

VNX Fiat Referencing Tokens (FRTs)

Europe's first fiat referencing
tokens from a token generator
licensed under the Blockchain Act in
Liechtenstein

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Introduction

The Internet is a global distributed network of computers using open-source software that enables billions of people to connect and exchange information instantly, securely, and at virtually no cost. The implications for the world have been spectacular.

The invention of crypto assets and blockchain-based financial applications ushered in the next great era of the open Internet. Just as email, messengers, and cloud drives enabled the free exchange of information and communication, crypto assets and blockchain technology allow people to exchange value and transact with each other in the same way: instantly, globally, securely, and at low cost.

Blockchain can transform and integrate the world and create a more efficient and inclusive global marketplace that connects everyone on the planet. The future of the global economy is an open, shared, inclusive, more evenly distributed, and powerful economy.

Crypto already plays a significant role in many economies, giving people a real alternative for wealth preservation and settlement. But crypto is a volatile asset class.

VNX seeks to solve this problem by bringing stable assets to crypto that are available to institutional and private investors. VNX launched the VNX Gold token backed by physical gold. VNX Gold (VNXAU) is a multichain token fully backed by physical gold that is certified by the London Bullion Market Association (LBMA). One VNXAU token equals 1 gram of physical gold. This token represents individual ownership of the physical gold that is kept in segregated storage in a high-security vault in Liechtenstein, a country with a stable economy with an S&P AAA rating, and a member of the EEA. Since VNX Gold tokens are linked to actual physical gold, they offer the same benefits as gold, such as store of value, protection against volatility and inflation, and high liquidity – with complete digital convenience and freedom. VNXAU token generation and all services linked to the tokens are carried out by VNX Commodities AG, a company registered with the Liechtenstein Financial Market Authority (FMA) under the Tokens and TT Services Providers Law (TVTG).

The fiat stablecoin market has had its problems. Many decentralised or algorithmic stablecoins have lost their peg to their corresponding currency, causing significant losses for holders.

As an FMA registered token generator, VNX plans to address these issues and launch fiat referencing tokens (FRT).

What is a VNX Fiat Referencing Token

A VNX fiat referencing token, or FRT, is a multichain token with exchange rate-referencing fiat currency that has VNX Gold (tokenised physical gold) as a base. VNX Gold may be replaced by other types of reserves, with the underlying gold price hedged. FRT is available through the platform operated by VNX at <https://invest.vnx.li> (VNX Platform). FRT can be generated in exchange for VNX Gold. For more information (i) about FRT please read FRT Terms and Conditions at www.vnx.li; (ii) about VNX Gold and the VNX Platform, see VNX Terms and Conditions at <https://vnx.li/wp-content/uploads/2022/12/2022-12-07-FRT-TC.pdf> and VNX Gold white paper at <https://vnx.li/wp-content/uploads/2022/03/VNX-Gold-Whitepaper.pdf>. FRT reserves are managed according to the Reserves Management Policy, which can be found [here](#).

What is VNX

VNX as an FMA registered TT Services Provider under the Blockchain Act offers services related to the purchase, sale, and storage of precious metals in the name and for the benefit of the clients, as well as

the generation, maintenance, transfer, and cancellation of tokens representing the ownership of a particular precious metal through the technology of the VNX Platform.

VNX Commodities AG (VNX) is a duly incorporated company under the laws of the Principality of Liechtenstein and registered in the Liechtenstein Company Register with register number FL0002.654.2718. VNX's registered office is located at Dr. Grass-Strasse 12, 9490, Vaduz, Liechtenstein.

VNX Commodities AG is registered as a TT Service Provider with the Financial Market Authority Liechtenstein (FMA), namely as Token Generator, TT Exchange Service Provider, TT Token Depository, TT Key Depository, and TT Identity Service Provider. The registrations can be checked on the official website of the FMA: <https://fmaregister.fma-li.li/search?searchText=vnx&number=&category=>.

Use Cases

Payments

It's hard to imagine our lives without mobile banking apps and wallets that allow person-to-person mobile payments. Such applications are provided by banks, fintech companies, and mobile operators. Most of these applications are proprietary and isolated from each other. While we can freely exchange information and communicate globally, monetary payments still operate in silos.

VNX aims to bring a solution in the form of fully secured fiat referenced tokens that will allow the transfer of value between wallets as easily as information moves via email or messaging apps.

Crypto Exchanges

Centralised and decentralised crypto asset exchanges are online platforms where buyers and sellers trade crypto assets. Crypto assets are quite volatile, while VNX fiat referenced tokens, pegged to the exchange rate of fiat currencies, do not fluctuate in price. This makes them useful for linking to fiat and hedging risk when trading crypto assets.

Decentralized Finance

Decentralised finance (DeFi) is a generic term for open-source, smart contract-based financial services. Popular DeFi protocols such as Compound, Balancer, and Curve have opened up a whole world of new opportunities to investors looking for deep liquidity, varying risk-reward ratios, and interesting new investment opportunities. DeFi is becoming an alternative to the traditional financial sector, replacing the traditional technologies with open-source protocols. The DeFi ecosystem encompasses all aspects of financial services, including borrowing, lending, and trading. Any internet user can manage assets through peer-to-peer (P2P) and decentralised applications (dApps).

DeFi offers customers significant advantages: cost efficiency, transparency, interoperability, user experience flexibility, decentralisation, and autonomous governance. All of these advantages, combined with global reach, make DeFi's financial infrastructure truly appealing, something that cannot be said for many of the assets that are traded on DeFi. Many are volatile tokens of uncertain value with ill-conceived tokenomics (or with none at all), and encourage many investors to stay away from DeFi. VNX aims to bring assets with real value to the decentralised market to unlock its potential for more users around the world.

Technology

Overview

VNX has developed and launched VNX Gold, a multichain digital token that represents the ownership of specific physical gold bars purchased and stored in the VNX Gold token holder's name in a highly secured professional vault in the Principality of Liechtenstein. Each VNX Gold token holder is the only lawful owner

of the underlying gold, subject to successful registration, identification, and passing anti-money laundering checks on the VNX Platform. VNX Gold tokens are freely transferable on the blockchain and can be transferred to any wallet supporting ERC-20 (Ethereum) or other supported blockchain token standards. One VNX Gold token = 1 gram of gold.

Using VNX Gold as a base value, VNX generates fiat referenced tokens at request and on behalf of customers. FRT is not offered publicly by VNX, instead FRT is generated by VNX at the request and for the benefit of a client (Customer). In addition, the Customer orders the following service: VNX will hold VNX Gold in irregular custody and will ensure technically that a certain reserve is formed by VNX as a basis for the FRT. The amount of the reserve must not be lower than the reference value of FRT in fiat currency. VNX hedges the value of gold and currency exchange rate fluctuation risk to achieve market parity between assets in the reserve and FRT reference value in fiat currency.

Design of the FRT

The Customer instructs VNX to generate an FRT, whereby the FRT should behave at least on a parity basis to a legal tender according to the principles of the market. This minimum parity for the FRT is to be achieved in a market economy by the following steps:

1. Physical gold is in a determinable ratio to a legal tender according to the intraday daily exchange rate. Therefore, physical gold refers to legal tender.
2. The VNX Gold generated by VNX represents co-ownership in physical gold. One VNX Gold token corresponds to 1/1000 co-ownership of a gold bar of 1 kilogram, which corresponds to 1 gram. Therefore, VNX Gold is also in a determinable ratio to a legal tender according to the intraday daily exchange rate of gold. Therefore, VNX Gold also refers to legal tender.
3. The FRT, which will be generated by VNX at request and on behalf of Customers, in turn refers to VNX Gold. This is in such a way that the Customer forms a reserve with VNX with their VNX Gold. This reserve is the basis for the FRT.

The reserve initially consists of VNX Gold and may be replaced or supplemented in the course of VNX's maintenance obligation, in the name of and for the account of VNX. In particular, VNX will hedge the risks relating to the gold price and currency exchange rates' fluctuations on the relevant futures markets. Therefore, regardless of the gold price and currency exchange rates' fluctuations, VNX will have sufficient assets in reserve to maintain the FRT value.

Due to the fact that the Customer creates a reserve with his VNX Gold at VNX, which VNX monitors and hedges, an FRT can be generated for the Customer, which refers to legal tender on a parity basis according to the principles of the market. To sum up, VNX ensures that the Customer's FRT are always supported by adequate value of reserves.

However, an FRT holder (other than VNX FRT issuing Customer) has no redemption rights. An FRT holder can therefore only ask for an exchange service from VNX or any other exchange service. VNX, in accordance with the TVTG registration as the TT Exchange Services Provider, provides an exchange service for the exchange of the FRT into fiat or another token. For any exchange service, the token holder will be required to register on the VNX Platform and comply with the AML/KYC requirements.

Token Standard

FRT is a multichain token that is issued on a variety of blockchains. On the Ethereum blockchain, FRT follows the ERC-20 protocol. ERC-20 smart contracts follow a standard protocol for representing custom tokens on the blockchain. Specifically, the contract must declare the basic characteristics of the tokens (name, symbol, decimal precision), track the total number of tokens, track the token balance for each

Ethereum address, and allow address holders to transfer portions of their balance to other addresses. Most Ethereum-supporting exchanges and wallet applications already have built-in support for FRTs. While the initial token generation takes place via the VNX Platform, any other FRT transactions follow a smart contract written to the ERC-20 specification.

The FRT ERC-20 contract code is available for technical review and audit, so anyone can make sure the code will work as VNX has described.

On other blockchains, the FRT smart contract will follow the standard protocol for representing custom tokens of the corresponding blockchain.

Bridge

FRT and VNX Gold were conceived and developed as multichain tokens that support different blockchains. VNX token holders will be able to move their assets between different blockchains easily and without risk through the VNX platform, which will allow users to instantly burn tokens issued on one network and mint them in another. The total number of tokens issued will remain unchanged.

VNX Platform Utility Token

The VNX token (VNXLU) is the backbone of the VNX Platform. VNXLU was issued as a utility token of the platform. The total supply of VNXLU tokens is 80,000,000. No more can be issued.

VNXLU tokens can be used to pay fees on the VNX Platform and are accepted at the market price or 0.25 Euro (if the market price is lower).

VNX may add extra functionality in the future with new product launches. The token can be used by VNX in its economic incentive programs (liquidity mining) to attract liquidity and grow the VNX community.

Disclaimers

ONLY TERMS AND CONDITIONS (THE TERMS) AVAILABLE AT: <https://vnx.li> GOVERN THE PROCESS OF GENERATION, MAINTENANCE, TRANSFER, PURCHASE, SALE, AND STORAGE OF FRT ON THE VNX PLATFORM.

BY PURCHASING OR OTHERWISE ACQUIRING FRT YOU AGREE (OR WILL BE DEEMED TO HAVE AGREED – IN CASE OF THE FRT ACQUISITION FROM THE TOKEN HOLDER (I.E. NOT THROUGH THE PLATFORM)) THAT YOU HAVE CAREFULLY READ AND UNDERSTOOD THE RIGHTS AND OBLIGATIONS ASSOCIATED WITH THE FRT AND CONFIRM THAT YOU FULLY UNDERSTAND THE RISKS, COSTS, BENEFITS AND OTHER CONSEQUENCES OF ACQUISITION OF THE FRT. IN ANY CASE YOU WILL HAVE THE POSSIBILITY TO REVIEW THE TERMS AND ACCEPT THEM.

This whitepaper (the Presentation) is prepared by VNX Commodities AG (hereinafter – “we”, “us,” or the “Company”).

This Presentation is not and shall not be considered as the Basic Information to Art. 30 et seq of Tokens and TT Service Provider Act, Liechtenstein.

The Presentation contains our estimates, assessments, adjustments, judgments and forward-looking statements, which have not been verified by an independent expert. Market information provided in the Presentation, therefore, unless otherwise attributed exclusively to a third-party sources, is to a certain degree subjective. While the Company believes that its own estimates, assessments, adjustments, judgments and forward-looking statements are reasonable and that the market information prepared by the Company appropriately reflects the industry and the markets in which it operates, there is no assurance that the Company’s own estimates, assessments, adjustments, judgments and forward-looking statements are appropriate for making any determinations, conclusions and/or decisions.

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