AUSTRAC reforms and our proactive move.Test 1

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ARTICLE 32 · FOUNDER-LEVEL REPORT

AUSTRAC Reforms and Zutopia's Pro-Active Response

VASP registration filed. Non-custodial architecture, fully disclosed.

Where Zutopia sits with AUSTRAC, why we registered, and what happens next.

01

Background on Recent AUSTRAC Reforms

On 8 May 2026, AUSTRAC issued a media release announcing stepped-up supervision of Australia's virtual assets sector as landmark anti-money laundering reforms take effect.

Source: AUSTRAC steps up supervision of virtual assets sector as reforms take effect.

Key points from AUSTRAC's announcement:

- Australia is adopting the internationally recognised term "Virtual Asset Service Provider" (VASP), replacing the narrower "Digital Currency Exchange" definition.
- The reforms broaden obligations to cover a wider range of crypto-related activities, including custody, brokerage, and services beyond traditional cash-to-crypto models.
- AUSTRAC has launched targeted supervisory campaigns focusing on VASPs, particularly those offering over-the-counter crypto-to-cash services and local exchanges.
- AUSTRAC CEO Brendan Thomas emphasised proactive engagement to help businesses manage money-laundering risks ahead of the new laws, while ensuring the regulatory framework remains relevant to the sector's evolution.

These changes stem from amendments to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 as amended (AML/CTF Act), which expand the scope of regulated activities.

02

Zutopia's Response: Proactive VASP Registration

At the time of AUSTRAC's media release, Zutopia was made aware of potential implications from these amendments. Specifically, the insertion of the words "make arrangements for the exchange of" into the AML/CTF Act. These words materially broadened the base of businesses now captured under the new compliance regime.

Although Zutopia operates as a non-custodial P2P marketplace (hosting buy/sell listings, relaying API instructions to Stripe, verifying cryptographic signatures on SplitChain, and hosting user data), Zutopia elected to adopt a conservative posture.

> **Filing.** At 6:41pm on 12 May 2026, Ezybonds (Pacific) Limited Partnership (trading as Zutopia) formally submitted its VASP application to AUSTRAC.

AUSTRAC subsequently acknowledged receipt of Zutopia's comprehensive application, which fully outlines Zutopia's non-custodial model, transaction flows, AML/CTF program (including mandatory KYC, forced 3DS, ongoing monitoring, and fraud modules) and risk mitigations.

The relevant provision. Under Table 1, section 6, Item 50A of the AML/CTF Act, a VASP includes services for:

> *"exchanging, or making arrangements for the exchange of: (a) a virtual asset for money (whether Australian or not); or (b) money (whether Australian or not) for a virtual asset; for a person, in the course of carrying on a business as a virtual asset service provider."*

Given the breadth of this language, registration as a VASP ensures that Zutopia is fully compliant despite limiting its role as a data provider on the P2P marketplace platform.

03

Serious Penalties for Non-Compliance with the AML/CTF Act

Operating without VASP registration carries severe risks:

- Civil penalties up to 100,000 penalty units for a body corporate (currently approximately $31.3 million or more, depending on the penalty unit value).

- Criminal offences with substantial fines and/or imprisonment.

These provisions are rigorously enforced by AUSTRAC to protect the financial system's integrity.

04

Zutopia's VASP Application: Key Takeaways and Compliance Architecture

In its comprehensive VASP registration application submitted on 12 May 2026, Zutopia provided a detailed description of its non-custodial P2P marketplace.

The marketplace enables regulated fiat-to-Zucoins (and Zucoins-to-fiat) spot exchanges while ensuring Zutopia never takes custody of customer funds, virtual assets, private keys, card details, or personally identifiable information (PII).

Key elements highlighted in the application (supported by extensive technical attachments on Customer Lifecycle, Onboarding, Transaction Flow, Flow of Funds and Payouts, Direct Charges Model, and Ongoing Compliance):

True Non-Custodial Design

Customers retain full control of their Zucoins in self-custodied Zucoins wallets (Ed25519 keypairs generated on-device, private keys never leave the user's device). Zutopia only verifies cryptographic signatures for wallet linking and transaction handoffs on SplitChain. It never holds, signs, or moves Zucoins. Fiat flows directly via Stripe (buyer card to seller's Stripe Connect account to seller's bank), with Zutopia receiving only its application fee.

SplitChain (Zucoins' Ground-Up Layer 1 Network)

SplitChain powers Zucoins with a non-blockchain distributed cached ledger that addresses the blockchain trilemma of security, scalability, and decentralisation. Advantages include:

- Zero transaction fees for wallet-to-wallet Zucoins transfers.
- Near-instant (nanosecond to sub-second) real-time peer-to-peer settlement with no miners or staking required. Transactions validate through a truth-based, fragmented proof system where wallets do the heavy lifting and nodes cache recent proofs.
- Built-in 2-way (2FA) transaction confirmation for enhanced security and scam protection.
- Scalability that improves with more participants, supporting microtransactions down to 32 decimal places.

- Energy-efficient design with minimal computational overhead.
- Self-managed, private-by-design wallets with local data storage, easy backups, and high privacy.

Further detail is available at zucoins.com and myzucoins.org. These features enable a fast, fee-free, user-controlled ecosystem while maintaining verifiability for compliance.

Customer Onboarding Flow

Wallet installation (out of scope), read-only ownership proof via timestamped signature verification (using libsodium primitives), username-based account creation (no PII stored by Zutopia), and full KYC/AML via embedded Stripe Connect iframe (all PII and card data handled exclusively by Stripe).

P2P Transaction Process

Marketplace listings (buy or sell), listing-owner approval, card pre-authorisation (manual capture), forced 3DS on every transaction via Stripe Radar, peer-to-peer Zucoins handoff on SplitChain (push default with signature validation, paste fallback), cryptographic validation, then capture. Sellers are the merchant of record under Stripe Direct Charges (not Destination Charges).

Flow of Funds

Buyer's card holds funds during pre-auth. Post-capture, principal goes to seller's Connect balance and auto-payouts to their bank (T+2). Zutopia never touches customer principal.

Ongoing Compliance

Multi-layer stack including Stripe Radar (with platform rules forcing 3DS), Temporal workflow gates, account-level fraud modules, sanctions/PEP screening, and real-time event pipelines. Mandatory KYC for all transacting users, continuous monitoring, and a clear custody summary proving zero holding of assets.

Risk Assessment and Mitigations

Explicit acknowledgment of operating under the broadened "make arrangements for the exchange of" language in the AML/CTF Act. Detailed ML/TF/PF risk assessment for a retail C2P2P marketplace, with policies fully embedded in code and architecture. Low expected volumes and values in early stages, with strict listing limits.

A regulated, fully non-custodial P2P marketplace, where Zutopia acts as a neutral orchestrator, compliance gatekeeper, and marketplace host, powered by the SplitChain network. It delivers user control, speed, security, privacy, and cost-efficiency while meeting (and, in our view, exceeding) AUSTRAC's regulatory expectations for VASPs.

The application fully outlines these processes, demonstrating Zutopia's ability to operate compliantly as a VASP despite its non-custodial model. This positions Zutopia for secure, trustworthy growth.

05

AUSTRAC Review Timeline

AUSTRAC may take up to 90 days to assess the application from the date of the application:

> *"We may take up to 90 days to assess your application and may ask you for more information during this time. If we request further information, the 90-day period will reset from the date you provide this information to us."*

06

Positive Outcomes of VASP Registration

- Zutopia will be globally recognised as a fully regulated and compliant P2P marketplace.
- The P2P marketplace strengthens its long-term sustainability, safety, and trustworthiness for the entire community.

07

Zutopia App Re-Launch and Current Status

The Zutopia app officially re-launched live on 24 April 2026 in two phases.

Phase 1: live now

Users are successfully linking Zucoin wallets with the Zutopia app, completing KYC via Stripe, updating profiles, creating

Phase 2: paused

Live trading temporarily paused pending Zutopia's registration as a VASP with AUSTRAC.

and browsing buy/sell listings, and testing notifications.

Zutopia remains fully committed to delivering the ZuVision outlined in ZuAI Article 31. A safe, regulated, friendly, trustworthy, and frictionless platform.

THE BOTTOM LINE

VASP application filed on 12 May 2026.

Phase 1 live. Phase 2 paused. Architecture unchanged.

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