources than we do to fund research and development initiatives. Moreover, the development of technology-based services is a complex and time-consuming process. New products and enhancements to existing products can require long development and testing periods. Significant delays in new product releases, failure to meet key deadlines, or significant problems in creating new products could negatively impact our revenues and profits.

**We may not receive regulatory approval in the various jurisdictions in which we plan to operate our businesses.**

We are seeking or we plan to seek registrations with the SEC, FINRA, U.S. state regulators and various other regulatory bodies both in the U.S. and in other countries. We intend that one of our subsidiaries, INX Digital, will apply for state money transmitter licenses in order to operate a trading platform for cryptocurrencies. In addition, we intend that another of our U.S. subsidiaries, INX Services, will register as a broker-dealer to act, at least initially, as an introducing broker and subsequently to operate INX Securities as an ATS for security tokens.

To establish INX Securities as an ATS, INX Services will be required to file a Form ATS with the SEC. The Form ATS will include a description of the processes, rules and procedures that will govern the trading of security tokens on the INX Securities trading platform.

However, there is currently significant uncertainty regarding the application of federal and state laws to the trading of digital assets, including regulations governing the conduct of market intermediaries to the trading of security tokens. In addition, such processes, rules and procedures remain subject to our further development of the INX Securities trading platform infrastructure. These and other factors may cause significant delay or may prevent us from developing our trading platforms, including the development of the INX Securities trading platform as an ATS as currently envisioned.

If we fail to qualify with any of these authorities, we may be unable to execute our business plan as a provider of financial services. This would have a broad impact on us and could have a material adverse effect on our businesses, financial condition, results of operations and prospects and, as a result, investors could lose all or most of their investment. In addition, any such action could also cause us significant reputational harm, which, in turn, could seriously harm the Company.

Firms in the financial services industry have experienced increased scrutiny in recent years. Such regulatory or other actions may lead to penalties, fines, disbarment and other sanctions which could place restrictions or limitations on our operations and otherwise have a material adverse effect on our businesses.

**The securities markets and the brokerage industry in which we operate are subject to extensive, evolving regulation that imposes significant costs and competitive burdens that could materially impact our business.**

Most aspects of our broker-dealer operations will be highly regulated, including regulated oversight over sales and reporting practices, operational compliance, capital requirements and licensing of employees. Accordingly, we face the risk of significant intervention by regulatory authorities such as the SEC and FINRA in the U.S. and their equivalents in other countries.

Compliance with regulations may require us and our customers to dedicate significant financial and operational resources that could result in some participants leaving our markets or decreasing their trading activity, which would negatively affect our profitability. We expect to continue to incur significant costs to comply with the extensive regulations that apply to our business.

See “*Business—Regulation of Our Trading Platform*” for a description of potential regulation of our business.

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As we expand our business, we may be exposed to increased and different types of regulatory requirements. We may become subject to new regulations or changes in the interpretation or enforcement of existing regulations, which may adversely affect our business. Also, regulatory changes that impact how our customers conduct their business may impact our business and results of operations. The U.S. federal government and other governments outside of the United States may implement new or revised regulatory requirements for the financial services industry. Any changes to the regulatory rules could cause us to expend more significant compliance, business and technology resources, incur additional operational costs and create additional regulatory exposure.

If we fail to comply with applicable laws, rules or regulations, we may be subject to censure, fines, cease-and-desist orders, suspension of our business, removal of personnel or other sanctions, including revocation of our broker-dealer registrations.

**The extent to which blockchain assets are used to fund criminal or terrorist enterprises or launder the proceeds of illegal activities could materially impact our business.**

The potential, or perceived potential, for anonymity in transfers of bitcoin and similar blockchain assets, as well as the decentralized nature of blockchain networks, has led some terrorist groups and other criminals to solicit bitcoins and other blockchain assets for capital raising purposes. As blockchain assets have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies have been examining the operations of blockchain assets, their users and exchanges, concerning the use of blockchain assets for the purpose of laundering the proceeds of illegal activities or funding criminal or terrorist enterprises.

In addition to the current market, new blockchain networks or similar technologies may be developed to provide more anonymity and less traceability. There is also the potential that other blockchain asset trading platforms may court such illicit activity by not adhering to know-your-customer and anti-money laundering practices.

We may not be able to prevent illegal activity from occurring over our platforms. We may be unable to detect the unauthorized use of a KYC/AML vetted account on one of our platforms. Further, we may be unable to verify whether private keys for wallets containing INX Tokens have been transferred to third parties who have not completed our KYC/AML process. Although we plan to implement procedures that will ensure that we remain in compliance with our KYC/AML obligations, we may not be successful in deterring or identifying illegal activity.

The use of blockchain assets for illegal purposes, or the perception of such use, over our platforms or on other trading platforms could result in significant legal and financial exposure, damage to our reputation, damage to the reputation of blockchain assets and a loss of confidence in the services provided by our platforms and the blockchain asset community as a whole. Our failure to meet our KYC/AML requirements could result in regulatory penalties which could have a materially adverse effect on our business.

**We may not have sufficient cash flow from operating activities, cash on hand and the ability to obtain borrowing capacity to finance required capital expenditures, fund strategic initiatives and meet our other cash needs. These obligations require a significant amount of cash, and we may need additional funds, which may not be readily available.**

The viability of our business will be dependent on the availability of adequate capital to develop and maintain our business and meet our regulatory capital requirements. We will need to continue to invest in our operations for the foreseeable future to carry out our business plan. If INX Trading Solutions does not attract clients and does not achieve the expected operating results, we will need to seek additional financing or revise our business plan. Our ability to borrow additional funds may be impacted by financial lending institutions' ability or willingness to lend to us on commercially acceptable terms.

Low levels of operating cash flow together with limited access to capital or credit in the future could have an impact on our ability to meet our regulatory capital requirements, invest in our software and infrastructure, engage in strategic initiatives, make acquisitions or strategic investments in other companies, react to changing economic and business conditions, repay our outstanding debt, or make dividend payments. Such outcomes could have an adverse effect on our business, financial condition and operating results.

**Our business model depends, in part, on our ability to resell INX Tokens received as payment for transaction fees by INX Services. Resales by the Company of such Tokens require compliance with the registration requirements of the Securities Act. If we are unable to register such Tokens, there may not be a sustainable market in INX Tokens and we may be unable to execute our business plan.**

We anticipate that users of the INX Securities trading platform will be incentivized to use INX Tokens as payment for transaction fees on the platform. Because only a finite amount of INX Tokens exist, Tokens received as payment will reduce the availability of INX Tokens unless the Company resells Tokens pursuant to a future primary offering. We intend to file one or more registration statements to register for re-issuance of INX Tokens which INX Services receives as payment for transaction fees on the INX Securities trading platform, however the Company may not be eligible to do so, may experience delays in preparing these registration statements or having these registration statements declared effective, or may not succeed in selling additional INX Tokens, either in registered offerings or offerings that are exempt from registration. If the Company is unable to re-issue INX Tokens received as payment for transaction fees, holders of INX Tokens may have reduced liquidity and the operations of INX Services and the INX Securities trading platform, and our business in general, may be adversely affected.

**Our securities business and related clearing operations expose us to material default and liquidity risk.**

We plan to self-clear blockchain asset transactions. Our clearing broker operations will expose us to counterparties with differing risk profiles. We plan to guarantee transactions submitted by our clearing broker with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional customers.

We may be required to finance our clients' unsettled positions and we could be held responsible for the defaults of our clients. Default by our clients may also give rise to our incurring penalties imposed by execution venues, regulatory authorities and clearing and settlement organizations.

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Regulatory agencies have recently required clearing and settlement organizations to increase the level of margin deposit requirements and they may continue to do so in the future. Growth in trading activity may lead to higher regulatory capital requirements. We cannot assure you that these capital requirements will be sufficient to protect market participants from a default or that we will not be adversely affected in the event of a significant default.

Broker-dealers are also subject to regulatory capital requirements promulgated by the applicable regulatory and exchange authorities of the countries in which they operate. The failure to maintain required regulatory capital may lead to suspension or revocation of a broker-dealer registration and suspension or expulsion by a regulatory body. If existing cash together with cash from operations are not sufficient, we may need to reject orders from clients and we may ultimately breach regulatory capital requirements.

Furthermore, if our broker-dealer subsidiaries are subject to new or modified regulatory capital rules or requirements, or fines, penalties or sanctions due to increased or more stringent enforcement, it could materially limit or reduce the liquidity we may need to expand or even maintain our then-present levels of business, which could have a material adverse effect on our business, results of operations and financial condition.

**We may be unable to raise sufficient funds to maintain minimum net capital that meets regulatory requirements. Further, our commitment to reserve a portion of the proceeds from this offering to establish the Cash Fund may limit our ability to invest in our future growth.**

Once INX Services is registered as a broker-dealer, it must maintain minimum net capital that satisfies the requirements under Rule 15c3-1 under the Exchange Act. Depending upon our future business activities, we may become subject to additional capital requirements in the United States or other foreign jurisdictions in which we may conduct business in the future.

In addition, we are committed to reserve 75% of the gross proceeds less payments to underwriters from this offering in excess of \$25 million to be available to cover customer and Company losses, if any, that result from cybersecurity breaches or theft, errors in execution of the trading platform or its technology, and counterparty defaults, including instances where counterparties lack sufficient collateral to cover losses. We refer to this amount as our “Cash Fund.” The Cash Fund is intended to provide additional comfort to our customers with respect to the financial stability of the Company.

We do not currently have any cash reserves. In addition, we intend to use substantially all other proceeds raised from this offering for the continued development and operation of INX Trading Solutions. This offering is subject to a minimum offering amount of \$7,500,000 and we may close on committed purchases and gain access to committed funds at any time after the gross proceeds from this offering meet our minimum offering amount. Therefore, we cannot guarantee that we will have any material amount of cash reserves after the completion of this offering.

Current and future regulations may require us to accumulate capital reserves in our subsidiaries which could limit our ability to carry on or expand our operations or may result in higher than anticipated costs for financing our operations. If we fail to maintain the required levels of capital, we may be required to suspend our broker-dealer operations during the period that we are not in compliance with capital requirements. If our reserves are insufficient to cover our future liabilities, we may be required to raise additional capital. Any one or all of these outcomes may have a material effect on our business.

**There can be no assurance that we will have sufficient assets or that we will be able to obtain and maintain liability insurance on acceptable terms or with adequate coverage to cover our liabilities.**

If our platform or the INX Token is alleged to have a flaw or is hacked such that our customers suffer significant losses, we may be subject to significant liability claims or regulatory action. We are committed to reserve 75% of the gross proceeds less payments to underwriters from this offering in excess of \$25 million to be available to cover customer and Company losses, if any, that result from cybersecurity breaches or theft, errors in execution of the trading platform or its technology, and counterparty defaults, including instances where counterparties lack sufficient collateral to cover losses. The Company will utilize the Cash Fund only in response to these events. However, the Cash Fund may be insufficient to cover all losses associated with significant liability claims. Further, the Company does not plan to replenish the Cash Fund after this offering and after it has been used for these purposes.

Further, we do not currently have insurance to cover potential losses that may occur on our platform. Insurance coverage against such losses is expensive and may not be available on acceptable terms, or at all. Available insurance coverage may be subject to unfavorable terms and conditions and require payments of significant deductibles, or it may not be sufficient to cover all losses in the case of a claim. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential liability claims could result in us becoming subject to significant liabilities that are uninsured.

**We may experience systems failures or capacity constraints that could materially harm our ability to conduct our operations and execute our business strategy.**

We will be heavily dependent on the capacity, reliability and security of the computer and communications systems and software supporting our operations. We plan to receive and/or process a large portion of our trade orders through electronic means, such as through public and private communications networks. Our systems, or those of our third party providers, may fail or be shut down or, due to capacity constraints, may operate slowly, causing one or more of the following to occur:

- unanticipated disruptions in service to our customers;
  - slower response times and delays in our customers’ trade execution and processing;
  - failed settlement of trades;
  - incomplete or inaccurate accounting, recording or processing of trades;
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- financial losses;
- security breaches;
- litigation or other customer claims;
- loss of customers; and
- regulatory sanctions.

If any of our systems do not operate properly, are compromised or are disabled, including as a result of system failure, employee or customer error or misuse of our systems, we could suffer financial loss, liability to customers, regulatory intervention or reputational damage that could affect demand by current and potential users of our market.

We will need to continue to upgrade, expand and increase the capacity of our systems as our business grows and as we execute our business strategy. Although many of our systems are designed to accommodate additional volume and products and services without redesign or replacement, we will need to continue to make significant investments in additional hardware and software to accommodate the increases in volume of transactions and order transaction traffic and to provide processing services to third parties. If we cannot increase the capacity and capabilities of our systems to accommodate an increasing volume of transactions and to execute our business strategy, our ability to maintain or expand our businesses would be adversely affected.

**We face cyber-attack and other cyber security risks.**

We regard the secure transmission of confidential information and the ability to continuously transact and clear on our electronic trading platforms as critical elements of our operations. Our technology, our people and those of our third party service providers and our customers may be vulnerable to targeted attacks, unauthorized access, fraud, computer viruses, denial of service attacks, terrorism, firewall or encryption failures and other security problems. Attackers may seek to steal information about our technology, financial data or user information or take other actions that would be damaging to the Company and/or holders of INX Tokens.

In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

**The INX Token Distributed Ledger is publicly available and contains encrypted personal information. The misuse or theft of this information may give rise to breaches of privacy laws, fines and sanctions.**

For many blockchain assets, distributed ledgers are used to record transfers of ownership of the asset. Information regarding ownership is most commonly represented by ledger balances and an owner's public wallet address. Such information includes the complete transfer history from the inception of the respective blockchain asset and such information regarding ownership of the assets, including the public wallet address, is generally available to the public. For many blockchain assets, personal identifying information that is used to associate a public wallet address with its owner is typically maintained in a separate database that is not exposed to the public.

The INX Token smart contract contains a feature whereby encrypted personal information is stored within the token smart contract (rather than a private, centralized database). The Company will hold a private key which will enable decryption of such personal information.

There are a number of data protection, security, privacy and other government- and industry-specific requirements that are implicated by utilizing a distributed ledger. If blockchain networks are unable to satisfy data protection, security, privacy, and other government-and industry-specific requirements, their growth could be harmed.

Further, if the key which enables decryption of personal information becomes comprised, personally identifiable information of INX Token holders may be revealed. Security breaches with respect to the holders' personal identity information database could result in theft of the information necessary to link personal identity with public keys, and thus the stolen information could be used to determine the affected holder's complete transfer history. Concerns over these issues may limit adoption of this novel trading system by a range of potential investors, reducing liquidity of blockchain assets.

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**Security attacks against the Company could result in a loss of the Company’s blockchain assets, including the INX Tokens, theft of personal information of our customers or damage to our reputation and our brand, each of which could adversely affect an investment in the Company. We could be required to incur significant expense to protect our systems and/or investigate any alleged attack.**

Security breaches, computer malware and computer hacking attacks have been a prevalent concern since the launch of blockchain networks. Since 2011, more than \$1.7 billion has been publicly reported stolen from cryptocurrency exchanges and investors. For example, in January 2018, about \$500 million worth of blockchain assets were stolen from a major Japanese trading platform<sup>9</sup>. Our security system and operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of an employee of ours, or otherwise. Techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be designed to remain dormant until a predetermined event. Outside parties may also attempt to fraudulently induce employees of ours to disclose sensitive information in order to gain access to our infrastructure. Furthermore, we believe that, as our assets grow, the Company may become a more appealing target for security threats such as hackers and malware.

In addition, the Company will hold private keys that allow it or its transfer agent, as applicable, the ability to “freeze” or reject automatically any digital wallet address from participating in transfers of INX Tokens, or unilaterally transfer INX Tokens out of a third-party digital wallet. If such private keys are compromised, all owners of INX Tokens are at risk of losing the ability to transfer their INX Token out of their digital wallet or they may have their INX Token transferred out of their digital wallet without their permission. See “*Description of INX Tokens – Technical Features of the INX Token.*”

Our security measures may prove insufficient depending upon the attack or threat posed. We may be unable to anticipate these techniques or implement adequate preventative measures. As a result, an unauthorized party may obtain access to our private keys, company and customer data or blockchain assets.

Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and a loss of confidence in the services we provide that could potentially have an adverse effect on our business, while resulting in regulatory penalties or the imposition of burdensome obligations by regulators. In the event of a security breach, we may be forced to cease operations, or suffer a reduction in assets, the occurrence of each of which could adversely affect an investment in the Company.

**The loss of key personnel, particularly Mr. Shy Datika, our President, could have a material adverse effect on us.**

Our success depends solely on the continued services of key personnel, particularly Mr. Shy Datika, one of our founders, our controlling shareholder and President, who has extensive market knowledge and long-standing industry relationships. In particular, our reputation among and our relationships with key blockchain industry leaders are the direct result of a significant investment of time and effort by Mr. Datika to build credibility in a highly specialized industry. The loss of services of Mr. Shy Datika could diminish our business and growth opportunities and our relationships with key leaders in the blockchain industry and could have a material adverse effect on us.

**Our business will be adversely affected if we are unable to attract and retain talented employees, including sales, technology, operations and development professionals.**

Our business operations will require highly specialized knowledge of the financial industry and of technological innovation as it applies to the financial industry. If we are unable to hire or retain the services of talented employees, including executive officers, other key management and sales, technology, operations and development professionals, we would be at a competitive disadvantage. In addition, recruitment and retention of qualified staff could result in substantial additional costs. The loss of the services of one or more of our executive officers or other key professionals or our inability to attract, retain and motivate qualified personnel, could have a material adverse effect on our ability to operate our business.

**We have not identified all the persons that we will need to hire to provide services and functions critical to the development of the business and no assurance can be given that we will be able to hire the necessary persons on acceptable terms, if at all.**

Our business is in its developmental stage and we have not identified all the persons that we will need to hire to provide services and functions critical to the development of the business. If we are unable to hire persons with the necessary expertise on terms acceptable to us then we will not be able to develop INX Trading Solutions as contemplated. Further, even if we are able to hire such service providers, they might be unable to meet our specifications and requirements, which could have a material adverse effect on our ability to develop and launch our business plan.

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<sup>9</sup> <https://www.cnbc.com/2018/01/26/japanese-cryptocurrency-exchange-loses-more-than-500-million-to-hackers.html>; See also <http://blockgeeks.com/guides/cryptocurrency-hacks>

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**As a financial services provider, we will be subject to significant litigation risk and potential commodity and securities law liability.**

Many aspects of our business involve substantial litigation risks. We could be exposed to substantial liability under federal and state laws and court decisions, as well as rules and regulations promulgated and/or direct actions brought by the SEC, state securities regulators and other U.S. regulatory agencies.

These risks include, among others, potential liability from disputes over terms of a trade, the claim that a system failure or delay caused monetary losses to a customer, that we entered into an unauthorized transaction, that we provided materially false or misleading statements in connection with a transaction or that we failed to effectively fulfill our regulatory oversight responsibilities. We may be deemed an underwriter under the Securities Act with regard to our role and involvement with respect to any initial offerings of securities on the INX Securities trading platform, and our failure to comply with applicable federal securities laws may expose us to legal liability. We may be subject to disputes regarding the quality of trade execution, the settlement of trades or other matters relating to our services. We may become subject to these claims as a result of failures or malfunctions of our systems and services we provide.

We could incur significant legal expenses defending claims, even those without merit. In addition, an adverse resolution of any future lawsuit or claim against us could have a material adverse effect on our business and our reputation. To the extent we are found to have failed to fulfill our regulatory obligations, we could lose our authorizations or licenses or become subject to conditions that could make future operations more costly and impairing our profitability.

**Our compliance and risk management programs might not be effective and may result in outcomes that could adversely affect our reputation, financial condition and operating results.**

Our ability to comply with applicable laws and rules is largely dependent on our establishment and maintenance of compliance, review and reporting systems, as well as our ability to attract and retain qualified compliance and other risk management personnel. We face the risk of significant intervention by regulatory authorities, including extensive examination and surveillance activity.

We cannot assure you that our compliance policies and procedures will always be effective or that we will always be successful in monitoring or evaluating our risks. In the case of alleged non-compliance with applicable laws or regulations, we could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits, including by customers, for damages, which could be significant. Any of these outcomes may adversely affect our reputation, financial condition and operating results.

**Operational risks, such as misconduct and errors of our employees or entities with which we do business, are difficult to detect and deter and could cause us reputational and financial harm.**

Our employees and agents could engage in misconduct which may include conducting in and concealing unauthorized activities, improper use or unauthorized disclosure of confidential information. We are at risk that our employees may engage in insider trading of the digital assets listed on one of our platforms which may lead to corporate actions, such as a suspension of trading, and legal actions that could have an adverse effect on the Company.

Further, our employees could make errors in recording or executing transactions for customers which would cause us to enter into transactions that customers may disavow and refuse to settle.

It is not always possible to deter misconduct by our employees, and the precautions we take to prevent and detect this activity may not be effective in all cases. Our ability to detect and prevent errors or misconduct by entities with which we do business may be even more limited. Such misconduct could subject us to financial losses or regulatory sanctions and materially harm our reputation, financial condition and operating results.

**Our operations of businesses outside of the United States and our acceptance of currencies other than the U.S. Dollar will subject us to currency risk.**

Once we commercialize our INX Trading Solutions model, we intend to expand globally and portions of our revenues and expenses will be denominated in currencies other than the U.S. dollar. In addition, the Company and its subsidiaries will accept various currencies as payment for the purchase of the INX Tokens or fees for services. Because our financial statements are presented in U.S. dollars, we must translate non-U.S. dollar denominated revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. These fluctuations may materially impact the translation of our non-U.S. results of operations and financial condition.

Increases or decreases in the value of the U.S. dollar against these other currencies may affect our operating results and the value of assets and liabilities denominated in foreign currencies.

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**We will accept certain cryptocurrencies as payment for the purchase of INX Tokens and fees for services. Our holding of these cryptocurrencies will subject us to risks due to fluctuations in the value of these cryptocurrencies.**

We may accept certain cryptocurrencies as payment for the purchase of INX Tokens and as payment for fees for services. These cryptocurrencies will be held until sold. Proceeds from the sale of such cryptocurrencies will be dependent on the U.S. dollar trading value for the respective cryptocurrency based on the relevant market or markets for that cryptocurrency. Decreases in the trading value of a cryptocurrency while it is held by us will result in a decrease in the operating results of the Company.

**We may not be able to successfully execute our business strategy if we are deemed to be an investment company under the Investment Company Act of 1940.**

In general, under the Investment Company Act, a U.S. company that does not qualify to use one of the “private investment company” (or other specialized) exemptions from investment company status, that has made (or proposes to make) a public offering of its securities and that is, or hold itself out as being, engaged primarily in the business of investing, reinvesting or trading in securities must register, and is subject to regulation, as an investment company under that Act. In addition, in general, investment company status may apply (again, unless a specialized exemption is available) because a company owns “investment securities” (essentially, non-controlling interests in other companies’ securities or controlling interests in companies that have the characteristics of an investment company) constituting more than 40% of the value of the investing company’s unconsolidated assets (disregarding U.S. government securities and “cash items”). We intend that our future activities will not cause us to be considered an investment company.

We may accept certain cryptocurrencies (Bitcoin or Ether) as payment for the purchase of INX Tokens and hold these cryptocurrencies until sold. Further, we intend that our subsidiaries, INX Digital and INX Services, will engage in the trading of cryptocurrencies and security tokens, respectively. During the initial operations of the Company, we intend that INX Digital will trade only cryptocurrencies, such as Bitcoin and Ether, that we have determined, after investigation, not to be securities. After INX Services, or a different U.S. subsidiary, is able to register as a broker and alternative trading system, we expect that it will engage in trading security tokens that will constitute securities, but that INX Services (or such subsidiary) will qualify to utilize an exemption from investment company status under Section 3(c)(2) of the Investment Company Act that applies to entities “primarily engaged in the business of underwriting and distributing securities issued by other persons, selling securities to customers, acting as broker, and acting as market intermediary, or any one or more of such activities, whose gross income normally is derived principally from such business and related activities.”

Accordingly, we believe that the cryptocurrencies that we or our subsidiaries will own and trade in will not be securities. In the case of trading in security tokens by a subsidiary that qualifies to use the Section 3(c)(2) exemption from investment company status, our ownership interest in that subsidiary will not constitute an “investment security” (as a result of the availability of the exemption). As a result, we believe we will not be primarily engaged in the business of investing, reinvesting or trading in securities and that investment securities will not constitute more than 40% of the unconsolidated value of our total assets after eliminating holdings in U.S. government securities and cash items.

While we believe that our business activities will not cause us to be an investment company, if we were deemed to be, and were required to register as, an investment company, we would be forced to comply with substantive requirements under the Investment Company Act, including limitations on our ability to borrow, limitations on our capital structure, limitations on our ability to issue additional common stock, restrictions on acquisitions of interests in associated companies, prohibitions on transactions with affiliates, restrictions on specific investments, and compliance with governance, reporting, record keeping, voting, proxy disclosure and other statutory requirements and related rules and regulations. If we were forced to comply with those requirements, we would be required to change our structure and future operations from our current plans, could be prevented from successfully executing our business strategy and could be required to cease business.

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**We will need to implement strict finance and accounting systems, procedures and controls to operate our business.**

We will be required to comply with a variety of reporting, accounting and other rules and regulations. Compliance with these requirements will be expensive. We will need to implement strict finance and accounting systems, procedures and controls to satisfy our reporting requirements and these requirements may increase our costs and require additional management time and resources. However, as an “emerging growth company” as defined in the JOBS Act we may not be required to, among other things, provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act or comply with any requirement that may be adopted by the PCAOB regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis). Prior to the closing of this offering, we have not completed an assessment, nor have our auditors tested, our systems of internal controls. For as long as we are an “emerging growth company” under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. If our internal controls have undetected weaknesses or our internal control over financial reporting is determined to be ineffective, such failure could cause investors to lose confidence in our reported financial information, negatively affect the market price of the INX Token and adversely impact our business and financial condition. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations – Controls and Procedures.*”

**Negative publicity could damage our business.**

Developing and maintaining our reputation is critical to attracting and retaining customers and investors and for maintaining our relationships with our regulators. Our success depends on our ability to complete development of, successfully implement and maintain the electronic trading systems that have the functionality, performance, reliability and speed required by our customers. We must swiftly and effectively construct the INX Digital and INX Securities trading platform to remain competitive.

Negative publicity regarding our Company, INX Tokens, our key personnel or blockchain assets generally, whether based upon fact, allegation or perception and whether justified or not, could give rise to reputational risk which could significantly harm our business prospects.

**We, as well as many of our potential customers, depend on third party suppliers and service providers for a number of services that are important. An interruption or cessation of an important supply or service by any third party could have a material adverse effect on our business, including revenues derived from our customers’ trading activity.**

We will depend on a number of suppliers, such as banking, clearing and settlement organizations, on-line service providers, data processors, and software and hardware vendors, for elements of our trading, clearing and other systems, as well as communications and networking equipment, computer hardware and software and related support and maintenance. We also depend on third parties to provide Internet, telecommunication and fiber optic network connectivity to our data centers. Many of our customers rely on third parties, such as independent software vendors, to provide them with front-end systems to access our platform and other back office systems for their trade processing and risk management needs.

We cannot guarantee that these service providers will make the necessary monetary and time investments to provide services for our INX Trading Solutions model and changes to our interfaces and functionality that occur as we develop our business. To the extent any of our service providers or the organizations that provide services to our customers in connection with their trading activities cease to provide these services in an efficient, cost-effective manner or fail to adequately expand their services to meet our needs and the needs of our customers, we could experience decreased trading volume, lower revenues and higher costs which could adversely affect an investment in the Company.

**Our revenues and profits will be substantially dependent on the trading volume in our markets. Our revenues and profits would be adversely affected if we are unable to develop and continually increase our trading volume once INX Trading Solutions becomes operational.**

The success of our business depends, in part, on our ability to develop then continually increase our trading volume; develop and expand our product offerings or execution facilities; and attract new customers. Our success also depends on our ability to offer competitive prices and services in an increasingly price-sensitive business.

We cannot provide assurances that we will be able to develop and expand product lines, that we will be able to attract and retain customers or that we will be able to modify our pricing structure to compete effectively.

Trading volumes on blockchain asset trading platforms have historically been volatile. Such volatility may be the result of various factors, including fluctuations in the price of blockchain assets or periods of rapid expansion and contraction of adoption and use of blockchain assets. Trading volume will also be directly affected by domestic and international factors that are beyond our control, including:

- economic, political and geopolitical market conditions;
  - legislative and regulatory changes, including any direct or indirect restrictions on or increased costs associated with trading in our markets;
  - broad trends in the industry and financial markets;
  - shifts in global or regional demand or supply in commodities underlying our products;
  - competition;
  - changes in government monetary policies, especially the regulation of tokens and the number of registered token offerings;
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- availability of capital to our market participants and their appetite for risk-taking;
- levels of assets under management;
- pandemics affecting our customer base or our ability to operate our markets; and
- consolidation in our customer base and within our industry.

Any one or more of these factors may contribute to reduced activity in our markets.

Declines in trading volume may negatively impact market liquidity, which could lead to further loss of trading volume. Material decreases in trading volume would have a material adverse effect on our financial condition and operating results.

**The revaluation of the INX Token liability to fair value for each reporting period may have a negative effect on our equity and our comprehensive income.**

As more fully described in the notes to our financial statements, the INX Token liability is remeasured at each reporting period to fair value with changes in fair value recorded in profit or loss. Because there is no trading market for the INX Tokens, the fair value of each INX Token is currently determined by our management and the board of directors based on a valuation, derived from a draft third party share and token purchase agreement.

If a trading market were to develop for INX Tokens, the fair market value of the INX Tokens, represented by their market price, will be subject to fluctuations due to a number of factors, including fluctuations in the Company's results of operations and macro-economic factors. Accordingly, the financial liability measured at fair market value will also fluctuate.

The remeasurement of the INX Token liability to fair value in each reporting period may have a negative effect on our equity and our comprehensive income.

**We have an evolving business model.**

As blockchain assets and blockchain technologies become more widely available, we expect the services and products associated with them to evolve. As a result, to stay current with the industry, our business model may need to evolve as well. From time to time we may modify aspects of our business model relating to our product mix and service offerings. We cannot offer any assurance that these or any other modifications will be successful or will not result in harm to the business. We may not be able to manage growth effectively, which could damage our reputation, limit our growth and negatively affect our operating results.

**We may have difficulty executing our growth strategy and maintaining our growth effectively.**

Our growth requires additional investment in personnel, facilities, information technology infrastructure and financial and management systems and controls and may place a significant strain on our management and resources. Our growth strategy also may subject us to increased legal, compliance and regulatory obligations.

There is no guarantee that our efforts will be successful. We may not be able to implement important strategic initiatives in accordance with our expectations, including that the strategic initiatives could result in additional unanticipated costs, which may result in an adverse impact on our business and financial results. Unless our growth results in an increase in our revenues that is proportionate to the increase in our costs associated with our growth, our future profitability could be adversely affected.

**Our senior management may be reimbursed for costs and expenses that exceed what is necessary to achieve our proposed development goals.**

The Company reimburses reasonable expenses of its employees, senior management and directors that are incurred in the performance of their respective duties. Expenses incurred by employees on behalf of the Company are approved by the Company's senior officers prior to their reimbursement. Expenses that are greater than \$10,000 require Board approval.

The Company does not currently have a policy that defines what expenses would be "reasonable" or that sets a cap or ceiling on the reimbursement of out-of-pocket expenses incurred on behalf of the Company. The lack of such a policy may result in our senior management submitting costs and expenses for reimbursement that exceed what is necessary to achieve our proposed development goals. The lack of such a policy, guidelines for determining whether an expense is "reasonable" or a cap on reimbursements may also delay the Company from preventing a conflict of interest between the senior management and the Company for substantial outstanding expenses.

Continued reimbursement of substantial out-of-pocket expenses that exceed what is required to achieve our development plan could subject us to financial losses or materially harm our reputation, financial condition and operating results.

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**We intend to explore acquisitions, other investments and strategic alliances. We may not be successful in identifying opportunities or in integrating the acquired businesses. Any such transaction may not produce the results we anticipate, which could adversely affect our business and the price of INX Tokens.**

We intend to explore and pursue acquisitions, strategic partnerships, joint ventures and other alliances to strengthen our business and grow our company.

The market for acquisitions and strategic opportunities is highly competitive, especially in light of recent merger and acquisition activity in our industry. In addition, these transactions entail numerous operational and financial risks, including but not limited to difficulties in valuing acquired businesses, combining personnel and firm cultures, integrating acquired products, services and operations, achieving anticipated synergies that were inherent in our valuation assumptions, exposure to unknown material liabilities, the potential loss of key vendors, clients or employees of acquired companies, incurrence of substantial debt or dilutive issuance of equity securities to pay for acquisitions, higher-than expected acquisition or integration costs, write-downs of assets or impairment charges, increased amortization expenses and decreased earnings, revenue or cash flow from dispositions.

We may be unable to identify strategic opportunities or we may be unable to negotiate or finance future transactions on terms favorable to us. To the extent we enter into joint ventures and alliances, we may experience difficulties in the development and expansion of the business of any newly formed ventures, in the exercise of influence over the activities of any ventures in which we do not have a controlling interest, as well as encounter potential conflicts with our joint venture or alliance partners.

We may not realize the anticipated growth and other benefits from our growth initiatives and investments, which may have an adverse impact on our financial condition and operating results.

**The Company may in the future be dependent in part on the data center facilities of third parties.**

The Company's future infrastructure network may be established in whole or in part through servers which it owns and/or houses at the location facilities of third parties, and/or servers that it rents at data center facilities of third parties. If the Company is unable to secure or renew its data facility leases on commercially reasonable terms or at all, the Company may be required to transfer its servers to a new data center facility, and may incur significant costs and possible service interruption in connection with the relocation. These facilities are also vulnerable to damage or interruption from, among others, natural disasters, arson, terrorist attacks, power losses, and telecommunication failures. Additionally, the third party providers of such facilities may suffer a breach of security as a result of third party action, employee error, malfeasance or otherwise, and a third party may obtain unauthorized access to the data in such servers. The Company and the providers of such facilities may be unable to anticipate these techniques or to implement adequate preventive measures.

**Our business may be adversely affected by the impact of coronavirus.**

Public health epidemics or outbreaks could adversely impact our business. In early 2020, an outbreak of the novel strain of a coronavirus, which causes a disease named COVID-19, spread worldwide, including to Israel and the United States. As a result of the coronavirus pandemic, governments and industries have instituted drastic actions to contain the coronavirus or treat its impact. Such actions, including bans on international and domestic travel, quarantines, and prohibitions on accessing work sites, have caused significant disruptions to global and local economies and have led to dramatic volatility in the capital markets.

The extent to which the coronavirus pandemic impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Factors that may result in material delays and complications with respect to our business, financial condition and results of operation include the duration and severity of the outbreak, and the actions that may be required to contain the coronavirus or treat its impact. In particular, the continued spread of the coronavirus globally could adversely impact our operations, including the development of our platforms within our expected timeframes, our workforce, including the health and safety of our employees and our ability to complete recruitment for open positions on our team, and our ability to raise capital. In addition, the coronavirus pandemic could affect the operations of key governmental agencies, such as the SEC and CFTC, which may delay the development and regulatory approval necessary to operate our platforms. Each of these factors could have an adverse impact on our business, financial condition and results of operation.

**General global market and economic conditions may have an adverse impact on the Company's operating performance, results of operations and/or cash flow.**

The Company may be affected by general global economic and market conditions. Challenging economic conditions worldwide have from time to time, contributed, and may continue to contribute, to slowdowns in the information technology industry at large. Weakness in the economy could have a negative effect on the Company's business, operations and financial condition, including decreases in revenue and operating cash flow, and inability to attract future equity and/or debt financing on commercially reasonable terms. Additionally, in a down-cycle economic environment, the Company may experience the negative effects of a slowdown in trading and usage of the Company's business platform that is yet to be developed and may delay or cancel the development, structuring, licensing and/or launch of the anticipated Token functionality. Suppliers on which the Company relies for servers, bandwidth, location and other services could also be negatively impacted by economic conditions that, in turn, could have a negative impact on the Company's operations or expenses. There can be no assurance, therefore, that current economic conditions or worsening economic conditions or a prolonged or recurring recession will not have a significant, adverse impact on the Company's business, financial condition and results of operations, and hence, the Company's business platform that is yet to be developed and/or the ability to develop, structure, license and/or launch any Token functionality. Any such circumstances would then correspondingly negatively impact the functionality, liquidity, and/or trading price of INX Tokens.

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## RISKS RELATED TO AN INVESTMENT IN OUR TOKENS

### **We have no operating history and therefore valuation of the INX Token is difficult.**

We were incorporated under the laws of Gibraltar on November 27, 2017 and our operations to date have consisted of planning and developing INX Trading Solutions and the INX Token, establishing relationships with potential service providers and preparing necessary documents and filings in order to implement INX Trading Solutions and the INX Token as currently conceived. Accordingly, we have no operating history upon which an evaluation of our prospects and future performance can be made.

We believe that the value of the INX Token will be influenced by the supply of the INX Token, the market's perception of the INX Token's value and the liquidity for Tokens on a secondary market. The original purchase price of the INX Token in this offering may not be indicative of the market price of INX Tokens after they have been made available for trading on a market. There is also no assurance that the market price of INX Tokens will not decline below the original purchase price of this offering.

If our INX Token does not gain public acceptance or is not adopted, used or traded by a substantial number of individuals, companies and other entities, it could have a material adverse impact on the value of the INX Token.

### **The prospect of any holder of INX Tokens to receive any cash distributions from us is highly uncertain.**

Under the INX Token Purchase Agreement, holders of INX Tokens as of March 31 of a year following a year end for which there was positive cumulative Adjusted Operating Cash Flow are entitled to receive a pro rata cash distribution equal to 40% of our cumulative Adjusted Operating Cash Flow. The pro rata distribution of our cumulative Adjusted Operating Cash Flow is not self-executing and requires that our board of directors approve the Company's financial statements and calculate such distribution in good faith. Although such annual calculation will be based on the cash flow from operating activities reflected in the consolidated statement of cash flow of our Company that is included in the audited consolidated financial statements of our Company and its subsidiaries, neither the calculation of the cumulative Adjusted Operating Cash Flow nor any pro rata distributions thereof to holders of INX Tokens will be audited at the time of any distribution. Further, the general public will not be able to independently verify the number of INX Tokens outstanding that are entitled to share in the distribution.

Further, as of June 30, 2020, cumulative Adjusted Operating Cash Flow was a negative cash flow of approximately \$7,127,000. Because each INX Token holder's right to a pro rata distribution is based on our cumulative Adjusted Operating Cash Flow, no distribution will be made to INX Token holders, if at all, until the Company generates positive Adjusted Operating Cash Flows that exceeds this deficit. Therefore, you may not receive a pro rata distribution even in years in which we are profitable due to our historical losses. Further, we do not expect that there will be sufficient net cash flow from operating activities for any distributions to be made to INX Token holders until our business becomes commercially accepted.

In addition, we may elect to operate our business and pursue business strategies, such as acquisitions and the development of our products and services, which could adversely affect our ability to generate positive net operating cash flow. Our cumulative Adjusted Operating Cash Flow will increase or decrease based on the difference between our cash inflows and outflows. Although we may generate cash inflow from daily operations through trading fees and other services, such amount will be reduced by cash outflows from our operations, including cash payments to our suppliers, our employees, taxes, fees, and fines. To the extent that we engage in acquisitions, we may expend significant cash in order to integrate such businesses, products, technologies or personnel. As a result of our expenditures, we may never generate a positive cumulative Adjusted Operating Cash Flow and may never pay any cash distributions, which could adversely affect the value of INX Tokens.

Further, each INX Token holder's right to the pro rata portion of the distribution for any given year is subject to reduction in an amount equal to the banking fees and/or transactions fees required to be paid with respect to the transfer of funds or Ether to such holder. Thus, with respect to any year during which the amount to be distributed to an individual INX Token holder is less than the amount of fees relating to such transfer, no distribution will be made to that individual INX Token holder.

As a result, the prospect of any holder of INX Tokens to receive any cash distributions from us is highly uncertain.

### **There is currently no trading market for our INX Tokens and we cannot ensure that a liquid market will occur or be sustainable.**

Prior to this Offering, there has been no public market for INX Tokens. There can be no assurance that there will be an active market for INX Tokens either now or in the future. U.S. persons may only trade INX Tokens on a registered securities exchange or alternative trading system ("ATS") that has accepted the tokens for trading or quotation. As of the date of this prospectus, no such exchange or ATS exists. There is no plan to have our INX Token trade on a national securities exchange or any other exchange or trading platform, whether within or outside the United States. In the event that the Company ever decides to seek approval to list INX Tokens for trading on a registered securities exchange, there is no assurance that such approval will be obtained or, if approval is obtained, that an active or liquid trading market will develop. Further, brokerage firms or clearing firms may not be willing to effect transactions in INX Tokens or accept INX Tokens for deposit in an account. Even if an investor finds a broker willing to effect a transaction in INX Tokens, the combination of brokerage commissions, transfer fees, taxes, if any, and any other selling costs may exceed the selling price. As a result, purchasers in this offering, and subsequent purchasers of INX Tokens, will likely be limited in their ability to engage in secondary trading of INX Tokens.

We may, in the future, take certain steps, including utilizing investor awareness campaigns, press releases, road shows and conferences to increase awareness of our business. We may need to compensate consultants with cash and/or Tokens. There can be no assurance that there will be any awareness generated or the results of any efforts will result in any impact on our trading volume.

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**The offering price of the INX Tokens has been arbitrarily determined and such price should not be used by an investor as an indicator of the fair market value of the INX Tokens.**

The offering price for the INX Tokens offered hereby has been arbitrarily determined by the Company's board of directors based on market conditions at the time of pricing. The offering price does not necessarily bear any direct relationship to the assets, operations, book or other established criteria of value of the Company. Accordingly, the actual value of INX Tokens may be significantly less than the offering price. The value of INX Tokens purchased at the offering price may decline in value or have significantly less value when you attempt to sell the INX Tokens.

**The trading price of our INX Tokens could be volatile.**

There is currently no trading market for the INX Token. Even if such a trading market were to develop, on the INX Securities trading platform or elsewhere, the trading price of our INX Tokens may be volatile. The INX Token is not issued by any central bank or national, supra-national or quasi-national organization, nor is it backed by any hard assets or other credit. Consequently, investors may not be able to liquidate their investment at a price that reflects the value of the business.

The volume at which the INX Tokens are traded could affect their volatility. For example, traders seeking to use the INX Token to pay for transaction fees on the INX Securities trading platform may be incentivized to artificially inflate the INX Token's last trade execution price, the metric that we use to determine the INX Token's value. If successful, such traders may pay fewer INX Tokens to the Company than would have otherwise been required to satisfy transaction fees for subsequent trades. If there is limited trading volume, such attempts could further increase volatility for INX Tokens.

Further, the trading price of INX Tokens could be significantly affected by any number of factors including volatility in the broader market for blockchain assets, changes in analyst earnings estimates, fluctuations in our results of operations, shifting investor perceptions, dilution (in both monetary and percentage amounts) from future sales or issuances of INX Tokens by the Company, large purchases or sales by a significant INX Token holder, the announcement of new products or the occurrence of any of the events described within this "Risk Factors" section.

Any of these factors could adversely affect the trading price of INX Tokens.

**Our decision to reverse or suspend promotional incentives for the use of INX Tokens to pay transaction fees on the INX Securities trading platform or for holding INX Tokens could impact the trading price of INX Tokens.**

When used as payment of transaction fees on the INX Securities trading platform, the INX Token will entitle owners to, at a minimum, a ten percent (10%) discount as compared to fees paid using other currencies. From time to time, the Company or INX Services may offer additional discounts for the use of INX Tokens as payment for INX Services transaction fees such that the aggregate discount exceeds ten percent (10%). In addition, although the INX Tokens may not be used as payment for transaction fees on the INX Digital trading platform, we intend from time to time to offer promotional discounts on transaction fees on the INX Digital trading platform to record holders of INX Tokens. Such discounts, as well as discounts on the INX Securities trading platform in excess of 10%, are promotional incentives that are governed by the terms and conditions for use of the applicable trading platform and are not rights granted to the holders of INX Tokens through the INX Token Purchase Agreement or otherwise. The value and percentage of any such discount is subject to change at the sole discretion of the INX Securities trading platform, with reasonable notice to INX Token holders and participants on the INX Securities trading platform.

Decisions to set or change the transaction fees for trades executed on our trading platforms or to change the discount applied to transaction fees on our trading platforms may impact the trading price of INX Tokens or may result in increased volatility in the price of INX Tokens, especially during periods surrounding the announcement to institute or terminate any additional discount. The decision to reverse or suspend any additional discounts could negatively impact the trading price of INX Tokens and, as a result, the trading price of INX Tokens may not accurately reflect the value of the public's perception and acceptance of other rights and characteristics of the INX Tokens. Registered exchanges may decline to list INX Tokens if this feature violates applicable listing standards or ATSS may decide not make INX Tokens available for trading.

Prior to making decisions to set the rate for the transaction fees on our trading platforms and the level of additional discounts, if any, offered to holders of INX Tokens, the Company will consider various factors such as the profitability of our trading platforms, the effect of such changes on current holders of INX Tokens, and whether such changes will discourage investors from purchasing INX Tokens in the future.

**If you purchase INX Tokens in this offering, you will suffer immediate and substantial dilution in both monetary and percentage amounts.**

The public offering price of the INX Tokens is substantially higher than the average price at which the INX Tokens have been sold to this date. In addition, purchasers of INX Tokens in this offering will experience immediate dilution of their investment in terms of their right to our pro rata distributions of our Adjusted Operating Cash Flow.

The issuance of additional INX Tokens in future offerings could be dilutive to purchasers in this offering if they do not invest in future offerings. Moreover, to the extent that we issue options or warrants to purchase, or securities convertible into or exchangeable for, INX Tokens in the future and those options, warrants or other securities are exercised, converted or exchanged, purchasers in this offering may experience further dilution.

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**Our business model depends, in part, on our ability to resell INX Tokens received as payment for transaction fees by INX Services. If we conduct resales of INX Tokens, existing holders will suffer dilution.**

Under the INX Token Purchase Agreement, holders of INX Tokens will be entitled to receive a pro rata cash distribution equal to 40% of our cumulative Adjusted Operating Cash Flow. This means that the portion of any cash distribution allocated to each INX Token is in part determined by the number of outstanding INX Tokens that are not owned by the Company or any subsidiary of the Company.

We anticipate that users of the INX Securities trading platform will be incentivized to use INX Tokens as payment for transaction fees on the platform. INX Tokens received as payment for transaction fees will reduce the number of outstanding INX Tokens. However, we intend to file one or more registration statements to register these INX Tokens for re-issuance.

Large swings in the use of INX Tokens as payment for transaction fees or future issuances of INX Tokens equity or convertible debt securities, you could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of our then-existing capital stock. Any debt financing secured by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. If we cannot raise additional funds when we need them, our business and prospects could fail or be materially and adversely affected.

**The design and methodology used to create the USD Coin (“USDC”) or the indices used by the Company to calculate applicable exchange rates may be changed, including changes to the exchanges that comprise these indices or the respective weights of such exchanges, or discontinued.**

We currently intend to accept payment for INX Tokens in USD Coin (“USDC”) on a 1:1 exchange rate with the U.S. Dollar. The sponsors of USDC intend for each USDC to be redeemable for one U.S. Dollar and these sponsors claim that all USDC tokens issued and outstanding are backed by an equivalent amount of U.S. Dollars held in custody accounts controlled by the USDC sponsors. However, the Company cannot provide any assurances that the sponsors of USDC will not alter these terms or discontinue use of USDC. The sponsors of the USDC may have the ability from time to time to change the method by which its rate of exchange may be calculated or to take actions that could adversely affect the perceived price and market value of the USDC. The Company will reject an executed purchase agreement if payment is made in USDC and the Company is unable to convert the USDC to U.S. Dollars on a 1:1 basis within one business day of receiving such payment.

We also intend to calculate applicable conversion rates between U.S. Dollars and certain cryptocurrencies by using the exchange rates provided in Brave New Coin’s Bitcoin Liquid Index (BLX) (for BTC/USD) and Ethereum Liquid Index (ELX) (for ETH/USD). These exchange rates will be used to convert the purchase price of the INX Tokens in this offering from an amount stated in U.S. Dollars to an amount stated in bitcoin or ethereum. In addition, we plan to use the ELX index to pay ether to INX Token holders who have not provided a bank account to the Company to satisfy our obligation to pay the annual distribution of our Adjusted Operating Cash Flow.

There can be no assurances that any indices that are used by the Company to calculate such exchange rates will continue or the method by which these indices are calculated will remain unchanged. The sponsors of these indices may have the ability from time to time to change the method by which these indices are calculated or to take actions that could adversely affect the perceived price and market value of the cryptocurrency underlying the index. Further, the sponsors of these indices can add, delete or substitute the components of these indices or make other methodological changes that could adversely affect the exchange rate. We have no control over the way these indices are calculated by the sponsors.

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If the index utilized for the determination of an applicable exchange rate is no longer suitable, or if it is discontinued or suspended, our Board may substitute a comparable index as a successor. The Board will make such determination based on all available information, including the method by which such index is calculated (e.g. the exchanges that comprise the index, the volume of trades that comprise the index, etc.), the reputation of such index in the cryptocurrency and trading community, and the years of operation of such index. If the Board determines that no successor index is available, we may engage in the calculation of an applicable exchange rate based on available market data, or we may cease to accept as payment, or cease paying to others, certain cryptocurrencies. Any of these actions may adversely affect the BTC/USD or ETH/USD exchange rates used in this offering or the amounts distributed to INX Tokens holders by the Company.

**INX Token holders may not have full or any recourse in the event that the Company enters into insolvency, liquidation, dissolution, reorganization or bankruptcy and the Company may incur debt that ranks equally with, or senior to, the rights of the INX Token holders.**

Pursuant to the INX Token Purchase Agreement, if (i) the Company permanently discontinues all the activities of INX Solutions and there is no successor conducting a substantially similar business that assumes the obligations of the Company with regard to the INX Tokens and (ii) an “Insolvency Event” (as defined in the INX Token Purchase Agreement) occurs, then the Company shall be deemed to be in default of its obligations under the INX Token Purchase Agreement, which breach shall create a claim in favor of INX Token holders that may be asserted by INX Token holders against the Company in any proceeding arising from such Insolvency Event. The claim amount will be determined by the liquidator, a court of competent jurisdiction overseeing the liquidation, or some other authority pursuant to applicable insolvency law.

The Company intends that the INX Token holders will be unsecured creditors of the Company and would therefore rank *pari passu* with all the other unsecured creditors of the Company and senior to the claims of holders of the Company’s shares. Further, the Company has caused current shareholders who hold approximately 79% of its issued share capital, and shall cause its future shareholders, to enter an agreement, pursuant to which such shareholders (a) irrevocably subordinate their rights to receive any distributions and payments from the Company prior to the payment in full by the Company of all distributions owed to INX Token holders, and (b) irrevocably waive and subordinate their rights, in the event of an Insolvency Event, to any cash held in the Cash Fund. However, the Cash Fund will not be held in an escrow or trust account, but rather, will be held in a separate bank account controlled by the Company. In the case of an Insolvency Event, a liquidator, court or other applicable authority may determine that INX Token holders are not entitled to any payment from the Company’s assets or that the INX Token holders’ claims are not senior in right to claims or interests of the Company’s shareholders, in particular the shareholders who have not agreed to subordinate their rights to the claims of Token holders. In addition, the Company may incur debt (including secured debt) that ranks equally with, or senior to, the rights of INX Token holders, as well as holders of other preferential claims under relevant insolvency laws. In the case of an Insolvency Event, holders of debt instruments ranking senior to INX Tokens may be entitled to receive payment in full before INX Token holders receive any distribution, including distributions of Adjusted Operating Cash Flow and distributions from the Cash Fund. **INX Token holders do not have a perfected security interest in either the Cash Fund, or their Pro Rata Portion of the Distributable Amount of the cumulative Adjusted Operating Cash Flow. There is no guarantee that an INX Token holder will receive any funds following an Insolvency Event.**

After repaying such senior creditors, the Company may not have sufficient assets, if any, remaining for payment of any obligations that it owes to INX Token holders. Further, if it is determined that the Company’s obligations to INX Token holders rank equally with other debt, INX Token holders may share on an equal basis with other creditors. However, the Company may not have sufficient assets, if any, remaining for payment of obligations owed to INX Token holders.

**The tax characterization of INX Tokens is uncertain. You must seek your own tax advice in connection with purchasing INX Tokens, which may result in adverse tax consequences to you, including withholding taxes, income taxes and tax reporting requirements.**

The treatment of INX Tokens for U.S. federal income tax purposes is uncertain. Due to the new and evolving nature of digital currencies, tokens and blockchain assets, and a general absence of clearly controlling authority with respect to these assets, many significant aspects of the U.S. federal income tax treatment of digital currencies are uncertain. It is unclear what guidance on the treatment of tokens and blockchain for U.S. federal income tax purposes may be issued in the future. Future developments regarding the treatment of tokens or blockchain assets for U.S. federal income tax purposes could adversely affect an investment in INX Tokens.

The Company does not intend to request a ruling from the Internal Revenue Service (“IRS”) on these issues. The IRS has ruled on the tax treatment of bitcoin and other cryptocurrencies. In Notice 2014-21 (the “Notice”) the Service held that digital “currencies” are treated like property and that each transaction using these currencies is a separate taxable event. The IRS stated in the Notice that, for U.S. federal income tax purposes, (i) digital currency is “property” that is not currency and (ii) digital currency may be held as a capital asset. There can be no assurance that the IRS will not alter its position with respect to digital currency in the future or that a court would uphold the treatment set forth in the Notice.

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The Notice does not address other significant aspects of the U.S. federal income tax treatment of tokens or blockchain assets, including: the tax characterization of tokens which possess other non-currency-like rights or powers (so called “utility” tokens) or tokens which provide a share of profits to holders. Moreover, there is no authority on the circumstances in which profit-sharing tokens such as INX Tokens may be treated as equity or stock in the Company for U.S. federal income tax (or other tax) purposes. If INX Tokens were characterized as equity interests in the Company for U.S. federal income purposes, U.S. holders of INX Tokens would be subject additional tax consequences and related reporting considerations applicable to holders of stock in a foreign company, including the possible application of rules relating to passive foreign investment companies (or “PFICs”) and controlled foreign corporations (“CFCs”).

The tax characterization of Tokens is uncertain. You must seek your own tax advice in connection with purchasing Tokens, which may result in adverse tax consequences to you, including withholding taxes, income taxes and tax reporting requirements. Prospective investors are urged to consult their tax advisers regarding the uncertainty regarding the tax consequences of an investment in INX Tokens and in blockchain assets in general.

**INX Token holders will not be afforded an opportunity to vote in the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, and may not realize any benefit from such transactions.**

Although the INX Token is an equity security, as such term is defined in Section 3(a)(11) of the Exchange Act, the rights that attach to an INX Token are materially different than the rights that are typically associated with equity securities such as common shares. As holders of a non-voting security, INX Token holders have no influence over our corporate governance policies and affairs, and INX Token holders will not be afforded an opportunity to vote on any matters affecting the Company, including the election of directors, related party transactions or significant corporate transactions such as a merger, or sale of the Company or its assets. Token holders are not afforded the same protections generally as shareholders of other publicly traded companies. Further, Token holders may not benefit from a sale of the Company or its assets in the same way that our shareholders will benefit, if at all. Your only opportunity to affect an investment decision regarding the Company, if at all, may be limited to selling your INX Tokens or using your INX Tokens to pay for fees on the INX Securities trading platform.

**The interests of our shareholders may conflict with the interests of INX Token holders.**

Our directors are nominated and elected by a majority of our shareholders and their interests in our business may differ from the interests of Token holders. Our directors will have no fiduciary obligations to act in the interests of Token holders. Mr. Shy Datika, one of our founders, our controlling shareholder and President, controls approximately 30% of the voting power of our share capital and as such, Mr. Datika and the other shareholders of our Company have significant influence over management and affairs and all other matters of the Company, including significant corporate transactions, such as a merger or other sale of our Company or its assets.

**The INX Tokens are not currently registered under the Exchange Act and therefore the Company’s reporting obligations under the Exchange Act may be suspended automatically if the INX Tokens have fewer than 300 holders of record on the first day of our fiscal year.**

The INX Token is an equity security as such term is defined in Section 3(a)(11) of the Exchange Act; however, the INX Tokens are not currently registered under the Exchange Act. After consummation of this Offering, the Company will be required to file annual and other periodic reports pursuant to Section 15(d) of the Exchange Act, as required by a foreign private issuer, until the end of the fiscal year during which the registration statement of which this prospectus is a part has been declared effective. However, the Company’s obligation to file such reports will be automatically suspended unless after the last day of such fiscal year, the Company has total assets of more than \$10,000,000 and record holders of the INX Tokens numbering more than 2,000 persons, or 500 persons who are not accredited investors, in accordance with Section 12(g) of the Exchange Act, in which case the Company will be required to register the INX Tokens under the Exchange Act and to continue to file such reports.

The Company intends to remain subject to the reporting requirements of the Exchange Act either through continued compliance with Section 15(d) of the Exchange Act or by registration of the INX Tokens in accordance with Section 12(g) of the Exchange Act. However, if the Company does not continue to be subject to, or voluntarily comply with, the periodic reporting and other obligations of the Exchange Act, you may not be able to access regular publicly available reports about us and you will not be entitled to the same type of disclosure in relation to critical corporate events as if we were subject to the Exchange Act.

**There must be a current state blue sky registration or exemption from such registration for you to purchase or sell the INX Tokens.**

Each state has its own securities laws, often called “blue sky” laws, which (i) prohibit sales of securities to a state’s residents unless the securities are registered in that state or qualify for an exemption from registration, and (ii) govern the reporting requirements for broker-dealers doing business directly or indirectly in the state. Before a security is sold in a state, there must be a registration in place to cover the transaction, or the transaction must be exempt from registration. The applicable broker of such transaction must also be registered in that state.

Immediately after this registration statement is declared effective by the SEC and for one year thereafter, we expect the INX Tokens to be qualified, and to be eligible to make offers and sales, including resales, of the INX Tokens, subject to the suitability standards included in the “Suitability Standards” section of this prospectus, to investors in California, Colorado, Connecticut, Georgia, Hawaii, Illinois, Louisiana, Michigan, Minnesota, New York, Texas, Washington, Wisconsin and Wyoming. After this registration statement is declared effective by the SEC, we may submit filings to qualify the INX Tokens in other states, to enable resales in other states and to maintain such qualifications, though we have no obligation to do so.

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We cannot guarantee that we will be able to effect any required blue sky registrations or qualifications. You will have the ability to purchase and sell INX Tokens only if these securities have been qualified for sale under applicable state laws, or if they fall within an exemption from registration. We will not knowingly sell INX Tokens purchasers in jurisdictions in which such sales are not registered or otherwise qualified for issuance or exempt from registration. As a result, there may be significant state blue sky law restrictions on the ability of investors to sell, and on purchasers to buy, our INX Tokens. This may limit the transferability of the INX Tokens and the liquidity of any trading market that may develop for the INX Tokens.

**The INX Token Purchase Agreement includes exclusive venue and jurisdiction provisions. By purchasing INX Tokens, an investor is irrevocably consenting to these provisions regarding claims, suits, actions or proceedings, and submitting to the exclusive jurisdiction of Delaware courts. The INX Token Purchase Agreement also provides that the Company will not be responsible for any losses except those arising from the Company's gross negligence, fraud or willful misconduct.**

The INX Token Purchase Agreement is governed by Delaware law and includes exclusive venue and jurisdiction provisions designating Delaware courts as the exclusive venue for most claims, suits, actions and proceedings involving us or our officers, directors and employees.

By purchasing an INX Token, an investor is irrevocably consenting to these limitations and provisions regarding claims, suits, actions or proceedings and submitting to the exclusive jurisdiction of Delaware courts. If a dispute were to arise between an investor and us or our officers, directors or employees, the investor may be required to travel to Delaware in order to pursue its legal remedies and participate in any proceeding in Delaware courts which may be an inconvenient or distant location and which is considered to be a more corporate friendly environment. In addition, the choice of forum provision may limit an investor's ability to bring a claim in a judicial forum that it finds favorable for disputes with us. These provisions may have the effect of discouraging lawsuits and limiting an investors' ability to obtain a favorable judicial forum for disputes against us and our directors and officers.

This provision does not, nor is intended to, apply to claims under the federal securities laws. By agreeing to this limitation of liability, investors will not be deemed to have waived the Company's compliance with federal securities laws and the rules and regulations thereunder.

The INX Token Purchase Agreement also includes a provision limiting our liability, to the maximum extent permitted by applicable law, for any losses the investor may incur, except for such losses that arise from our gross negligence, fraud or willful misconduct. By purchasing an INX Token, an investor is agreeing to this limitation of liability which could reduce its ability to recover damages from us if we act in a manner that causes investors to incur losses.

**It may be illegal now, or in the future, to acquire, own, hold, sell or use INX Tokens in one or more countries, and ownership of, holding or trading in our Company's securities may also be considered illegal and subject to sanction.**

The regulation of blockchain assets remains uncertain or undefined in many jurisdictions. Although we anticipate treating the INX Tokens as securities under the laws of all foreign jurisdictions and adhering to such laws with regard to the offering and sale of INX Tokens abroad, one or more foreign governmental authorities, such as those in China or Russia, may take regulatory action in the future that severely restricts the right to acquire, own, hold, sell or use blockchain assets or to exchange blockchain assets for fiat currency. Such an action may result in the restriction of ownership, holding or trading in the INX Token and other securities. Such restrictions may adversely affect an investment in the Company.

**System limitations, failures, or security breaches could harm our business and may directly impact INX Token holders and other INX Trading Solutions users.**

Our business depends on the integrity and performance of our computer and communications systems. If our systems cannot expand to cope with increased demand or otherwise fail to perform, we could experience unanticipated disruptions in service or slower response times. These consequences could result in trading outages, lower trading volumes, financial losses, decreased customer service and satisfaction and regulatory sanctions.

Our systems and operations also are vulnerable to damage or interruption from human error, natural disasters, power loss, cyber-attacks, sabotage or terrorism, computer viruses, unauthorized access, intentional acts of vandalism and similar events. Persons who circumvent security measures could wrongfully access and use our information or our customers' information or cause interruptions or malfunctions in our operations. Although we intend to implement and maintain security measures designed to protect the integrity of our systems, including INX Trading Solutions user accounts, such security measures may prove inadequate. Any breach in security or system failure that allows unauthorized access, causes an interruption in service or decreases the responsiveness of our systems may result in theft and could impair our reputation, damage our brand name and negatively impact our business, financial condition and operating results.

## **RISKS RELATING TO INTELLECTUAL PROPERTY RIGHTS AND DISPUTES**

**We rely on third party contractors for the design, development and implementation of INX Trading Solutions.**

We rely on third party contractors for key elements of our technology infrastructure. The design, development, implementation, modification and customization of the INX Trading Solutions model have been conducted on a work for hire basis under our contract with Y. Singer Technologies Ltd. (commercially known as Committed) ("Committed") See "*Business—Material Agreements—Committed.*"

Such infrastructure and related technology under development may not be sufficient to meet the needs of our business. Further, these technologies may have material defects that may be vulnerable to damage or interruption or may compromise the confidentiality or integrity of the transmitted data. Any imposition of liability, particularly liability that is not covered by insurance or is in excess of insurance coverage, could harm our reputation, business and operating results. We might be required to expend significant capital and other resources to develop and maintain the INX Trading Solutions infrastructure. This, in turn could divert funds available for corporate growth, expansion or future acquisitions. It could also reduce the amount of cash paid to Token holders.

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**We may be unable to protect our proprietary technology and to obtain trademark protection for our marks.**

Our success depends to a significant degree upon the protection of our software and other proprietary intellectual property rights. We may be unable to bring enforcement actions under the laws of the US or other countries to protect our intellectual property rights, which could have a material adverse effect on our business. Further, we may not be able to secure protection for our service marks or trademarks in the United States or elsewhere as we expand internationally. Our competitors might adopt service marks or trademarks similar to our marks, or might try to prevent us from using our marks. Any claim by another party against us or customer confusion related to our trademarks, or our failure to obtain trademark registration, could have a material adverse effect on our business.

**We may not be able to enforce protection of our intellectual property rights under the laws of other countries.**

We do business internationally and consequently we are subject to risks of doing business internationally, including uncertainty regarding liability for the listings and other content provided by our users, and differing intellectual property laws, which may provide insufficient protection for our intellectual property. Any such difficulties could have a material adverse effect on our business.

**RISKS RELATED TO INCORPORATION IN GIBRALTAR**

**We are a “foreign private issuer” and we cannot be certain if the reduced reporting requirements applicable to foreign private issuers will make owning INX Tokens less attractive to investors.**

As a foreign private issuer, we are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Securities Exchange Act of 1934, or the Exchange Act, we will be subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. For example, we will not be required to issue proxy statements that comply with the requirements applicable to U.S. domestic reporting companies. We will also have four months after the end of each fiscal year to file our annual reports with the SEC and will not be required to file current reports as frequently or promptly as U.S. domestic reporting companies. Furthermore, our officers, directors, and principal shareholders will be exempt from the requirements to report transactions in our equity securities and from the short-swing profit liability provisions contained in Section 16 of the Exchange Act. These exemptions and leniencies, along with other corporate governance exemptions resulting from our ability to rely on home country rules, will reduce the frequency and scope of information and protections to which you may otherwise have been eligible in relation to a U.S. domestic reporting companies.

We would lose our foreign private issuer status if more than fifty percent of our outstanding voting securities are directly or indirectly owned of record by residents of the United States and any of the following three circumstances applies: (i) the majority of our executive officers or directors are U.S. citizens or residents; (ii) more than 50% of our assets are located in the U.S.; or (iii) our business is administered principally in the U.S. There is no public market for our voting securities, and we currently have no plans to issue our voting securities to residents of the United States, however given the level of our intended business contacts with the United States, we may lose our status as a foreign private issuer should more than fifty percent of our voting securities be held of record by residents of the United States. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic reporting company may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic reporting company forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We may also be required to modify certain of our policies to comply with accepted governance practices associated with U.S. domestic reporting companies. Such conversion and modifications will involve additional costs. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

**It may be difficult to enforce a U.S. judgment against us, our officers and directors, and the experts named in this prospectus, or to assert U.S. securities laws claims or serve process on our officers and directors and these experts.**

We were incorporated in Gibraltar, and substantially all of our operations are currently located in the state of Israel. All of our assets are located outside the United States. Therefore, it may be difficult to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons in a U.S. or Gibraltar court, or to affect service of process upon these persons in the United States.

Additionally, it may be difficult for an investor, or any other person or entity, to assert U.S. securities law claims in original actions instituted in Gibraltar. This is for two principal reasons: 1) because the Gibraltar courts may regard the U.S. law in question to be a penal, revenue or public law and therefore, under Gibraltar law, not capable of direct or indirect enforcement in the Gibraltar courts, or 2) because the Gibraltar court may stay the claim on the grounds that Gibraltar is not an appropriate forum (“forum non conveniens”). If U.S. law is found to be applicable to a claim which the Gibraltar court can and is prepared to hear, the content of applicable U.S. law must be proved as a fact by expert witnesses, which can be a time-consuming and costly process. If proceedings were to be brought in Gibraltar, all procedural matters would be governed by Gibraltar law. There is little case law addressing the matters described above that would be binding case law in a Gibraltar court. For additional information, see “*Enforceability of Civil Liabilities.*”

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## RISKS RELATED TO DOING BUSINESS IN ISRAEL

**Potential political, economic, and military instability in the State of Israel, where some of our senior management and our research and development facilities are located, may adversely impact our results of operations.**

Our offices and operations are currently located in the State of Israel. In addition, certain of our employees, officers, and directors are residents of Israel. Accordingly, political, economic, and military conditions in Israel directly affect our business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its neighboring countries. Any hostilities involving Israel or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could adversely impact our operations.

**Our operations may be disrupted by the obligations of personnel to perform military service.**

Certain of our employees, officers and directors are based in Israel. Some of our employees and consultants may be called upon to perform up to 36 days (and in some cases more) of annual military reserve duty until they reach the age of 40 (and in some cases, up to 45 or older) and, in emergency circumstances, could be called to immediate and unlimited active duty. In the event of severe unrest or other conflict, individuals could be required to serve in the military for extended periods of time. Our operations could be disrupted by the absence of a significant number of our employees related to military service or the absence for extended periods of one or more of our key employees for military service. Such disruption could materially adversely affect our business and results of operations.

**The Company may be deemed an Israeli tax resident for tax purposes and may incur additional tax liabilities in Israel.**

Under Israeli tax law, a company not incorporated in Israel will be considered an Israeli resident for tax purposes if its business and management are controlled from Israel. There is no definition of “control and management” in the Israeli tax code, however the Israeli tax authority (“ITO”) issued a Circular in 2002 which listed factors to be taken into account. These included factors such as details of shareholders and directors; protocols of board meetings; agreements with service providers; details of bank accounts, signatory rights; bookkeeping and accounts; and employees. The ITO has recently published a new draft Circular, in light of recent court decisions, which revisits the issue of control and management. The draft Circular states that it is not sufficient to rely solely on a formal (technical) analysis of the facts, but rather a full substantive analysis of all the facts and circumstances must be undertaken.

In the current technological era, the appointment of directors and physical location of board meetings are less important, rather the emphasis is on the substantive analysis of who actually makes strategic policy and day to day decisions, and from where. The draft Circular provides a list of tests (in addition to the factors listed in the 2002 Circular) which should be examined, for example: who actually controls the company, who are the managers of the company, and who takes the decisions in the company how the directors and managers were chosen and whether they have relevant experience in the company’s field of activity.

If the Company is determined to be an Israeli tax resident for tax purposes, the Company may incur additional tax liabilities in Israel.

**The Company may be characterized as a CFC for Israeli tax purposes and Israeli holders of the Company’s ordinary shares and INX Tokens may be subject additional tax consequences and related reporting considerations.**

Israeli tax law includes an anti-tax-deferral regime. Under this regime, an Israeli resident who is a ‘controlling shareholder’ (i.e., holding 10% of the means of control in the company) is viewed as having received as a dividend consisting of undistributed profits of a foreign company, if the foreign company meets the following conditions:

- The majority of its income or the majority of its profits in a tax year derive from passive income (i.e., interest or indexation, dividends, royalties, rental income, or capital gain);
- The passive income is subject to tax in the foreign jurisdiction at a rate which does not exceed 15%; and
- In excess of 50% in one or more of the means of control of the company are owned, directly or indirectly by Israel residents.

A foreign company meeting these conditions is referred to as a CFC. Effectively, the undistributed passive profits of a CFC are deemed a dividend received by the ‘controlling shareholder’ and thus subject to Israeli tax. The deemed dividend tax rate is 24% for corporations and 30% for individuals (excluding additional 3% surtax if applicable).

The quantification of undistributed profits (as defined under the Israeli CFC regime) of a company resident of a non-treaty country will be calculated in accordance with Israeli tax law. If the Company were characterized as a CFC for Israeli tax purposes, Israeli holders of the Company’s ordinary shares and INX Tokens may be subject additional tax consequences and related reporting considerations.

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