

Flour Yield Token (FYT)

Compliance and Regulatory Position Paper

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1 Legal Disclaimer (MiCAR Compliance Statement)

This document is provided for informational purposes only and does not constitute legal, financial, tax, or investment advice. It is not intended to be and shall not be construed as an offer to sell or a solicitation of an offer to purchase any crypto-assets, securities, or financial instruments.

The Flour Yield Token (FYT) is classified as a utility token under the European Union's **Markets in Crypto-Assets Regulation (MiCAR – Regulation (EU) 2023/1114)** and is not intended to function as an asset-referenced token (ART), e-money token (EMT), or financial instrument as defined under MiFID II.

The FYT white paper, when published, will comply with the content requirements outlined in **Annex I of MiCAR**. The issuer, Insela UAB, shall notify the competent authority (Bank of Lithuania) prior to any public offering of FYT in accordance with **Articles 6 and 51 of MiCAR**. No prior approval or authorization by the competent authority is required under the utility token regime.

The information in this paper reflects the regulatory position as of the date of publication. Regulatory interpretations may evolve, and the issuer does not undertake to update this document in real time. Purchasers and participants should conduct their own due diligence and consult their legal or financial advisors regarding participation in the Flour Yield ecosystem.

2 Executive Summary

The Flour Yield Token (FYT) is a utility token developed by **Insela UAB**, a regulated entity in Lithuania, and serves as a cornerstone of the Flour Yield ecosystem. This token facilitates access to climate-conscious products and services, particularly the redemption of basalt flour used in regenerative agriculture. FYT is designed as a non-financial, non-speculative instrument that grants access to products and services without conferring any rights typically associated with financial instruments such as equity, profit-sharing, or voting rights.

Flour Yield Token (FYT) Regulatory Classification

FYT is considered a utility token under the EU's Markets in Crypto-Assets Regulation (MiCAR).

Security Token	E-Money Token	Asset-Referenced Token	Utility Token
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
✗ Not Applicable FYT confers no profit-sharing, dividend rights, equity, or voting rights	✗ Not Applicable FYT is not pegged to a fiat currency or electronic money	✗ Not Applicable FYT is not backed by multiple fiat currencies or assets	● Applicable FYT is used for redemption and participation in the FYT ecosystem

This paper outlines FYT's regulatory and compliance posture under the European Union's **Markets in Crypto-Assets Regulation (MiCAR)** and Lithuanian national laws, providing legal justification for its classification as a utility token. The classification ensures that FYT is neither an Asset-Referenced Token (ART), E-Money Token (EMT), nor a security, and therefore not subject to the more stringent approval regimes applicable to those categories.

Crucially, this compliance position paper has been developed against the backdrop of a two-phased rollout of FYT:

1. **Private Placement** — An initial private offering of FYT to institutional and professional investors, which is exempt from public disclosure obligations under MiCAR and does not require a white paper.
2. **Initial Coin Offering (ICO)** — A public token sale planned for a later phase, which will be conducted in full compliance with MiCAR, including the publication of a comprehensive white paper and prior notification to the Bank of Lithuania.

This document provides a transparent foundation for legal due diligence and is intended for use by regulators, institutional investors, legal advisors, and partners in evaluating FYT's regulatory profile.

3 Token Classification Under MiCAR

Classification Table

Regulatory Category	FYT Classification	Legal Justification
Security Token	✗ Not Applicable	No profit-sharing, dividend, equity, or voting rights. Not governed by MiCAR but by MiFID II/Prospectus Regulation.

E-Money Token	✗ Not Applicable	Not pegged to a fiat currency; not designed as electronic money.
Asset-Referenced Token (ART)	✗ Not Applicable	Does not aim to maintain stable value through reference to multiple assets.
Utility Token	✓ Applicable	Provides access to specific goods and services in the Flour Yield ecosystem.

FYT enables:

- Redemption for real-world goods (e.g., basalt flour);
- Access to exclusive product categories (e.g., "FYT Exclusive");
- Participation in regenerative commerce;
- Contribution to environmental and climate-positive impact initiatives.

4 Legal Framework Summary

4.1 European Union Level

- **MiCAR (Regulation (EU) 2023/1114):** Articles 3, 4, 5, 6, 51-54 (utility token regime)
- **MiFID II & Prospectus Regulation:** Not applicable due to absence of financial rights or instruments

4.2 Lithuanian National Law

- **Law on Prevention of Money Laundering and Terrorist Financing**
- **Law on Virtual Currency Exchange Operators and Depository Wallet Providers**
- **Oversight Authority:** Bank of Lithuania

5 Why FYT Is Not an ART, EMT, or Security

Under **MiCAR Article 3**, an ART is defined as a crypto-asset that aims to maintain a stable value by referencing a basket of assets. FYT does not fulfill this condition. While FYT can be redeemed for basalt flour, it does not guarantee a fixed exchange rate. Its market utility is governed by community and product supply dynamics, not stability mechanisms.

Key ART Differentiators (MiCAR):

- Referencing multiple assets: ✗
- Redemption promise at stable value: ✗

- Use of reserve assets: ✗
- Yield/interest promise: ✗

FYT's economic function is purely access-based and transactional, not value-stable or speculative.

6 Tokenomics and Redemption Mechanism

- **Token Supply:** Fixed maximum cap to be disclosed in White Paper
- **Utility:** Redeemable for basalt flour and ecosystem participation
- **Issuance Model:** Off-chain product redemption based on availability
- **No Peg Statement:** The FYT token is not pegged to the value of 1 kg of basalt flour. Redemption rates may vary and are not guaranteed.
- **Burn/Mint Policy:** To be defined and disclosed in the FYT White Paper

7 Compliance and Risk Management

7.1 AML/KYC

Insela UAB has implemented AMLD5-compliant procedures, including:

- Identity verification via a regulated KYC provider
- Transaction screening
- Suspicious activity reporting (SAR) obligations

7.2 GDPR/Data Protection

All user data is processed under the **General Data Protection Regulation (GDPR)** standards. A Data Protection Officer (DPO) has been appointed.

7.3 Risk Disclosures (MiCAR Article 51)

The FYT white paper will include mandatory disclosures such as:

- Market volatility
- Lack of guaranteed liquidity
- No redemption guarantee at fixed price
- Evolving regulatory risks

8 White Paper and Public Offering Requirements

Requirement	Utility Token (FYT)	ART / EMT
White Paper	✓ Required under MiCAR	✓ Required
Regulator Approval	✗ Not Required	✓ Required
Notification to Regulator	✓ Required (Bank of Lithuania)	✓ Required
Prospectus	✗ Not Required	✓ Likely Required
Public Offering	✓ Allowed upon notification	✓ Allowed if authorized

Private Placement Note: FYT placements with institutional investors outside the scope of public offers are exempt from white paper requirements.

9 Conclusion and Compliance Statement

- FYT is a **MiCAR-defined utility token**.
- No regulatory authorization is required for public offers, but white paper publication and notification are mandatory.
- FYT does not meet the criteria for classification as an ART, EMT, or Security.
- Insela UAB is committed to ongoing compliance with EU crypto regulations and Lithuanian law.

All compliance documents, including the latest version of this paper and the FYT White Paper, are available on the Flour Yield official website.

10 Contact

Legal Compliance Contact

Insela UAB

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11 Appendix

Glossary

- **MiCAR:** Markets in Crypto-Assets Regulation
- **ART:** Asset-Referenced Token
- **EMT:** E-Money Token
- **KYC:** Know Your Customer
- **AMLDS:** 5th Anti-Money Laundering Directive
- **VASP:** Virtual Asset Service Provider
- **ESMA/EBA:** European Securities and Markets Authority / European Banking Authority