

This document constitutes a supplement (the "**First Supplement**") pursuant to Article 23 (1) of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**").



ETC Issuance GmbH

(the "**Issuer**")

First Supplement

dated 16 February 2021

to the base prospectus of the Issuer dated 14 January 2021

(the "**Base Prospectus**")

This Supplement is to be read and construed in conjunction with the Base Prospectus.

The Issuer accepts responsibility for the information contained in this First Supplement and declares to the best of its knowledge that the information contained in this First Supplement is in accordance with the facts and that this First Supplement makes no omission likely to affect the import of such information.

IN ACCORDANCE WITH ARTICLE 23 OF THE PROSPECTUS REGULATION, WHERE THE BASE PROSPECTUS RELATES TO AN OFFER OF BONDS TO THE PUBLIC, INVESTORS WHO HAVE ALREADY AGREED TO PURCHASE OR SUBSCRIBE FOR ANY BONDS BEFORE THE FIRST SUPPLEMENT IS PUBLISHED HAVE THE RIGHT, EXERCISABLE WITHIN TWO WORKING DAYS AFTER THE PUBLICATION OF THIS SUPPLEMENT ON 16 FEBRUARY 2021, I.E. UNTIL 18 FEBRUARY 2021, TO WITHDRAW THEIR ACCEPTANCES, PROVIDED THAT THE SIGNIFICANT NEW FACTOR, MATERIAL MISTAKE OR MATERIAL INACCURACY AROSE BEFORE THE FINAL CLOSING OF THE OFFER TO THE PUBLIC AND THE DELIVERY OF THE BONDS. INVESTORS WISHING TO EXERCISE THEIR RIGHT OF WITHDRAWAL MAY CONTACT ETC ISSUANCE GMBH UNDER THURN- UND TAXIS-PLATZ 6, 60313 FRANKFURT AM MAIN, GERMANY OR UNDER GRIDIRON, ONE PANCRAS SQUARE, LONDON N1C 4AG, UNITED KINGDOM.

Significant new factors within the meaning of Article 23 of the Prospectus Regulation have arisen:

The Issuer has replaced XTX Markets SAS as the entity appearing as Listing Agent under the Base Prospectus by Quirin Privatbank AG and Bankhaus Scheich Wertpapierspezialist AG as of 29 January 2021.

Additionally, since the beginning of the third week of January 2021, in relation to the Issuer's bonds with the ISIN DE000A27Z304 issued under the prospectus dated 4 June 2020, the Issuer has received several inquiries by investors and potential investors in such bonds regarding existing uncertainties concerning the tax law treatment of proceeds from the secondary market sale or redemption of such bonds. In this context, the Issuer has become aware of the continuing absence of a binding legal or administrative regulation with regard to the qualification of the bonds issued under the prospectus dated 4 June 2020 as other capital claims (*sonstige Kapitalforderungen*) within the meaning of Sec. 20 para. 1 no. 7 German Income Tax Act (*Einkommensteuergesetz*) and the uncertainty regarding the tax law treatment of

proceeds from the secondary market sale or redemption of such bonds. Due to the material structural similarity between the bonds issued under the prospectus dated 4 June 2020 and the bonds to be issued under the Base Prospectus, this uncertainty also applies in relation to the bonds to be issued under the Base Prospectus. Therefore, the Issuer has implemented a new section containing the Issuer's assessment of the treatment of the bonds to be issued under the Base Prospectus under German tax laws in the Base Prospectus.

Further the Base Prospectus contains a material mistake within the meaning of Article 23 of the Prospectus Regulation:

The terms and conditions contained in the Base Prospectus contain provisions which refer to a book-entry registration agreement between the Issuer and Clearstream Banking AG. Due to the process optimisations and updated rules of Clearstream Banking AG, since 1 January 2021, such references to a book-entry registration agreement between issuers and Clearstream Banking AG may no longer be made in the terms and conditions of bonds. Therefore, the relevant provisions are deleted from the Base Prospectus.

These significant new factors and this material mistake may affect the assessment of the bonds. Thus, the following changes are made to the Base Prospectus.

This First Supplement, the Base Prospectus as well as any further supplements to the Base Prospectus are published on the website of the Issuer (<https://www.btc-etc.com>).

Changes to the Base Prospectus:

1. In the section "**2.1.2. Risks related to the Issuer's corporate structure**" on page 6, the second paragraph of the risk factor "*Major shareholders.*" shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

"The shares in the Holding Company are especially concentrated on four shareholders, (i) XTX Investments UK Limited, which holds ~~22.5~~23.33 per cent. of the shares, (ii) MLM Holdings Ltd, which holds 22.50 per cent. of the shares, (iii) BCS Prime Brokerage Ltd, which holds 11.25 per cent. of the shares and (iv) ITI Capital Ltd, which holds ~~11.25~~11.67 per cent. of the shares. The additional ~~32.5~~31.25 per cent. of the Holding Company's shares are distributed among other co-founders, partners and management with shareholdings of less than 10 per cent. each."

2. In the section "**4. RESPONSIBILITY STATEMENT**", on page 29, the second paragraph shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

"In connection with an issue of any Series of Bonds and with regard to such issue only, if so specified under the item "*Listing Agent's Responsibility*" in the relevant Final Terms, Quirin Privatbank AG, with its registered office at Kurfürstendamm 119, 10711 Berlin, Germany, Legal Entity Identifier (LEI) 5299004IU009FT2HTS78 and Bankhaus Scheich Wertpapierspezialist AG, XTX Markets SAS, with its registered office at Rossmarkt 21, 60311 Frankfurt am Main, Germany ~~3-5 Rue St Georges, Paris 75009, France~~, Legal Entity Identifier (LEI) 54930079HJ1JTMKTW637 ~~213800J256ZBGMGZLV44~~, accepts responsibility for the Base Prospectus, including the Final Terms, and confirms that to the best of ~~its~~ their knowledge and belief, the information for which ~~it~~ they accepts responsibility as aforesaid is in accordance with the facts and does not omit anything likely to affect the importance of such information."

3. In the section "**8. GENERAL INFORMATION ABOUT THE ISSUER**", item "**8.4. ORGANISATIONAL STRUCTURE**" on pages 34 and 35, the table showing the major shareholders of the Holding Company with a stake of more than 10 per cent. shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

Shareholder	Shareholding percentage	Further Information
XTX Investments UK Ltd	22.5 <u>23.33</u> percent	XTX Investments UK Limited is the investment arm of the XTX Markets group. XTX Markets group is one of the world's largest electronic market makers, and one of the group's member, XTX Markets SAS, is a participant of XETRA and will be a designated sponsor when the Bonds are admitted to trading. The major shareholder of XTX Investments UK Limited is Alexander Gerko, who owns, indirectly via XTX Topco Limited and its wholly owned subsidiaries XTX Midco Limited and XTX Investments Limited, more than 75.00 per cent. of the shares in XTX Investments UK Limited. The additional company shares are distributed between individual shareholders with shareholdings of less than 10 per cent. each.

BCS Prime Brokerage Ltd	11.25 percent	BCS Prime Brokerage Ltd is a broker based in London and regulated by the Financial Conduct Authority. Until recently the managing director of the Issuer, Bradley Duke, was co-CEO of BCS Prime Brokerage Ltd. The current CEO of BCS Prime Brokerage Ltd, Tim Bevan, acts as a non-executive director for ETCM and the Issuer. Oleg Mikhasenko is the sole shareholder of BCS Prime Brokerage Ltd, indirectly through his 100 per cent. shareholding in FG BCS LTD.
ITI Capital Ltd	11.25 <u>11.67</u> percent	ITI Capital Ltd is a broker based in London and regulated by the Financial Conduct Authority. As a shareholder, they bring experience in structuring and selling exchange traded products and will also act as an Authorised Participant (as further described in the Terms and Conditions).
MLM Holdings Ltd	22.5 percent	MLM Holdings Ltd has been founded by Maximilian Monteleone who brings experience in managing complex projects, as well as knowledge about the relevant technology and operations to the venture. Maximilian has been running an IT development company, acted as a project manager on certain European Union initiatives, and holds a MSc. from NOVA School of Business and Economics and a CEMS MIM degree. The sole shareholder of MLM Holdings Ltd is Maximilian Monteleone.

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4. In the section "**8. GENERAL INFORMATION ABOUT THE ISSUER**", item "**8.10. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**", on page 36, the first paragraph shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

ITI Capital Ltd and XTX Investments UK Limited, ~~an affiliate of XTX Markets Ltd~~, are shareholders of the Issuer. ITI Capital Ltd and XTX Markets SAS, which is ~~also~~ an affiliate of ~~XTX Markets Ltd~~ XTX Investments UK Limited, have been appointed as Authorised Participants. Both, ITI Capital Ltd, as a shareholder of the Issuer, and XTX Markets SAS, as affiliate of ~~XTX Markets Ltd~~ XTX Investments UK Limited, ~~the parent company of the Issuer's shareholder XTX Investments UK Limited~~, could gain an information advantage over the other Authorised Participants, especially as Authorised Participants act independently in setting fees and may therefore differ.

5. In the section "**8. GENERAL INFORMATION ABOUT THE ISSUER**", item "**8.11. MATERIAL CONTRACTS AND TRANSACTIONS**", on page 37, the penultimate paragraph shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

"Agency Agreement entered into between the Issuer and Baader Bank AG dated on or around the date of this Base Prospectus relating to Baader Bank AG acting as paying, and fiscal ~~and listing~~ agent for the Bonds in relation to all Series of Bonds. The Agency Agreement is governed by the laws of the Federal Republic of Germany;"

6. In Option I and Option II of the section "**11. TERMS AND CONDITIONS OF THE BONDS**", § 1 subparagraph "**(5) Clearing System.**" on pages 54 and 88, shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

"

(1) *Clearing System.* The Global Note will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Bonds have been satisfied. "**Clearing System**" means Clearstream Banking AG, Frankfurt, Mergenthalerallee 61, 65760 Eschborn, Germany and any successor in such capacity.

~~Pursuant to the book entry registration agreement between the Issuer and the Clearing System, the Issuer has appointed Clearstream Banking AG, Frankfurt ("CBF") as its book entry registrar in respect of the Bonds, and CBF has agreed to maintain a register showing the aggregate number of the Bonds represented by the Global Note under its own name. CBF has agreed, as agent of the Issuer, to maintain records of the Bonds credited to the accounts of the accountholders of CBF for the benefit of the holders of the co-ownership interests in the Bonds represented by the Global Note, and the Issuer and CBF have agreed that the actual number of Bonds from time to time shall be evidenced by the records of CBF.~~

(1) *Clearing System.* Die Globalurkunde wird von oder im Namen des Clearing Systems verwahrt, bis sämtliche Verpflichtungen der Emittentin aus den Schuldverschreibungen erfüllt sind. "**Clearing System**" bezeichnet Clearstream Banking AG, Frankfurt, Mergenthalerallee 61, 65760 Eschborn, Deutschland, und jedes Nachfolgesystem in dieser Funktion.

~~Gemäß dem zwischen der Emittentin und dem Clearing System abgeschlossenen Book Entry Registration Agreement hat die Emittentin Clearstream Banking AG, Frankfurt ("CBF") als Effekten giro Registerführer bezüglich der Schuldverschreibungen bestellt und CBF hat sich verpflichtet, ein Register über die jeweilige Gesamtzahl der durch die Globalurkunde verbrieften Schuldverschreibungen unter eigenem Namen zu führen. CBF hat sich verpflichtet, als Beauftragte der Emittentin in ihren Büchern Aufzeichnungen über die auf den Konten der Kontoinhaber in CBF zugunsten der Inhaber der Miteigentumsanteile an den durch diese Globalurkunde verbrieften Schuldverschreibungen zu führen. Die Emittentin und CBF haben ferner vereinbart, dass sich die tatsächliche Zahl der Schuldverschreibungen, die jeweils verbrieft sind, aus den Unterlagen von CBF ergibt.~~

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7. In the section "**3. (iii) Listing Agent's Responsibility**", on page 125, the right hand column shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

"[Applicable. In connection with this issue of Bonds and with regard to this issue only, [Quirin Privatbank AG, with its registered office at Kurfürstendamm 119, 10711 Berlin, Germany] ~~[Bankhaus Scheich Wertpapierspezialist AG XTX Markets SAS, with its registered office at Rossmarkt 21, 60311 Frankfurt am Main, Germany - 3-5 Rue St Georges, Paris 75009, France]~~, accepts responsibility for the Base Prospectus, including these Final Terms, and confirms that to the best of its knowledge and belief, the information for which it accepts responsibility as aforesaid is in accordance with the facts and does not omit anything likely to affect the importance of such information.] [Not applicable.]"

8. The section "**13. TAXATION WARNING**", on page 128, shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

"13. TAXATION ~~WARNING~~

13.1 Warning regarding taxation

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF BONDS, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES, UNDER THE TAX LAWS OF GERMANY AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS. THE RESPECTIVE RELEVANT TAX LEGISLATION MAY HAVE AN IMPACT ON THE INCOME RECEIVED FROM THE BONDS.

13.2 Taxation in the Federal Republic of Germany

The following section contains a summary of certain German income tax considerations in respect of a German tax resident individual person ("Private Investor") applicable in the context of acquiring and holding the Bonds as private assets (*Privatvermögen*). The summary does not purport to cover all potential tax aspects that may be relevant to the decision to purchase Bonds. In particular, it does not consider the particular situation or any circumstances relevant to a particular purchaser. The summary is based on the laws of Germany in force at the date of this Base Prospectus, which laws may be subject to short-term changes, possibly with retroactive or retrospective effect.

Prospective purchasers of Bonds are advised to consult their own tax advisors as to the tax consequences of the purchase, holding and disposal of Bonds, including the effect of any state or local taxes, under the laws applicable in the Federal Republic of Germany and each other country in which they reside.

It should further be noted that the following summary only expresses the opinion of the Issuer and that the Issuer is neither aware of any formal guidance from the tax authorities nor any court rulings with respect to the taxation of bonds linked to a single Cryptocurrency or by a basket consisting of various Cryptocurrencies so that it cannot be excluded that the tax authorities or tax courts might take a differing view.

a) Income Taxation

The Bonds should not qualify as other capital claims within the meaning of Section 20 para. 1 no. 7 German Income Tax Act (*Einkommensteuergesetz*, "EStG") and the sale and redemption of the Bonds thus should not lead to taxable investment income pursuant to Section 20 EStG being subject to the flat tax regime (*Abgeltungsteuer*) (25% plus 5.5% solidarity surcharge and church tax as the case may be) irrespective of any holding period.

Rather the provisions on private sales transactions (also known as "short-term capital gains") pursuant to Sections 22 no. 2, 23 para. 1 sentence 1 no. 2 sentence 1 EStG should apply which means that the acquisition and sale of Bonds by a Private Investor should only be taxable in Germany if the period between acquisition and disposal does not exceed one year. If a Private Investor disposes of his Bonds more than one year after he has acquired them, such disposal should not be subject to tax. Moreover, the redemption of the Bonds should not constitute a sale under the private sales transactions rules.

The reason for the above analysis is that the Bonds have terms and conditions substantially identical in content or even stricter compared to certain gold linked bonds ("**Xetra-Gold bonds**") so that the tax treatment of the Bonds should be consistent with the taxation of such bonds. For Xetra-Gold bonds it has been clarified by the German Federal Fiscal Court (*Bundesfinanzhof*, "BFH"; BFH rulings of May 12, 2015, VIII R 4/15 and VIII R 35/14) and the German Federal Ministry of Finance (*Bundesministerium der Finanzen*, "BMF") that the sale and redemption of such bonds do generally not constitute income from capital assets being subject to the flat tax regime, but rather the provisions on private sales transactions apply. In the opinion of the BFH, the acquisition and sale of Xetra-Gold bonds should be considered for tax purposes as a direct acquisition and direct sale of physical gold.

In case of a taxability of the sale of the Bonds under the private sales transaction rules, the taxable income (gains or losses) corresponds to the difference between the price for the disposal of the Bonds - the value

of the underlying Cryptocurrency or the underlying Cryptocurrencies comprising the Basket on the one hand and the initial costs of the Bonds and the tax allowable expenses on the other. The profit from a disposal will not be taxable if it amounts to less than EUR 600, set off against losses, if any, and together with gains from other private sale transactions in the same calendar year. Losses from private sale transactions can only be set off against gains from private sale transactions of the same calendar year. If such gains do not exist, it may be possible under certain circumstances to set off against the gains from private sale transactions from the previous year or from subsequent years.

If the Issuer exercises its right of replacement (Clause 15 of the Terms and Conditions), it cannot be ruled out that such replacement will, for tax purposes, be treated as a swap of the Bonds against new bonds of a different debtor. Such a replacement could entail tax relevant gains or losses for the relevant investor.

b) Withholding Tax (Kapitalertragsteuer/Quellensteuer)

Gains from private sales transactions should not be subject to German withholding tax (Kapitalertragsteuer) so that German custody banks should deduct no withholding tax on any sale or delivery of the Bonds.

The Issuer assumes no responsibility for the withholding of taxes at source.

c) Tax assessment

Taxable gains from private sales transactions must be included by the investor in their tax return. They are subject to the standard rate of income tax (up to 45% plus 5.5% solidarity surcharge and any church tax as the case may be).

d) Disposal of units of the underlying Cryptocurrency or underlying Cryptocurrencies comprising the Basket delivered

In case of a redemption, the gains from the subsequent disposal of the units of the underlying Cryptocurrency or underlying Cryptocurrencies comprising the Basket are, in principle, subject to statutory income tax (up to 45%, plus solidarity surcharge at 5.5% and church tax as the case may be) if the units of the underlying Cryptocurrency or underlying Cryptocurrencies comprising the Basket are disposed of within a period of one year as of the acquisition. Due to the rulings of the BFH referred to above, it seems acceptable to assume that the point in time at which the units of the underlying Cryptocurrency or underlying Cryptocurrencies comprising the Basket were acquired corresponds to the point in time at which the Bonds were acquired and not only the point in time at which the units of the underlying Cryptocurrency or underlying Cryptocurrencies comprising the Basket were delivered. However, no comments of the tax authorities and no Supreme Court decisions are available on this issue either so that the tax authorities could have another opinion on this matter. In its ruling of 6 February 2018 – IX R 33/17 re. Xetra-Gold bonds the BFH does not express an opinion on this. Transactions through which units of the underlying Cryptocurrency or underlying Cryptocurrencies comprising the Basket are sold and where the period between acquisition and disposal is more than one year, are not taxable through argumentum *e contrario* from Section 23 para. 1 sentence 1 no. 2 EStG.

The capital gain from a disposal will not be subject to tax if such gain (where applicable, net of losses and together with gains from other private sales transactions effected in the same calendar year) amounts to less than EUR 600. Losses incurred upon disposal of the units of the underlying Cryptocurrency or underlying Cryptocurrencies comprising the Basket may only be set-off against gains from private sales transactions effected in the same calendar year. If there are no such gains, the losses may, under certain circumstances, be set-off against gains from private sales transactions effected in the preceding year or in subsequent years.

Gains subject to taxation have to be declared by the investor in his or her tax declaration."

9. In the section "**14. SUBSCRIPTION, SALE AND OFFER OF THE BONDS**", item "**14.1.1. Offer to the public**", on page 129, the table setting out the Authorised Participants shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

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Name (regulatory status)	Address	Description
XTX Markets SAS	3-5 Rue St Georges Paris 75009 France	XTX Markets SAS will register with Deutsche Börse to perform the role of designated sponsor (https://deutsche-boerse.com/dbg-en/our-company/know-how/glossary/glossary-article/Designated-Sponsor-242854). XTX Markets SAS will not face investors but will only subscribe for and redeem the Bonds for their own purposes.
ITI Capital Ltd (FCA regulated)	Level 33 Tower 42 25 Old Broad Street, London, EC2N 1HQ United Kingdom	Will face investors to subscribe for and redeem the Bonds.
Flow Traders B.V. (Headquarters) (AFM regulated)	Jacob Bontiusplaats 9 Amsterdam 1018 LL The Netherlands	Flow Traders B.V. will register with Deutsche Börse to perform the role of designated sponsor. Flow Traders B.V. will face professional investors to subscribe for and redeem the Bonds.
Jane Street Financial Limited (FCA regulated)	2 & A Half Devonshire Square London EC2M 4UJ United Kingdom	Will face professional investors to subscribe for and redeem the Bonds.

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10. In the section "**16. NAMES AND ADDRESSES**", on page 136, the item "**LISTING AGENT**" shall be amended as follows, whereby added text is printed in blue and underlined and deleted text is printed in ~~red and strikethrough~~:

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LISTING AGENTS

Quirin Privatbank AG
Kurfürstendamm 119
10711 Berlin
Germany

Bankhaus Scheich Wertpapierspezialist AG

Rossmarkt 21
60311 Frankfurt am Main
Germany

~~**XTX Markets SAS**~~
~~**3-5 Rue St Georges**~~
~~**Paris 75009**~~
~~**France**~~

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