



LYDIACOIN

**LEGAL OPINION
&
MiCA WHITEPAPER ADDENDUM**

LYDIA BLOCKCHAIN ECOSYSTEM

USAD Stablecoin · BSW Utility Token

LEGAL OPINION & MiCA WHITEPAPER ADDENDUM

Prepared pursuant to Regulation (EU) 2023/1114 (Markets in Crypto-Assets Regulation)

Reference Document: Lydia Blockchain Ecosystem Master Institutional Whitepaper v3.0 (March 2026)

Document Type	Legal Opinion & Regulatory Addendum
Reference Whitepaper	Lydia Master Institutional Whitepaper v3.0 — March 2026
Date of Opinion	25 March 2026
Classification	Confidential — For Regulatory and Institutional Use
Applicable Regulation	Regulation (EU) 2023/1114 (MiCA)
Token Subject	USAD (USD-pegged E-Money Token)
Reserve Coverage	116% (Independently Verified — ISAE 3000)
Audit Provider	AIG Independent Audit CPA & Financial Consultancy Inc.

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PART 1 — LEGAL OPINION

Formal Legal Memorandum — E-Money Token Classification under MiCA

1. Executive Summary

This Legal Opinion has been prepared in connection with the Lydia Blockchain Ecosystem and the USAD stablecoin, as described in the Lydia Blockchain Ecosystem Master Institutional Whitepaper Version 3.0 (the "Whitepaper"), dated March 2026. The opinion addresses the legal classification of USAD under Regulation (EU) 2023/1114 on Markets in Crypto-Assets ("MiCA"), the applicable non-security analysis, the regulatory compliance of the reserve structure, and the associated risk factors.

Having reviewed the Whitepaper and the factual record described therein, and based on the information provided therein, subject to the assumptions, qualifications, and limitations set out in Section 2.3 of this Opinion, it is our reasoned legal view that:

- USAD should be classified as an E-Money Token ("EMT") within the meaning of Article 3(1)(7) of MiCA, by reason of its stable value referenced to the United States Dollar (a single official currency), its full reserve backing, and the unconditional redemption rights afforded to holders, subject to regulatory confirmation by the competent authority;
- USAD does not constitute a financial instrument, a transferable security, or an investment contract under applicable EU law or under analogous frameworks in other major jurisdictions reviewed;
- The reserve and custody structure underpinning USAD, based on representations provided in the Whitepaper and subject to independent verification, reflects a coverage ratio of 116% as independently attested by AIG Independent Audit CPA & Financial Consultancy Inc. under ISAE 3000, and is consistent with the reserve requirements applicable to EMT issuers under MiCA Articles 36 through 49;
- The Lydia Blockchain Ecosystem demonstrates a substantive alignment with the whitepaper publication, disclosure, governance, and operational requirements of MiCA.

Based on the information reviewed and subject to the assumptions and limitations set out herein, it is our reasoned legal view that USAD should be classified as an E-Money Token under MiCA and does not constitute a financial instrument, as represented in the Whitepaper and subject to independent verification and regulatory confirmation.

2. Scope of Review

2.1 Documents Reviewed

This opinion is based exclusively upon the Lydia Blockchain Ecosystem Master Institutional Whitepaper Version 3.0 (March 2026), including all sections pertaining to the USAD stability mechanism, reserve structure, custody architecture, tokenomics, audit and transparency framework, and regulatory compliance framework.

2.2 Regulatory Framework Considered

The following legal instruments and regulatory texts have been considered in the preparation of this opinion:

- Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on Markets in Crypto-Assets ("MiCA"), with particular reference to Title II (Asset-Referenced Tokens), Title III (E-Money Tokens), and the general provisions;

- Directive 2009/110/EC of the European Parliament and of the Council on the taking up, pursuit and prudential supervision of the business of electronic money institutions ("EMD2"), insofar as relevant to the interpretation of e-money concepts incorporated into MiCA;
- Directive 2014/65/EU on Markets in Financial Instruments ("MiFID II") and the related Commission Delegated Regulations, with respect to the definition of financial instruments and transferable securities;
- Regulation (EU) No 596/2014 on Market Abuse ("MAR"), insofar as relevant to the qualification of crypto-assets;
- The European Banking Authority ("EBA") Guidelines on token classification under MiCA and related supervisory guidance;
- The European Securities and Markets Authority ("ESMA") guidance on the classification of crypto-assets under MiCA;
- For contextual reference: the US Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act and the Financial Crimes Enforcement Network (FinCEN) guidance on stablecoins.

2.3 Scope Limitations

This opinion is limited to the classification of USAD under MiCA and the EU regulatory framework and does not constitute a comprehensive legal opinion on all aspects of the Lydia Blockchain Ecosystem’s compliance obligations in all jurisdictions. The factual basis of this opinion is the Whitepaper, and all statements herein are made as represented therein and subject to independent verification; we have not independently verified the reserve assets, audit reports, or third-party attestations referenced therein. Regulatory requirements are subject to change, and this opinion reflects the position as at the date of this document. This opinion is provided solely for informational and regulatory assessment purposes and may not be relied upon by any third party without the prior written consent of the issuer.

3. Description of USAD

3.1 General Characteristics

USAD is a fiat-referenced stablecoin issued by Lydia Development Labs within the Lydia Blockchain Ecosystem. Based on the information set out in the Whitepaper, USAD has the following principal characteristics:

Characteristic	Description
Reference Currency	United States Dollar (USD) — pegged 1:1
Supply Model	Elastic — minted against verified reserve deposits; burned upon redemption
Reserve Backing	Fully backed by verified real-world assets (116% coverage ratio)
Yield / Interest	None — USAD does not generate yield, interest, or dividends for holders
Governance Rights	None — holders do not receive voting or governance rights
Redemption Right	Unconditional right to redeem at 1:1 USD value, subject to KYC/AML verification
Deployment Chains	Lydia Chain (L3 Rollup), Base (Coinbase L2), Solana

Max. Committed Supply	USD 29,900,000,000
Current Circulating Supply	USD 2,410,000,000 (8.1% of capacity, as at 16 March 2026)
Reserve Coverage Ratio	116% (independently verified — AIG Independent Audit, ISAE 3000)

3.2 Reserve Asset Composition

The reserve supporting USAD is structured across three principal asset classes, as independently verified:

Asset Category	Verified Value (USD) — % of Reserve
Treasury Instruments (Government Bonds, Treasury Bills, Financial Certificates)	USD 20,093,833,392 — 57.93%
Certified Gemstone Reserves (Diamond Inventory & Other Certified Gemstones)	USD 9,794,197,500 — 28.24%
Cash & USD Bank Deposits	USD 4,800,000,000 — 13.84%
TOTAL VERIFIED RESERVES	USD 34,688,030,892 — 116.00%

3.3 Mint and Burn Mechanics

New USAD tokens are minted exclusively upon verified deposit of fiat currency or approved reserve-eligible assets into a designated reserve account. USAD tokens are permanently burned upon verified redemption by a holder. No USAD tokens are minted without a corresponding verified addition to the reserve; no reserve assets are released without a corresponding verified burn of USAD tokens. These mechanics are enforced by role-based access controls and multi-signature authorisation at the smart contract level.

4. Legal Classification Analysis

4.1 Taxonomy of Crypto-Assets under MiCA

MiCA establishes a comprehensive taxonomy of crypto-assets, structured as follows:

- **Asset-Referenced Tokens ("ARTs"):** Crypto-assets that maintain a stable value by reference to another value or right, or a combination thereof, including one or more official currencies (Article 3(1)(6) MiCA);
- **E-Money Tokens ("EMTs"):** Crypto-assets that purport to maintain a stable value by referencing the value of one official currency (Article 3(1)(7) MiCA);
- **Utility Tokens:** Crypto-assets intended to provide access to a good or service supplied by the issuer (Article 3(1)(5) MiCA);
- **Other Crypto-Assets:** All crypto-assets not falling within the above categories.

The distinction between ARTs and EMTs is material: EMTs reference a single official currency, whereas ARTs reference a basket of currencies, assets, or rights. The classification of USAD as an EMT rather

than an ART is determinative of the applicable regulatory regime under MiCA, with EMTs subject to the requirements of Title III (Articles 48–58) read alongside Article 43 of MiCA.

4.2 Classification of USAD as an E-Money Token

4.2.1 Single Currency Reference

Article 3(1)(7) of MiCA defines an EMT as a type of crypto-asset that purports to maintain a stable value by referencing the value of one official currency. USAD is pegged exclusively to the United States Dollar (USD) on a 1:1 basis. There is no reference to a basket of currencies, commodities, or other assets for the purpose of maintaining the peg. The USD peg is maintained through direct asset backing, minting/burning mechanics, and arbitrage incentives, as described in Section 5 of the Whitepaper. This single-currency reference satisfies the definitional criterion of Article 3(1)(7) MiCA.

4.2.2 Stable Value

USAD maintains a stable value through a combination of full reserve backing (116% coverage), a verified surplus buffer of USD 4,788,030,892, tiered liquidity management (Tier 1 cash deposits alone providing ~199% coverage of current circulating supply), and continuous on-chain monitoring. The stability mechanism does not rely on algorithmic supply manipulation but on direct, verified asset reserves held in third-party custody. This approach satisfies the stability requirement inherent in the EMT definition.

4.2.3 Redemption Rights

MiCA Article 48(1) requires that holders of EMTs have a claim on the issuer and a right of redemption at any time and at par value. The Whitepaper confirms that USAD holders may redeem their tokens for an equivalent USD value at any time, subject to completed KYC/AML verification. Redemption is effectuated by burning the presented USAD tokens and transferring the equivalent fiat value to the holder's designated bank account. The redemption right creates a structural floor on USAD's market value and is legally distinct from a discretionary buyback or optional redemption feature. This unconditional redemption right satisfies the requirements of Article 48(1) MiCA.

4.2.4 Absence of Yield

A defining characteristic of EMTs under MiCA is the prohibition on granting interest to holders (Article 50 MiCA). USAD does not generate yield, pay interest, or distribute dividends to holders. The Whitepaper expressly confirms that USAD is designed as a payment instrument — a medium of exchange and store of value — and not as an investment product. This absence of yield is a direct design feature of USAD, not an incidental characteristic, and satisfies the requirements of Article 50 MiCA.

Holders of USAD are entitled to redemption at par value against the underlying reference currency, subject to applicable operational procedures, compliance requirements, and verification processes. This redemption entitlement is structural and unconditional in nature, and is not subject to the discretion of the issuer beyond the satisfaction of applicable KYC/AML obligations.

4.2.5 Conclusion on Classification

On the basis of the foregoing analysis, we conclude that USAD satisfies each of the definitional criteria for an E-Money Token under Article 3(1)(7) MiCA: it references the value of a single official currency (USD); it maintains a stable value through direct reserve backing; holders have an unconditional right of redemption at par; and it does not generate yield or interest. USAD should be classified as an E-Money Token for the purposes of MiCA, subject to regulatory confirmation by the competent authority.

Classification Conclusion: USAD should be classified as an E-Money Token (EMT) within the meaning of Article 3(1)(7) of Regulation (EU) 2023/1114 (MiCA), subject to regulatory confirmation by the competent authority.

5. Non-Security Assessment

5.1 Financial Instrument Analysis under MiFID II

Section I of Annex I to MiFID II provides a list of financial instruments, including transferable securities, money-market instruments, units in collective investment undertakings, derivative instruments, and emission allowances. For USAD to constitute a financial instrument, it would need to satisfy the definitional criteria of one or more of these categories.

5.2 Transferable Securities

Article 4(1)(44) MiFID II defines transferable securities as classes of securities that are negotiable on capital markets, excluding instruments of payment, and including in particular: shares in companies, bonds and other debt instruments, depositary receipts, and any other securities conferring the right to acquire or sell any such transferable security. The following analysis confirms that USAD does not satisfy this definition:

Transferable Security Criterion	USAD Position
Share capital / equity interest in an issuer	None — USAD holders have no equity interest in Lydia Development Labs or any associated entity
Right to receive dividend or profit share	None — USAD explicitly does not pay dividends or distribute profits to holders
Voting or governance rights	None — USAD holders have no voting or governance rights
Right to acquire or sell a transferable security	None — USAD confers no such right
Right to receive a return on invested capital	None — the 1:1 redemption right reflects a payment obligation, not a return on investment
Residual economic interest on winding up	None — USAD is a payment obligation, not an equity or quasi-equity instrument

5.3 Investment Contract Analysis

Applying the substantive criteria derived from the concept of an investment contract (as recognised in EU supervisory guidance and analogous to the Howey Test in US jurisprudence), USAD does not constitute an investment contract because:

- No investment of money for profit: USAD holders acquire a payment instrument with a fixed 1:1 USD redemption value, not a speculative interest with an expectation of profit above par;
- No common enterprise: There is no pooling of funds for a common speculative enterprise. USAD is a payment token; the reserve is held for the benefit of USAD holders as a redemption pool, not as a profit-generating enterprise;
- No expectation of profit from the efforts of others: USAD holders receive no economic return derived from Lydia's business operations, management efforts, or investment activities. The stable value of USAD is maintained by the reserve structure, not by active investment management on behalf of token holders.

5.4 Collective Investment Undertaking

USAD does not constitute a unit in a collective investment undertaking within the meaning of the UCITS Directive (2009/65/EC) or the AIFMD (2011/61/EU). The reserve assets backing USAD are held for the purpose of meeting redemption obligations to token holders and are not managed with the objective of generating investment returns for those holders. The reserve management framework is prudential and liquidity-focused, not investment-return-focused.

5.5 Debt Instrument Analysis

USAD is not a bond or other debt instrument. It does not carry a coupon, fixed repayment schedule, maturity date, or credit spread. The 1:1 redemption right is an unconditional claim at par value — structurally equivalent to a demand deposit or e-money balance — rather than a debt obligation with time value or investment return characteristics.

5.6 Conclusion on Non-Security Status

On the basis of the foregoing analysis, we conclude that USAD is not a financial instrument, transferable security, collective investment undertaking, debt instrument, or investment contract. This conclusion is supported by:

- The absence of any yield, dividend, interest, or profit-sharing mechanism;
- The absence of governance or voting rights;
- The fixed, par-value redemption right as the sole economic entitlement of USAD holders;
- The payment-instrument design and use-case orientation of USAD;
- The structural equivalence of USAD to electronic money as defined under EMD2.

Non-Security Conclusion: USAD is not a financial instrument, a transferable security, or an investment contract under applicable EU law. USAD does not confer any right to interest, yield, profit participation, or governance rights of any kind. It is designed solely as a means of payment and value transfer, and its sole economic entitlement is the unconditional right to redeem at par value against the United States Dollar.

6. Reserve & Custody Legal Assessment

6.1 Overview of Reserve Structure

MiCA Article 36(1) requires that issuers of EMTs maintain own funds, and Article 45 requires that EMT issuers ensure the funds received in exchange for the EMTs are invested in secure, low-risk assets denominated in the same official currency as the referenced currency. The reserve structure of USAD is described in detail in Sections 6 and 7 of the Whitepaper; based on representations provided therein and subject to independent verification, the structure has been attested by AIG Independent Audit CPA & Financial Consultancy Inc. under ISAE 3000 standards.

6.2 Asset Backing — Quality and Composition

The reserve comprises three principal categories:

- Treasury Instruments (57.93%): Government bonds (minimum BBB- credit rating), treasury bills (maximum 12-month maturity), and bank-issued financial certificates at regulated institutions in FATF-compliant jurisdictions. This class is characterised by high credit quality, deep secondary market liquidity, and USD denomination. Treasury bills and government bonds align with the high-quality liquid asset ("HQLA") standards applicable under prudential regulations;
- Certified Gemstone Reserves (28.24%): Certified diamond and gemstone inventories valued under IFRS 13 (Fair Value Measurement, Level 3) with reference to Gemological Institute certifications,

specialist wholesale market pricing, and comparable transaction data. A conservative liquidity discount is applied. These assets are held in certified vault facilities with full replacement value insurance;

- Cash & USD Bank Deposits (13.84%): Liquid USD deposits at regulated banking institutions in the United States, available at T+0 to T+2 for redemption satisfaction. At current circulating supply levels, this tier alone provides approximately 199% coverage.

6.3 Asset Segregation

All reserve assets are held in accounts or facilities designated exclusively for the benefit of USAD token holders and are legally segregated from the operational assets of the issuer group. This segregation is documented through formal custodial agreements and, where applicable, trust arrangements. The verification conducted by AIG Independent Audit confirmed that reserve assets are held free and clear of material encumbrances, pledges, or liens that would impair their availability for token holder redemptions. This segregation structure is consistent with the requirements of MiCA Article 37(2), which requires that issuers of EMTs ensure that the funds received in exchange for EMTs are not co-mingled with the issuer's own funds.

6.4 Custody Structure

Asset Class	Custody Arrangement
Treasury Instruments	Segregated accounts at regulated financial institutions — 97-page documentation package
Gemstone Assets	Certified vault facilities operated by licensed custodians — 181-page documentation
Cash Deposits	USD bank deposits at regulated US banking institutions — bank statement verification
Digital Assets	Blockchain cold wallets with hardware security and multi-signature authorisation

6.5 Legal Ownership and Beneficial Interest

The legal title and beneficial ownership of reserve assets is held through a multinational asset-backed reserve structure, with reserve assets beneficially owned by a diversified international group established in 1989, operating across key global jurisdictions including the United States, the United Kingdom, the United Arab Emirates, Oman, and Japan. The group's diversified sectoral profile — spanning construction, energy, mining, finance, and international trade — provides structural resilience against sector-specific adverse conditions.

The verification procedures conducted by AIG Independent Audit confirmed the existence and ownership of reserve assets through direct third-party confirmations with custodian financial institutions and vault operators, without routing through Lydia Blockchain management.

6.6 Reserve Coverage and Buffer

The verified reserve coverage ratio of 116% provides a surplus of USD 4,788,030,892 above the minimum 1:1 parity requirement. This surplus absorbs mark-to-market fluctuations across asset classes before the peg-backing threshold is threatened. The portfolio can absorb a uniform 13.8% decline across all asset classes before coverage falls below 100%. This headroom substantially exceeds the minimum requirements of virtually all existing and anticipated regulatory frameworks.

6.7 Tiered Liquidity Structure — Regulatory Assessment

The four-tier liquidity structure — cash (T+0–T+2), treasury bills (1–5 days), government bonds (5–30 days), gemstones (30–180 days) — ensures that redemption demands can be met progressively without forced liquidation of illiquid assets. This structure is consistent with good-practice reserve management for EMT issuers and aligns with the liquidity management principles that regulators such as the EBA have articulated in the context of MiCA.

Reserve Conclusion: The reserve structure, asset segregation, custody arrangements, and 116% coverage ratio support the EMT classification of USAD and are consistent with the reserve requirements of MiCA Articles 36–49.

7. MiCA Compliance Analysis

7.1 Article 15 — Whitepaper Requirements

MiCA Article 15 requires crypto-asset issuers (other than ARTs and EMTs, for which specific provisions apply under Articles 51 and 48 respectively) to publish a crypto-asset whitepaper containing specified information. For EMT issuers, Article 51(1) MiCA imposes an obligation to publish a whitepaper containing the information set out in Annex II, which overlaps substantially with Article 15 requirements. The Whitepaper reviewed satisfies or demonstrates a substantive basis for the following mandatory disclosures:

MiCA Disclosure Requirement	USAD Whitepaper Status
Identity of the issuer and persons responsible	Disclosed — Lydia Development Labs; CPA registry details provided
Description of the crypto-asset project	Disclosed — Sections 3–11 of Whitepaper
Technology description	Disclosed — Section 4 (Technical Architecture); chain addresses provided
Rights and obligations of holders	Disclosed — Sections 10.5, 9.1
Reserve asset description and management	Disclosed — Sections 6–7 with independent audit details
Redemption rights and procedures	Disclosed — Section 5.2 and 10.5
Risk factors	Disclosed — referenced in Whitepaper; expanded in Section 8 of this Opinion
Conflicts of interest	To be confirmed in regulatory submission

7.2 Articles 36–49 — E-Money Token Requirements

7.2.1 Article 48 — Redemption Rights

MiCA Article 48(1) requires that holders of EMTs have a claim on the issuer at any time and at par value. The Whitepaper confirms an unconditional right of redemption at USD 1.00 per USAD token, subject to KYC/AML completion. This satisfies the Article 48(1) requirement. The tiered liquidity structure ensures that redemption demands can be met progressively without systemic stress.

7.2.2 Article 45 — Reserve Requirements

MiCA Article 45 requires that EMT issuers invest funds received in exchange for EMTs in secure, low-risk assets denominated in the reference currency. The reserve composition — comprising primarily treasury instruments and USD cash — is broadly consistent with this requirement. The gemstone allocation (28.24%) represents a deviation from a purely liquid reserve that warrants regulatory disclosure and may require specific engagement with competent authorities; however, the overall coverage ratio of 116% and the depth of Tier 1 liquidity provide substantial mitigation.

7.2.3 Article 37 — Segregation

MiCA Article 37(2) requires that reserve assets are segregated from the issuer’s own assets. The Whitepaper confirms formal legal segregation through custodial agreements and trust arrangements, attested by AIG Independent Audit based on representations provided in the Whitepaper and subject to independent verification.

7.2.4 Article 50 — Prohibition on Interest

MiCA Article 50 prohibits EMT issuers from granting interest to holders. USAD explicitly does not pay yield, interest, or dividends to holders. This requirement is satisfied.

7.2.5 Article 49 — Redemption in Funds

MiCA Article 49 requires that redemption of EMTs be effected in funds (fiat currency) rather than in other crypto-assets. The Whitepaper confirms that USAD redemption results in a fiat USD transfer to the holder’s designated bank account. This requirement is satisfied.

7.3 Governance and Disclosure Alignment

The Whitepaper demonstrates the following governance and disclosure commitments relevant to MiCA compliance:

- Independent reserve verification: Quarterly ISAE 3000 limited assurance engagement by AIG Independent Audit, with a planned upgrade to reasonable assurance (agreed-upon procedures) by Q3 2026 and full statutory audit by Q4 2026 — progressing from limited assurance through reasonable assurance to full audit, each stage representing a material increase in institutional confidence;
- Smart contract security: Semi-annual audits by Certik and Hashlock;
- KYC/AML framework: Implemented via Shuftipro with real-time sanctions screening against OFAC, UN, EU, and other applicable lists;
- Material event disclosure: Commitment to immediate disclosure of material changes to reserve composition or coverage ratio;
- Full statutory audit: Planned for Q4 2026.

7.4 Overall MiCA Compliance Assessment

MiCA Requirement	Assessment
EMT Classification (Art. 3(1)(7))	Satisfied — single USD reference, stable value, redemption rights, no yield
Reserve backing at minimum 1:1 (Art. 45)	Satisfied — 116% verified coverage
Asset segregation (Art. 37(2))	Satisfied — formal custodial segregation, independently verified
Redemption at par (Art. 48(1))	Satisfied — unconditional right at USD 1.00 per USAD
Prohibition on interest (Art. 50)	Satisfied — no yield, interest, or dividends
Redemption in fiat (Art. 49)	Satisfied — USD fiat transfer upon redemption

Whitepaper publication (Art. 51)	Substantially aligned — further regulatory engagement recommended
Independent audit (Art. 45(5))	Substantially aligned — ISAE 3000; upgrade to full audit by Q4 2026

8. Risk Factors

The following risk factors are identified in connection with USAD and the Lydia Blockchain Ecosystem. This summary does not purport to be exhaustive. Prospective participants should conduct their own independent assessment of all risks relevant to their specific circumstances.

8.1 Regulatory Risk

The regulatory landscape for crypto-assets, including stablecoins classified as EMTs, continues to evolve. Key regulatory risks include:

- **MiCA licensing requirement:** Issuers of EMTs with a token outstanding in excess of EUR 5 million are required to be authorised as either a credit institution or an electronic money institution under MiCA. Failure to obtain the required authorisation may result in enforcement action by competent authorities, including suspension of issuance and token redemption obligations;
- **Supervisory classification risk:** Competent national authorities, the EBA, or ESMA may classify USAD differently from the analysis set out in this Opinion. In particular, regulatory authorities may scrutinise the gemstone component of the reserve (28.24%) and its compatibility with Article 45 MiCA reserve quality standards. The issuer acknowledges that the gemstone reserve component may be subject to supervisory adjustment and is prepared to rebalance the reserve composition in alignment with regulatory expectations if required;
- **Jurisdictional variation:** MiCA applies within the European Economic Area. The regulatory treatment of USAD in other jurisdictions — including the United States, UAE, and other key markets — is subject to separate analysis and may differ materially;
- **Legislative change:** Future amendments to MiCA, EMD2, or related supervisory guidance may alter the regulatory requirements applicable to USAD and may require material changes to the reserve structure, redemption framework, or governance arrangements.

8.2 Liquidity Risk

Liquidity risk arises from the possibility that the reserve assets cannot be liquidated sufficiently rapidly or at sufficient value to satisfy redemption demands. Key liquidity risk factors include:

- **Gemstone liquidity:** Certified gemstone reserves (28.24% of the total reserve) have a liquidation horizon of 30–180 days and are subject to specialist market pricing. In a stress scenario involving simultaneous elevated redemption demands, the gemstone allocation may not be immediately available to satisfy redemption obligations, placing increased reliance on more liquid tiers;
- **Concentrated redemption scenarios:** Although Tier 1 cash (USD 4.8 billion) covers approximately 199% of current circulating supply, a sudden and large-scale redemption event at near-maximum issuance capacity (USD 29.9 billion) would require orderly liquidation of treasury and gemstone tiers over an extended period;
- **Market impact:** Forced liquidation of treasury instruments or gemstones in a stressed market may realise values below current verified valuations, potentially eroding the 116% coverage buffer.

8.3 Custody Risk

Custody risk encompasses the risk of loss of reserve assets attributable to the failure, misconduct, or insolvency of custodian entities. Key custody risk factors include:

- Custodian insolvency: Reserve assets held at regulated financial institutions or vault operators are subject to the risk of custodian insolvency. Whilst the assets are legally segregated, insolvency proceedings may delay the recovery of assets and impose costs on the recovery process;
- Operational risk: Hardware failures, cyber attacks, or internal control failures at custodian facilities may result in the loss or inaccessibility of reserve assets;
- Geographic concentration: Reserve assets are held across multiple jurisdictions. In jurisdictions with weaker enforcement of property rights, the practical recovery of assets in an insolvency scenario may be more complex;
- Smart contract risk: The USAD mint/burn mechanics are implemented via smart contracts audited by Certik and Hashlock. Residual smart contract vulnerabilities, including undiscovered bugs or exploit vectors, could result in unauthorised minting or burning of tokens.

8.4 Market Volatility Risk (RWA Valuation)

The reserve contains significant allocations to real-world assets (RWAs) whose valuations are subject to market movements:

- Gemstone valuation uncertainty: Certified gemstones are valued under IFRS 13 Level 3 methodologies, which rely on unobservable market inputs and specialist appraisals. Market conditions for gemstones can be illiquid, and realised prices in a forced sale may differ materially from certified valuations;
- Interest rate risk: Government bond valuations (35.91% of the reserve) are inversely correlated with interest rate movements. A sustained rise in global interest rates would reduce the mark-to-market value of the government bond portfolio, narrowing the coverage buffer;
- Currency risk: Reserve assets denominated in currencies other than USD are subject to foreign exchange movements. USD depreciation or appreciation may affect the USD-equivalent value of non-USD denominated reserve components;
- Correlation risk: In a systemic market stress scenario, multiple asset classes may decline simultaneously, compressing the coverage buffer more rapidly than single-asset stress scenarios suggest.

8.5 Operational and Technology Risk

Multichain deployment introduces operational complexity. Token supply coordination across Lydia Chain, Base, and Solana requires continuous monitoring and reconciliation. Any discrepancy between on-chain supply data and reserve records — however temporary — could undermine regulatory compliance or market confidence. Bridge infrastructure, whilst in-house, represents a concentrated point of operational risk.

8.6 Summary of Additional Risk Factors

Without limitation to the risk factors set out in Sections 8.1 through 8.5, the following additional risks are identified as material to the assessment of USAD. This summary does not purport to be exhaustive; prospective holders and institutional counterparties should conduct independent risk assessment prior to any engagement with the Lydia Blockchain Ecosystem.

- Smart contract vulnerabilities or technical failures: Notwithstanding semi-annual security audits by Certik and Hashlock, residual vulnerabilities may exist in the smart contracts governing USAD minting, burning, and transfer operations. Any exploit could result in unauthorised issuance, token loss, or disruption to redemption processes, with potentially material adverse consequences for token holders;
- Custodial risks related to reserve asset management: The integrity of the reserve is dependent upon the ongoing performance, solvency, and operational continuity of custodian financial institutions and vault operators. Changes in custodian arrangements, failures of custodian institutions, or disputes regarding the legal title to reserve assets could adversely affect the reserve coverage ratio and the ability to satisfy redemption demands;

- Liquidity risks under stressed market conditions: In a scenario of elevated or simultaneous redemption demands, the issuer may need to liquidate reserve assets across multiple tiers, including assets with extended liquidation horizons. Forced liquidation under stressed market conditions may result in realised values materially below independently verified valuations, potentially impairing the issuer's ability to satisfy redemption obligations at par;
- Regulatory changes within the European Union or other jurisdictions: MiCA and the wider EU regulatory framework for crypto-assets are subject to ongoing legislative and supervisory development. Future amendments, delegated acts, regulatory technical standards, or supervisory guidance issued by the EBA or ESMA may impose additional or modified requirements upon EMT issuers, potentially requiring material changes to the reserve structure, governance arrangements, or operational framework of USAD. Similar risks apply in non-EU jurisdictions in which USAD is actively traded or used;
- Operational risks related to redemption processes: The redemption of USAD is subject to KYC/AML verification, banking settlement timelines, and the operational availability of the Lydia Wallet and associated payment infrastructure. System outages, compliance holds, or banking partner disruptions could delay or temporarily impair the processing of redemption requests. Holders should be aware that the unconditional nature of the redemption right does not eliminate the practical processing times and compliance requirements associated with its exercise.

9. Conclusion

Based on the information reviewed and subject to the assumptions and limitations set out herein, it is our reasoned legal view that USAD should be classified as an E-Money Token under MiCA and does not constitute a financial instrument, as represented in the Whitepaper and subject to independent verification and regulatory confirmation. The issuer acknowledges that certain reserve asset classes may be subject to further regulatory assessment and may be adjusted to align with supervisory expectations under MiCA. The formal designation of the issuing entity will be aligned with MiCA authorisation requirements and will be established as part of the regulatory licensing process. This opinion is provided solely for informational and regulatory assessment purposes and may not be relied upon by any third party without prior written consent.

This conclusion is based upon the following cumulative findings:

- Token Classification: USAD satisfies each of the definitional criteria for an E-Money Token under Article 3(1)(7) MiCA: it references the value of a single official currency (USD); it maintains a stable value through a 116% reserve backing; it affords unconditional redemption rights at par to holders; and it does not generate yield, interest, or dividends;
- Non-Security Status: USAD is not a financial instrument, transferable security, collective investment undertaking, debt instrument, or investment contract under applicable EU law. It affords no equity interest, governance rights, profit participation, or expectation of investment return to holders;
- Reserve Structure: The reserve and custody structure, independently verified at a 116% coverage ratio by AIG Independent Audit CPA & Financial Consultancy Inc. under ISAE 3000, is consistent with the reserve requirements of MiCA Articles 36–49. Asset segregation is formally documented and independently confirmed;

- **MiCA Compliance:** The Lydia Blockchain Ecosystem demonstrates substantive alignment with the principal requirements of MiCA applicable to EMT issuers, including reserve backing, segregation, redemption rights, prohibition on interest, and governance and disclosure standards. Certain requirements — including formal authorisation as a credit institution or EMI, full statutory audit, and regulatory engagement on the gemstone reserve component — will require completion as part of the licensing process;
- **Risk Factors:** The principal risk factors — regulatory, liquidity, custody, and RWA valuation risks — are identified and disclosed as required for a regulator-ready legal opinion.

This Legal Opinion is prepared as of 25 March 2026 and is subject to the limitations and qualifications set out in Section 2.3. All statements herein are made as represented in the Whitepaper and subject to independent verification. The issuer acknowledges that certain reserve asset classes may be subject to further regulatory assessment and may be adjusted to align with supervisory expectations under MiCA. The formal designation of the issuing entity will be aligned with MiCA authorisation requirements and will be established as part of the regulatory licensing process. This Legal Opinion may be relied upon solely by regulatory authorities and institutional counterparties for due diligence purposes, subject to prior written consent. Nothing in this document constitutes a guarantee of value stability beyond the reserve structure described herein.

PART 2 — MiCA WHITEPAPER ADDENDUM

Crypto-Asset Whitepaper — Regulation (EU) 2023/1114, Article 51 / Annex II

This MiCA Whitepaper Addendum is prepared pursuant to the requirements of Regulation (EU) 2023/1114 on Markets in Crypto-Assets ("MiCA") and supplements the Lydia Blockchain Ecosystem Master Institutional Whitepaper Version 3.0 (March 2026). It is intended to present the information required under MiCA Annex II in a regulator-facing format. All factual information is derived from the Whitepaper and the independently verified reserve attestation.

Document Type	MiCA Whitepaper Addendum — E-Money Token
Applicable Regulation	Regulation (EU) 2023/1114 (MiCA) — Title III (Articles 48–58) / Article 51 / Annex II
Token Name	USAD (Lydia Stable Coin)
Classification	E-Money Token (EMT) — USD-Pegged
Date of Publication	25 March 2026

A1. Issuer Information

A1.1 Issuer Identity

Field	Information
Issuer Name	Lydia Development Labs
Website	www.lydiacoins.com
Document Type	Master Institutional Whitepaper v3.0 — March 2026
Document Purpose	Definitive reference for exchange listing teams, institutional investors, regulatory reviewers, and due diligence professionals
Reserve Auditor	AIG Independent Audit CPA & Financial Consultancy Inc.
Signatory CPA	Hürrem Ayaz, CPA (YMM Registry No: 1643 — Istanbul Chamber of Sworn-in CPAs)
Assurance Standard	ISAE 3000 — Limited Assurance Engagement
Smart Contract Auditor	Certik & Hashlock (Semi-Annual)

A1.2 Responsible Persons

The persons responsible for the information given in this MiCA Whitepaper Addendum are the management of Lydia Development Labs. To the best of their knowledge, the information contained in this Addendum is in accordance with the facts and contains no omission likely to affect its import.

The issuing entity responsible for USAD should be clearly identified as a legal person subject to applicable regulatory obligations under MiCA, including governance, reserve management, and disclosure requirements. For the avoidance of doubt, all regulatory obligations arising under MiCA in connection with the issuance of USAD — including authorisation, whitepaper publication, reserve

maintenance, redemption obligations, and ongoing disclosure — are the responsibility of the issuing legal entity and not of any reserve asset owner, beneficial owner group, or technical service provider. The issuing entity of USAD will be structured and authorised as an Electronic Money Institution (EMI) or equivalent regulated entity in accordance with MiCA requirements prior to public offering within the European Economic Area.

A1.3 Beneficial Ownership of Reserve Assets

The reserve assets underpinning USAD are beneficially owned by a diversified international group, constituted as a multinational asset-backed reserve structure established in 1989. The group operates across key global jurisdictions including the United States, the United Kingdom, the United Arab Emirates, the Sultanate of Oman, and Japan, with principal activities spanning construction, energy, mining, finance, and international trade. The group's diversified sectoral profile is designed to provide structural resilience against sector-specific adverse conditions and long-term asset backing integrity.

A2. Project Description

A2.1 Overview of the Lydia Blockchain Ecosystem

The Lydia Blockchain Ecosystem is a purpose-built digital financial infrastructure platform designed to provide stable, transparent, and globally accessible value transfer at institutional scale. The ecosystem comprises:

- USAD — a fiat-backed stablecoin pegged 1:1 to the United States Dollar, classified as an E-Money Token for the purposes of MiCA;
- BSW — a utility token serving as the native ecosystem participation, gas, and access credential instrument within the Lydia Chain ecosystem;
- Lydia Chain — a Layer 3 rollup constructed on the Arbitrum Nitro execution stack, serving as the primary issuing and settlement infrastructure for USAD;
- A multinational asset-backed reserve structure with total independently verified reserves of USD 34,688,030,892 as at 16 March 2026, representing a coverage ratio of 116% against the maximum committed token liability.

A2.2 Mission and Objectives

The mission of the Lydia Blockchain Ecosystem is to provide accessible, secure, and transparent digital financial infrastructure enabling individuals, businesses, and governments to transact across borders with stable-value currency. The ecosystem is specifically designed to address structural gaps in the provision of stablecoin infrastructure for cross-border trade, government-to-business payments, remittances, and financial inclusion in emerging markets.

A2.3 Principal Use Cases

- Cross-border trade settlement (B2G and B2B payment flows, particularly in Africa and emerging markets);
 - Government procurement payment infrastructure;
 - Remittance and consumer payments (via Lydia Wallet and VISA-partnered card programme);
 - Supply chain finance and escrow;
 - Financial inclusion infrastructure for unbanked populations;
 - Decentralised finance (DeFi) integration across lending, liquidity provision, and yield farming protocols;
 - Corporate treasury management for multinational entities.
-

A3. Technology Overview

A3.1 Multichain Architecture

Network	Deployment Type	Primary Function	Status
Lydia Chain (L3 Rollup)	Issuing chain — native	Minting, burning, settlement, protocol operations	Active
Base (Coinbase L2)	Native deployment	High-liquidity DeFi and payment transactions	Active
Solana	Native deployment	High-throughput, low-latency consumer payments	Active

A3.2 Contract Addresses

Network	Contract Address
Lydia Chain (L3)	0x61f3Bf9f875368Fb919cB7C3Bbf15f1a29784d1F
Base	0x3d66E6fE9a3cF698DB5AF3D70830B299c9235151
Solana	DHsUQZYRqZ5WNEHZxL5evnAt7A7W19BJ5GxUdJz3NcPh

A3.3 Security Architecture

Smart contracts governing USAD mint, burn, and transfer operations are subject to semi-annual security audits by Certik and Hashlock, covering formal verification, vulnerability assessment, and penetration testing. Critical operations require multi-signature authorisation from designated roles. Role assignments and changes are logged immutably on-chain. The aggregate USAD supply across all chain deployments is continuously monitored and reconciled against the unified reserve.

A4. Token Mechanics

A4.1 Key Parameters

Parameter	Value
Token Name	USAD (Lydia Stable Coin)
Reference Currency	United States Dollar (USD)
Peg Ratio	1:1 USD per USAD
Supply Model	Elastic — minted against verified reserve deposits; burned upon redemption
Maximum Committed Issuance Capacity	USD 29,900,000,000
Current Circulating Supply	USD 2,410,000,000 (8.1% of capacity — as at 16 March 2026)

Reserve Coverage Ratio	116% (independently verified — ISAE 3000)
Yield / Interest to Holders	None
Governance Rights	None
Dividend Rights	None

A4.2 Minting

New USAD tokens are minted exclusively upon verified deposit of fiat currency or approved reserve-eligible assets into a designated reserve account. The deposit is verified and reconciled. An equivalent quantity of USAD is minted on the Lydia Chain. The reserve coverage ratio is recalculated and confirmed to remain above 1:1 before tokens are distributed. No USAD tokens are minted without a corresponding, verified addition to the reserve.

A4.3 Redemption / Burning

USAD holders initiate redemption through the Lydia Wallet. KYC/AML verification is confirmed. The corresponding USAD tokens are permanently burned on-chain. The equivalent fiat USD value is transferred to the holder's designated bank account. The reserve ledger is updated and the coverage ratio recalculated. No reserve assets are released without a corresponding, verified burn of USAD tokens.

A4.4 Fee Structure

USAD transfers carry no fee at the smart contract level across all deployed chains. For official Lydia-managed liquidity pools, the applicable DEX fee tier is 0.01%, distributed proportionally to liquidity providers. There is no direct protocol transfer fee charged on USAD at the contract level.

A5. Reserve Policy

A5.1 Reserve Composition (as at 16 March 2026)

Asset Category	Verified Value (USD)	% of Reserve	Liquidity Horizon
Cash & USD Bank Deposits	USD 4,800,000,000	13.84%	T+0 to T+2
Treasury Bills	USD 5,837,833,392	16.83%	1–5 business days
Government Bonds	USD 12,456,000,000	35.91%	5–30 business days
Financial Certificates	USD 1,800,000,000	5.19%	5–30 business days
Certified Gemstone Reserves	USD 9,794,197,500	28.24%	30–180 days
TOTAL	USD 34,688,030,892	116.00%	—

A5.2 Reserve Management Principles

- The reserve is maintained at or above a 1:1 coverage ratio against the maximum committed issuance capacity at all times;
- Reserve assets are legally segregated from the issuer's operational assets through formal custodial agreements;
- Reserve assets are held free and clear of material encumbrances, pledges, or liens;
- Reserve asset valuations are updated regularly and independently verified quarterly under ISAE 3000;
- In the event of elevated redemption demands, reserve assets are liquidated in order of their liquidity profile, commencing with cash and proceeding through treasury and gemstone tiers;
- Any deterioration in coverage below predefined thresholds triggers immediate remedial action under the reserve rebalancing policy.

A5.3 Independent Verification

Reserve assets are independently verified quarterly by AIG Independent Audit CPA & Financial Consultancy Inc. under ISAE 3000 — Limited Assurance Engagement standard. The most recent verification (16 March 2026) reviewed 358 pages of primary source documentation, including KYC records, banking documents, gemological certificates, and custody agreements. The issuer is committed to a structured upgrade of assurance standards: from limited assurance (current) to reasonable assurance under agreed-upon procedures by Q3 2026, and to a full annual statutory audit by Q4 2026. Each progressive stage represents a material enhancement in the level of institutional confidence and regulatory credibility afforded by the reserve verification framework.

A6. Rights of Holders

A6.1 Summary of USAD Holder Rights

Right	Description
Right of Redemption	Unconditional right to redeem USAD for equivalent USD at 1:1 at any time, subject to KYC/AML verification — MiCA Article 48(1)
Transparency Rights	Access to quarterly independently verified reserve reports published at www.lydiacoins.com
Inheritance Rights	Designation of legal heirs through the Lydia cold wallet Inheritance System
No Yield or Interest	USAD does not pay yield, interest, or dividends — consistent with MiCA Article 50
No Governance Rights	USAD holders have no voting or governance rights in respect of Lydia Development Labs or the ecosystem
No Equity Interest	USAD holders have no equity, ownership, or profit-sharing interest

A6.2 Redemption Process

To redeem USAD, a holder must: (1) initiate a redemption request through the Lydia Wallet or official redemption interface; (2) complete KYC/AML verification if not previously completed; (3) submit the USAD tokens for burning; and (4) receive USD equivalent via bank transfer to the designated account.

The redemption process is conducted at USD 1.00 per USAD, with no haircut or discount applied. Processing timelines are subject to banking settlement times in the relevant jurisdiction.

A7. Risk Disclosure

Prospective USAD holders should carefully consider the following risk factors before acquiring or holding USAD. This disclosure does not purport to be exhaustive.

A7.1 Regulatory Risk

The regulatory framework for crypto-assets, including EMTs, continues to evolve. USAD may be subject to regulatory requirements in multiple jurisdictions. MiCA requires EMT issuers to obtain authorisation as a credit institution or electronic money institution. Regulatory classification may vary across jurisdictions. Future regulatory developments may require material changes to the USAD structure, reserve composition, or redemption framework.

A7.2 Liquidity Risk

Whilst Tier 1 cash reserves (USD 4.8 billion) cover approximately 199% of current circulating supply, a simultaneous large-scale redemption at near-maximum issuance capacity would require orderly liquidation of treasury and gemstone tiers. Gemstone reserves (28.24%) carry a liquidation horizon of 30–180 days. In a stressed market environment, forced liquidation may be achieved at values below current verified valuations.

A7.3 Custody Risk

Reserve assets held at regulated financial institutions and vault operators are subject to custodian insolvency risk. Whilst assets are legally segregated, insolvency proceedings may delay asset recovery. Smart contract vulnerabilities, if any, could affect minting and redemption operations.

A7.4 Market Volatility Risk (RWA Valuation)

Government bond valuations are inversely correlated with interest rates. Gemstone valuations rely on Level 3 IFRS 13 methodologies and specialist market inputs; realised prices in a forced sale may differ from certified values. Simultaneous adverse movements across multiple asset classes could compress the coverage buffer.

A7.5 Technology Risk

Multichain deployment introduces operational complexity. Token supply coordination across multiple chains requires continuous monitoring. Although bridge infrastructure is maintained in-house, eliminating third-party bridge exposure, any operational failure could affect cross-chain supply integrity.

A7.6 No Deposit Guarantee

USAD is not a bank deposit. It is not covered by deposit guarantee schemes applicable to bank deposits. The security of USAD is dependent upon the reserve structure and the operational integrity of Lydia Development Labs and its custodians.

A8. Regulatory Disclaimer

This MiCA Whitepaper Addendum has been prepared pursuant to the requirements of Regulation (EU) 2023/1114 on Markets in Crypto-Assets (MiCA). It supplements the Lydia Blockchain Ecosystem Master Institutional Whitepaper Version 3.0 (March 2026) and is intended for regulatory, institutional, and exchange compliance review purposes.

This Addendum does not constitute an offer to sell or a solicitation of an offer to buy any financial instrument or digital asset. It does not constitute investment advice, a prospectus, or an offering memorandum. The information herein is accurate as at 25 March 2026, unless otherwise stated.

USAD is an E-Money Token under MiCA. USAD is not a financial instrument, transferable security, collective investment undertaking, or investment contract. It does not generate yield, interest, or dividends. Holders are entitled to redeem USAD at par value (USD 1.00 per USAD) at any time, subject to KYC/AML verification. Nothing in this document constitutes a guarantee of value stability beyond the reserve structure described herein.

The publication of this Addendum does not imply regulatory approval of USAD or the Lydia Blockchain Ecosystem by any regulatory authority. Prospective holders should conduct their own independent assessment and seek independent legal and financial advice before acquiring or holding USAD.

Digital assets, including EMTs, are subject to significant regulatory, market, liquidity, and operational risks. Reserve asset valuations are subject to market fluctuation and are not a guarantee of future coverage levels.

Prepared by: Lydia Development Labs | www.lydiacoins.com | Version 3.0 — March 2026

Reserve Verification: AIG Independent Audit CPA & Financial Consultancy Inc. — ISAE 3000 Limited Assurance Engagement

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HECHT & KOLLEGEN
RECHTSANWÄLTE UND FACHANWÄLTE FÜR ARBEITSRECHT

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Lydia Development Labs

Heiko Hecht
Fachanwalt für Arbeitsrecht



Honorarkonsul der Republik
Armenien im Konsularbezirk
der Freien und Hansestadt
Hamburg

14. April 2026

Lydia Development Labs
Unser Az.: 50/25 HH05



Elbchaussee 16
22765 Hamburg

LEGAL OPINION

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mail@kanzlei-hecht.de
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**Re: Classification of USAD Stablecoin under Regulation (EU) 2023/1114
(MICA)**

Geschäftskonto:

Sparkasse Stade-Altes Land

IBAN: DE80 2415 1005
1210 4305 65

BIC: NOLADE21STS

Client: Lydia Development Labs

USt-ID
Steuernummer:

Reference: USAD Stablecoin — Legal Classification & MICA Compliance

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41/089/03800
FA Hamburg-Altona

1. INTRODUCTION

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We have been instructed by Lydia Development Labs (the "Client") to provide a legal opinion in connection with the classification and regulatory treatment of the USAD stablecoin (the "Token") under Regulation (EU) 2023/1114 on Markets in Crypto-Assets ("MICA").



This opinion is based on our review of:

- The Lydia Blockchain Ecosystem Master Institutional Whitepaper Version 3.0 (March 2026) (the “Whitepaper”);
- The Legal Opinion & MICA Whitepaper Addendum prepared in connection therewith;
- Applicable European Union legislation and regulatory guidance, including MICA, MIFID II, and EMD2.

This opinion is subject to the assumptions and limitations set out here in.

2. SCOPE AND LIMITATIONS

This legal opinion:

- Is limited to the classification of the Token under MICA and applicable EU law;
- Is based solely on the information provided in the Whitepaper and associated documentation;
- Does not constitute verification of underlying assets, reserves, or third-party attestations;
- Reflects the legal and regulatory framework as of the date hereof.

3. DESCRIPTION OF THE TOKEN

Based on the Whitepaper, USAD is a digital asset with the following characteristics:

- A stablecoin referencing a single official currency (USD) on a 1:1 basis;
- An elastic supply model based on minting and burning mechanisms linked to reserve assets;
- A reserve-backed structure (as represented in the Whitepaper);
- No entitlement to yield, interest, dividends, or governance rights;
- A mechanism allowing holders to request redemption at par value, subject to applicable procedures and compliance requirements;
- Deployment across multiple blockchain networks.



4. LEGAL CLASSIFICATION UNDER M9CA

4.1 E-Money Token Qual9f9cat9on

Article 3(1)(7) of MICA defines an E-Money Token (“EMT”) as a crypto-asset that purports to maintain a stable value by referencing the value of one official currency.

Based on the information made available to us, and subject to the assumptions and limitations set out here in:

- The Token references a single official currency (USD);
- The Token is designed to maintain a stable value;
- The Token provides a redemption mechanism at par value;
- The Token does not provide yield or return to holders.

Accordingly, it is our reasoned legal view that USAD would likely be classified as an E-Money Token (EMT) within the meaning of Article 3(1)(7) of MICA.

5. NON-FINANCIAL INSTRUMENT ANALYSIS

We have considered whether the Token may constitute a financial instrument within the meaning of Directive 2014/65/EU (MiFID II).

Based on the characteristics described:

- The Token does not confer equity or ownership rights;
- The Token does not entitle holders to profits, dividends, or income streams;
- The Token does not grant governance or voting rights;
- The Token does not represent a debt instrument or structured financial product;
- The Token does not provide any expectation of profit derived from the efforts of others.

On this basis, it is our view that the Token does not constitute a financial instrument, transferable security, or investment product under MiFID II or related EU legislation.



6. RESERVE AND REDEMPTION CONSIDERATIONS

Based on the representations set out in the Whitepaper:

- The Token is described as being backed by reserve assets;
- A reserve management framework is described, including asset composition and liquidity structure;
- Holders are entitled to request redemption at par value, subject to operational and compliance procedures.

We note that:

- The legal and regulatory treatment of reserve composition, particularly in relation to asset quality and liquidity, may be subject to review by competent authorities;
- Any classification as an EMT will require compliance with MICA provisions relating to reserve management, segregation, and prudential safeguards.

7. REGULATORY CONSIDERATIONS

We note in particular that:

- Issuers of EMTs are required to be authorised as credit institutions or electronic money institutions under MICA;
- Ongoing compliance obligations include reserve maintenance, governance, disclosure, and redemption requirements;
- Regulatory authorities may assess the adequacy and composition of reserves independently of this opinion.

8. CONCLUSION

Based on the information reviewed and subject to the assumptions and limitations set out in this opinion:

- **USAD would likely be classified as an E-Money Token under MICA;**
- **USAD does not constitute a financial Instrument, transferable security, or investment contract under applicable EU law;**

