C1USD WHITEPAPER

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C1USD WHITEPAPER

1. EXECUTIVE SUMMARY

This whitepaper describes our stablecoin, Currency One USD ("**C1USD**"), Our mission is to empower users with a stablecoin issued by Kinesis Money Panama, S.A. ("**Issuer**"), that combines the stability of cash reserves and the seamless efficiency of advanced blockchain technology. By offering a collateralized and contingent contractual right digital asset, our stablecoin provides security features, transparency, and transaction reliability.

C1USD is designed as a blockchain-based stable digital token intended to provide a consistent store of value for users interacting with decentralized systems. It is not designed to be a speculative instrument. C1USD holders can utilize the token to maintain stability within blockchain ecosystems while avoiding exposure to the volatility often associated with digital assets. This ensures C1USD serves a practical role in enabling secure, non-volatile digital interactions without constituting a financial product under applicable laws.

C1USD is a fully collateralized stablecoin designed to maintain a stable value of one U.S. dollar (the "**Peg**") through a robust 1:1 backing mechanism (the "**Reserve**").

Through its combination of stable value and technological efficiency, C1USD aims to serve as a useful digital token for both institutional and retail users seeking benefits of blockchain-based transactions with the stability of the U.S. dollar.

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2. INTRODUCTION

Cryptocurrencies have several advantages over fiat currencies. For example, they transact much faster than bank wires, have lower transaction costs, and transactions are publicly auditable. However, there are several barriers to the mainstream adoption of cryptocurrencies. Cryptocurrencies have previously been volatile, where value can fluctuate drastically over a short period of time, making them a risky form of investment with limiting usage in daily transactions.

Stablecoins are digitally native instruments that are designed to maintain a stable value compared to an external reference asset, usually a fiat currency such as the U.S. dollar.

The stablecoin market has emerged as a crucial component of the digital asset ecosystem, with most recent market capitalization exceeding US $284 billion.

Stablecoins provide a bridge between the traditional financial system and the crypto-economy, allowing fiat currencies to exist in a form that can move more freely and more efficiently on blockchains. Unlike conventional transaction methods, stablecoins require no centralized intermediary. Stablecoins are designed to maintain a stable price so users can avoid market volatility risks.

C1USD is not marketed or intended for speculative purposes, and its operational design ensures compliance with relevant regulatory requirements.

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Third-parties holding or interacting with C1USD, may decide, based on the jurisdiction regulations they operate within, on how to utilize C1USD.

C1USD provides users with a stable digital currency that is backed by fiat currency (i.e. the U.S. dollar), which avoids the historical volatility of the cryptocurrency market.

C1USD can be deployed in use cases that improve the efficiency of financial transactions
by reducing transaction costs and improving the speed and accuracy of these transactions in a secure manner. C1USD can also be deployed in use cases that facilitate cross-border transactions and reduce the fees and processing times associated with traditional methods.[1]

The stability of a fiat-backed stablecoin is preserved through the maintenance of a 1:1 Peg with the corresponding fiat currency. This is achieved by ensuring that the value of the reserve assets held matches or exceeds the total quantity of outstanding stablecoins. In essence, the reserves support the issuer's commitment to honor redemptions of the stablecoin at face value, subject to contractual contingencies. It is important to note that C1USD reserve is segregated from the issuer’s assets and holders of the token have no direct rights over the reserve itself.

Furthermore, the C1USD can be programmed, allowing financial contracts and escrow without intermediaries.

[1] The Issuer does not offer or engage in any remittance or payment services. Any payments made using C1USD would occur on a peer-to-peer basis without the involvement of the Issuer.

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3. ADVANTAGES

● **Transferable**

As a fungible form of digital instrument, C1USD enables frictionless and streamlined transactions, rendering it a convenient choice for a wide range of applications and scenarios.

● **Redeemable**

C1USD is backed by a reserve of cash and cash equivalents and an additional guarantee. from a third-party provider. Holders will have the ability to submit redemption for U.S. dollars, subject to terms and conditions. C1USD is designed to maintain a 1:1 backing ratio with its reserves.

● **Programmable**

C1USD is programmable, allowing for the creation of smart contracts and escrow services arrangements without intermediaries. This programmability empowers users with greater control over their transactions while reducing counterparty risk, transaction costs and increasing transaction speed and accuracy.

● **Low Fees**

A notable benefit of C1USD as a digital currency on the blockchain is its ability to offer cost-effective transactions with minimal fees. Unlike traditional financial transactions, which often incur high fees, blockchain-based transactions generally involve lower costs. This cost-efficiency makes C1USD an attractive and economical choice for users.

● **Operates on Decentralized Networks**

As a stablecoin built on blockchain technology, C1USD operates on decentralized networks that are distributed across multiple nodes. In so doing, it enhances

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transparency, security, and resilience, as no single entity has complete control over the network.

- **Segregation of Reserve**

The fiat reserves of C1USD are held in reserves segregated from the Issuer's funds.

4. TECHNOLOGY STACK

Each C1USD issued into circulation is intended to be backed in a one-to-one ratio with the equivalent amount of corresponding fiat currency held in reserves by the Issuer.

C1USD will be issued on the Stellar network, which follow the Stellar non-native asset. This decentralized blockchain provides consensus confirmation of transactions using Proof of Consensus, providing immutability of records and public transparency to market participants. Additionally, at time of launch, C1USD will be available as an ERC20 token on Ethereum, thereby ensuring the most widely accepted entry and listing by exchanges around the globe. We aim to issue C1USD on other blockchains in the future.

By using established public ledgers, market participants can utilize existing monitoring applications to view stablecoins issued and transactions. In this way, participants can follow stablecoins issued or claimed by the Issuer as well as other on-chain transactions. Distributed ledger technology is subject to transaction verification via the Proof of Consensus mechanism, which may result in verification fees paid to participants engaged in consensus activities. Fees vary across blockchains.

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C1USD has a robust and secure underlying technology that can handle large volumes of transactions and ensure the stability of the coin's value. We've worked with experienced blockchain developers and auditors to ensure the stability and security of C1USD.

a. Stellar Blockchain

Stellar is a blockchain platform renowned for its transparency and user-friendly design, making it easily auditable even for non-technical individuals. Its ledger-based architecture ensures that transactions are openly recorded and accessible, contributing to a high level of accountability. What sets Stellar apart is its emphasis on simplicity through built-in operations, allowing for straightforward creation and management of digital assets and transactions. Unlike other platforms, Stellar's approach minimizes the risk of hidden bugs or backdoors, ensuring a more secure and predictable environment. With its focus on cross-border payments and remittances, Stellar's streamlined processes and native currency, Lumens (XLM), facilitate swift and cost-effective transactions. These features make Stellar an ideal platform for constructing a more transparent, efficient, and inclusive global financial network.

b. C1USD Digital Currency

C1USD is a stablecoin available on Stellar public blockchain. It conforms to Stellar asset issuing guidelines and allows market participants to leverage the Stellar ecosystem to obtain and trade C1USD.

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Asset issuance on Stellar entails four basic steps:[2]

1. Creating an asset identity which includes asset code (C1USD) and asset issuer (Stellar account); and
2. Creating an asset distributor account; and
3. Creating a trust-line from distributor to asset; and
4. Executing a payment transfer of the digital currency from the issuing account to the distribution account.

Key concepts integral to Stellar:

Account: A Stellar account refers to a digital wallet within the Stellar blockchain, enabling users to store, send, and receive a variety of digital assets. These assets encompass the Stellar native cryptocurrency XLM, as well as participation in Stellar network's decentralized applications and services.

Multi-signature: Using multiple Stellar accounts “signers” to sign “approving” before a transaction can be broadcast on-chain.

Transaction: A Stellar transaction constitutes a digital record detailing the movement of assets (such as XLM or other Digital Currencies) on the Stellar blockchain. It encompasses the sender's source account, the recipient's destination account, along with optional operations or memo information.

Operation: A Stellar operation denotes a specific action carried out within a transaction. This could encompass various activities like asset issuance, trust-line establishment, and other network-related actions, all documented on the Stellar blockchain.

Trust-line: A Stellar trust-line denotes a permission granted by an account holder to accept a particular type of asset from another account within the Stellar network.

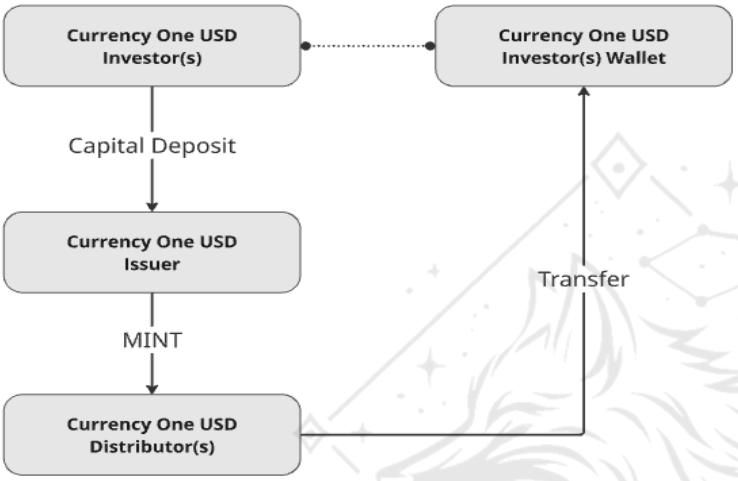
Custodial Accounts: A pool account where individual customer transactions are identified via transaction’s memo.

[2] See https://resources.stellar.org/hubfs/Asset_Issuance_on_Stellar.pdf

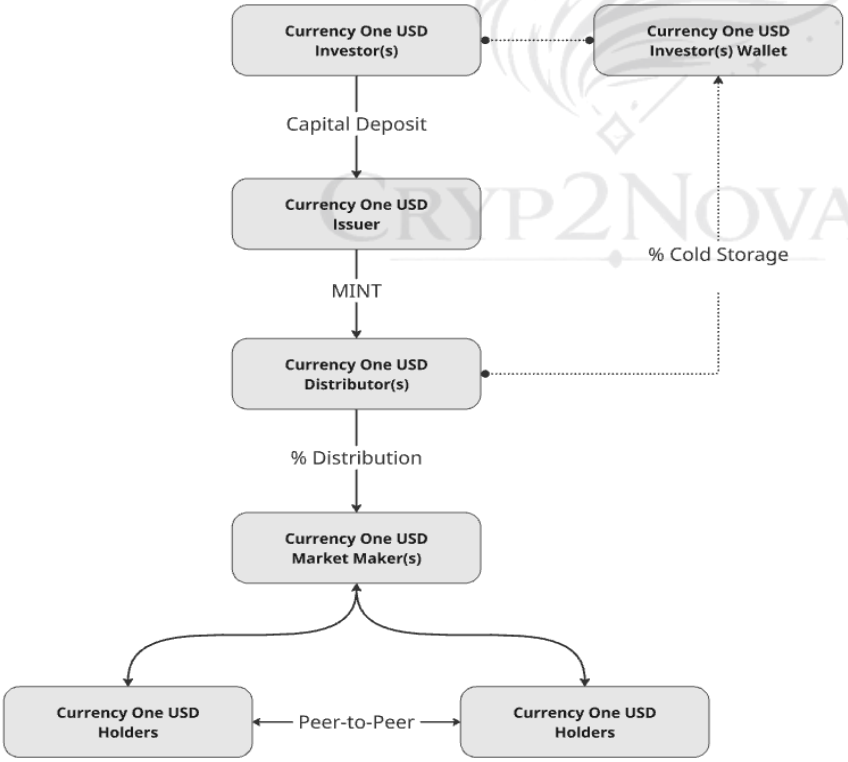
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Minting C1USD



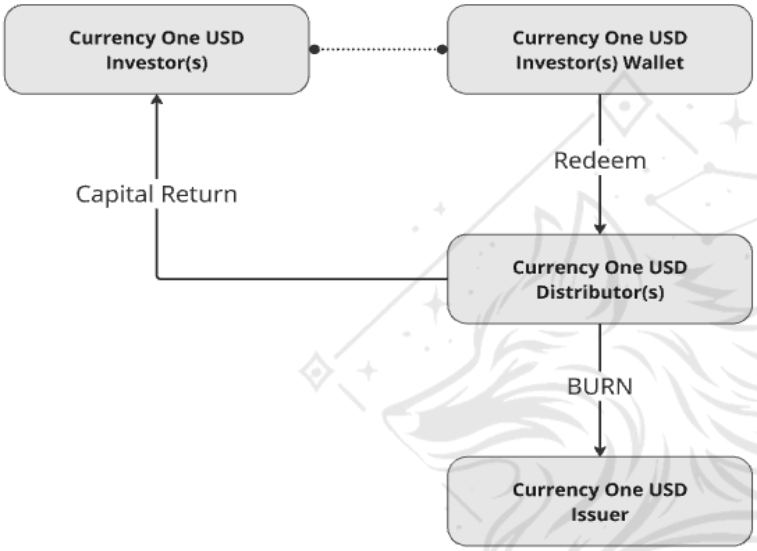
C1USD Market Maker



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C1USD Redemption

C1USD holders can make redemption requests, subject to our terms and conditions.



5. ATTESTATION OF RESERVES

The attestation process verifies that the entire supply of C1USD stablecoins in circulation is consistently fully supported by an equivalent value of cash or cash equivalents held in the secure custody of Currency One.

By undergoing attestations that are carried out by independent auditors, reserves are made transparent to users, granting them the ability to independently and promptly confirm that cash reserves effectively back the stablecoin asset.

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6. POTENTIAL USE CASES

C1USD offers various use cases in both the financial and technological sectors due to its inherent stability and digital nature. These use cases are not services or functions provided or operated by the Issuer, but rather, third party service providers or on a peer-to-peer basis. Some prominent product and tech use cases can include:

- **Non payments Remittances:** Stablecoins enable fast and cost-efficient cross-border transactions, making them an attractive option for remittance services. Utilizing stablecoins reduces the fees and latency associated with traditional remittance methods.
- **DeFi:** accessing yield farming, lending, and borrowing platforms.[3] Users can lend or stake their stablecoins to earn interest or participate in liquidity mining programs.
- **Escrow services:** C1USD can be used as a means of collateral in escrow services, providing a more predictable and stable value in comparison to volatile cryptocurrencies.
- **Hedging against volatility:** Traders and holders can use C1USD as a safe haven asset during periods of high market volatility. By converting their volatile cryptocurrencies to C1USD, they can temporarily protect their holdings from unforeseen price fluctuations.

[3] These are not offered by the Issuer.

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- **Financial Inclusion:** C1USD can be utilized in regions with underdeveloped financial infrastructure, offering access to essential financial services like savings and loans. This can help bring financial stability and security to individuals and businesses that lack traditional banking services.

7. PARTNERSHIPS & INTEGRATIONS

Partnerships and integrations can play a crucial role in the success of a stablecoin project. By collaborating with projects and platforms, C1USD adoption should increase and provide users with more opportunities to use the stablecoin in various ways.

7.1 Exchanges

We aim to partner with cryptocurrency exchanges to increase their liquidity and trading volume. By listing on popular exchanges, stablecoins can become more accessible to users and improve their overall utility.

7.2 Payment Processors

A key offering of C1USD is to give users exposure to USD without the transaction fees that commonly accompany stores of this currency in transactions. By removing all the financial intermediaries, C1USD offers a more efficient way of purchasing, transaction and storing value in USD.

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7.3 Wallet Providers

We also aim to partner with wallet providers to make it easier for users to store and transact. This can increase the user base of the stablecoin and make it more convenient for users to hold and use the stablecoin.

7.4 DeFi Projects

Decentralized finance (DeFi) platforms can integrate C1USD to provide users access to decentralized lending, borrowing, and trading. This can increase the overall utilities of the stablecoin and provide users with more opportunities for creative uses of C1USD.

7.5 Cross-chain Integrations

C1USD will be integrated with other blockchains to enable cross-chain transfers of value. This can increase the interoperability of the stablecoin and make it more useful in a multi-chain ecosystem.

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8. RISK FACTORS

Issuers of collateralized stablecoins need to ensure robust reserve asset management to instill confidence, ensure the stability of the peg and avoid a run on the coin with possible contagion to the financial sector. Like money market funds (MMFs), reserve assets of stablecoins need to be liquid to allow users to redeem their stablecoins in fiat currency. Meticulous management of reserve assets underpins users' confidence in stablecoins. A loss of confidence could trigger large-scale redemption requests leading

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to the liquidation of reserve assets with negative contagion effects on the financial system.

For C1USD, the Issuer maintains a robust reserve asset management regime that includes a dedicated cash reserve fund separate from the Reserve, specifically designed to facilitate liquidity for users to redeem their C1USD.

8.1 Potential Risks of Stabilization Mechanism

Stablecoins carry risks for holders and users. These risks depend on a range of factors, including the design of the stablecoin arrangement
and its applications. Stablecoins that are fully backed by high-quality liquid assets carry substantially lower risks for holders and users than other stablecoins, particularly algorithmic stablecoins. A key element of stablecoin issuance is the stabilization mechanism, which aims at reducing volatility and underpins an expectation that stablecoins will be redeemed at par, on demand. For most stablecoins covered in this note, the stabilization mechanism is a peg to a fiat currency sustained by reserves. Stablecoin issuers and network administrators face pressure from end users to meet redemptions at, or very close to, par, upon request, even if issuers have no obligation to do so. The ability to meet such requests hinges on the safety and liquidity of the assets held as reserves. Reserves can vary along a continuum from highly liquid to illiquid depending on the redemption pledge by the issuer and the redemption needs from the end-holders.

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8.2 Investment and Redemption Risks

C1USD is backed by cash and money market funds (MMF), including cash equivalents and highly liquid USD sovereign financial instruments, such as US Treasury Bills. Reserves are managed by reputable and regulated investment managers. Primary risks for users arise from the potential failure of the issuer to fulfill the claimed structural characteristics of the stablecoin. These encompass the stablecoin's nominal value, the investment mandate of the reserves, and the commitment to redeem stablecoins for fiat cash.

The C1USD reserve assets are segregated from the company’s own assets. Subject to terms and conditions, it is intended that C1USD can be purchased from and redeemed on a one-to-one basis against U.S. dollars, notwithstanding the secondary market value of C1USD.

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8.3 Operational Risks

Stablecoins and other crypto assets are exposed to operational risks, including fraud and cyber risks. These risks stem from various factors, including the complex nature of the cryptocurrency ecosystem, reliance on third-party service providers like exchanges, as well as the absence of effective remedies for the loss or theft
of crypto assets. To mitigate these risks, we employ several strategies for improved security measures to safeguard against cyber threats and implement robust due diligence processes when engaging with third-party service providers.

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8.4 Regulatory / Legal Risks

The regulatory landscape for stablecoins is evolving and shifting rapidly, and changes in regulations in different jurisdictions may impact the availability and viability of C1USD in those jurisdictions. Our terms and conditions are structured in such a way that users provide releases and indemnities to Issuer in certain circumstances.

8.5 Counterparty Risks

The involvement of financial intermediaries in custody and redemption processes can introduce additional risks, such as delays in claims and increased costs. In certain cases, stablecoin issuers may depend on crypto asset exchanges, market makers, commercial bank/ATM operators, or other money transmitters to facilitate redemption requests and disburse cash to digital currency-holders. However, this reliance on third parties can potentially amplify risks, thereby necessitating careful consideration and risk management to ensure smooth and efficient redemption processes while minimizing any adverse effects on digital currency holders.

8.6 Not a Payments Mechanism

C1USD does not confer any rights or obligations commonly associated with payment facilities, financial investments, or speculative assets. It does not provide a return from holding C1USD. The risks outlined here are operational and technical, rather than financial in nature, as C1USD is designed purely as a stable and accessible store of value.

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8.7 Nature of Redemptions

It is important that you read the full terms & conditions, risk disclosures and other available information in connection with redemptions of C1USD, and that you seek independent financial and legal advice for your specific circumstances.

9. LOOKING FORWARD

The C1USD ecosystem is dynamic, having been designed to incorporate innovative and adaptive structures. Post initial launch, several initiatives will be deployed to enhance the safety and value proposition of C1USD.

9.1 All-Risk Insurance

The Issuer and the stablecoin project group partners have embarked on a plan to integrate and directly tie C1USD with an all-risk insurance, being underwritten by a consortium of top global insurance and re-insurance groups. The industry first C1USD All-Risk Insurance Policy is designed to ensure the 1:1 peg between the backing asset Reserve and the C1USD tokens in circulation. In addition, the all-risk insurance will be structured to cover risks of cyber fraud and cyber theft.

9.2 Multi-chain and multi-function interoperability

Multi-chain interoperability of C1USD enables direct access to a diverse range of deep liquidity pools across leading DeFi ecosystems providing commercial scalability for participants.

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Combining and deploying cross chain entry and exit points into DeFi and TradFi spaces will enhance liquidity and opportunities for C1USD holders.

9.3 US GENIUS ACT

A goal for C1USD to encompass a GENIUS Act compliant structure, thereby ensuring access and long-term participation in the burgeoning American cryptoverse industry.

10. CONCLUSION

C1USD encompasses a wide array of benefits that greatly enhance user experiences, including redeemable properties, programmability, regulatory compliance, accessibility, low transaction fees, bankruptcy remote functionality, decentralization, and seamless trading capabilities. These attributes collectively create a secure, efficient, and convenient digital currency option for users, offering reliability and stability in their financial transactions. Whether for cross-border payments, smart contract executions, or day-to-day transactions, C1USD's remarkable features make it an enticing choice for users seeking a trusted and dependable solution within the realm of cryptocurrencies.

C1USD represents a stable digital token that combines transparency, security, and blockchain-native utility. For the Issuer, C1USD is expressly not intended to function as a payment mechanism or financial product. Its focus is on delivering stability and value for users participating in decentralized ecosystems.

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Glossary of Terms

1. **C1USD user/holder**

An C1USD user or holder refers to an individual or entity that possesses and utilizes stablecoins in the course of their activities.

2. **Issuer**

Kinesis Money Panama, S.A., which

is responsible for the creation, issuance, and management of C1USD.

3. **Money market funds (MMF)**

Money market funds (MMFs) are mutual funds that invest in short-term, low-risk debt securities such as Treasury bills, commercial paper, and certificates of deposit. MMFs are designed to provide holders with a safe and liquid investment option that can generate a modest return while preserving the value of the investment.

4. **Stablecoin**

Stablecoin: A term used to describe a crypto asset that is pegged to underlying reserve assets or managed by software algorithms to enforce price stability. Stablecoins are designed to maintain a relatively stable price so that users can avoid the volatility risks common in the crypto markets.

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