

Flour Yield Token (FYT)

ART Readiness Dossier

Version: 0.9 (Draft for internal/legal review)

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Disclaimer: This dossier documents *readiness* workstreams for a potential future upgrade of FYT to a MiCA **Asset-Referenced Token (ART)**. FYT is **currently a utility token** with no backing, no redemption right, and no stable-value intent. This document is not legal advice and does not constitute an ART launch notice.

1) Executive Summary

- **Objective:** Build the controls an ART would require—*before* using any ART framing in public copy.
 - **What's in scope:** Reserves & custody design, valuation policy, stabilization/redemption design (blueprint only), governance, risk, AML/KYC, reporting/assurance, disclosure cadence, and operational playbooks.
 - **Key dependency:** The **Addendum Token Issuing Agreement** (bailment/custody, Release Orders, warehouse records, VAT logic) underpins physical supply governance for FYT-linked activity.
 - **Public stance:** Until all controls are documented, tested, and approved, FYT remains a **utility token**.
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2) Scope, Definitions, and Public Position

- **Scope:** Requirements and evidence typically expected for a MiCA ART program (non-exhaustive; counsel to confirm).
- **Definitions:**
 - **Utility token (current):** FYT used for network access/rewards; **no** reserve claim or redemption.
 - **ART (potential):** Token referencing assets with disclosed stabilization and (if applicable) redemption terms, reserves, custody, governance, and reporting.
- **Public position guardrails (Phase 1):** Avoid “backed,” “redeemable,” “stablecoin,” “currency,” “carbon credits/NFTs issued.”

3) Governance & Roles

- **Board & Committees:** Risk & Compliance Committee; Valuation Policy Committee; Reserves Oversight Committee.
 - **Key functions:**
 - **Compliance:** MiCA mapping, policy upkeep, training, complaints handling.
 - **Operations:** Bailment/warehouse governance, Release Orders, inventory logs.
 - **Finance:** Valuation, impairment tests, reserve attestations coordination.
 - **Audit/Assurance (external):** Periodic reserve and control attestations.
 - **Conflicts register:** Maintained by Compliance; escalations to the Board.
 - **Outsourcing register:** Labs, warehouses, logistics providers—contracts include audit and data-access clauses.
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4) Reserves & Custody Design (Operational Backbone)

Goal: Show how reserves *would* be held, evidenced, and reported under an ART program.

- **Bailment/Custody:** Physical basalt (granulate/micronized) and designated unmined allocations held under **bailment** for the Buyer until Release Orders.
- **Segregation & Identification:**
 - Warehouse zones or stock IDs labeled “Held in bailment for [Buyer].”
 - For **unmined** allocations: bench/block maps, geologist estimates, GPS polygons, photos, chain-of-custody logs.
- **Records & Inspection:**
 - **Warehouse records** (quantity, grade/specs, location, date, RO link).
 - **Inspection rights** for auditors/regulators (notice windows, safety rules).
- **Release Orders (ROs):** Title moves only on RO execution per terms; VAT/Incoterms handled per flow.
- **Quality:** Lab Certificates of Analysis (CoA)—particle size bands, heavy-metal thresholds, batch IDs, sample methods.

Evidence pack: warehouse statements, inventory logs, RO ledger, CoAs, photo evidence, location maps.

5) Valuation & Pricing Policy (Draft)

Objective: Transparent price/NAV method if FYT ever references assets.

- **Price sources (hierarchy):**
 1. Arm's-length sales (recent, comparable grade/terms).
 2. Third-party market references (where available for aggregates).
 3. Cost-plus proxies with disclosed methodology (if market quotes thin).
- **Frequency:** Monthly official mark; ad-hoc if market moves $\pm X\%$ or if impairment triggers.
- **Adjustments:**
 - Location/Incoterm differentials (EXW vs DAP).
 - Grade/spec adjustments (granulate vs micronized).
 - Inventory state (unmined allocation priced with conservative haircut).
- **Impairment triggers:** Quality non-conformities, material logistics constraints, regulatory changes, significant demand shocks.
- **Governance:** Valuation Committee minutes, change-control, versioned methodology PDF.

6) Stabilization & Redemption Design (Blueprint Only)

Not active in Phase 1; no public promise. For ART readiness:

- **Target behavior:** Describe whether the reference basket aims for stability around a disclosed reference measure (not “peg” language unless true).
 - **Mechanisms (if implemented):**
 - Creation/redemption windows; fees; processing timelines; holiday calendars.
 - Liquidity buffers (cash or equivalents) and drawdown rules.
 - Shortfall management (haircuts, queues, communication protocol).
 - **Transparency:** Publish daily/weekly reserve composition, monthly valuation notes, incident reports.
 - **Consumer outcomes:** Clear holder rights, T&Cs, and complaints path.
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7) AML/CFT & Onboarding Framework

- **KYC tiers:** Lite (view/read), Standard (utility usage), Enhanced (higher limits).
 - **Screening:** Sanctions (UN/EU/US), PEPs, adverse media.
 - **Travel Rule:** If/when applicable—policy and vendor integration plan.
 - **Record retention:** Per jurisdiction; data minimization & privacy by design.
 - **SAR/STR process:** Triggers, escalation timelines, regulator contact points.
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8) Risk Management

- **Categories:** Market/price, Liquidity, Operational, Legal/Regulatory, Custody/Title, Counterparty, Technology/Security.
 - **Registers:** Risk register with owner, severity, mitigation, residual risk.
 - **BCP/DR:** RTO/RPO targets; redundant data; manual fallbacks for RO issuance; emergency communications plan.
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9) Reporting, Assurance & Disclosures

- **Public cadence:**
 - **Monthly** reserve report (quantities by state/location + valuation notes).
 - **Quarterly** controls report summary.
 - **Annual** independent assurance (reserve existence/controls).
 - **Open data:** Read-only endpoints for basic stock metrics and RO counts.
 - **Incidents:** 72-hour disclosure rule of thumb for material reserve/control events (align with counsel).
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10) Significant ART Readiness (if thresholds are met)

- **Threshold watch:** Monitor supply/holder/transaction metrics tied to “significant” obligations.
 - **Uplift plan:** Additional governance, capital, reporting, and supervisory engagement if classification changes.
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11) Complaints, Conflicts & Communications

- **Complaints:** Web form, SLA (ack 48h / resolve 15 business days), escalation matrix, ombuds options.
- **Conflicts:** Public summary of key conflicts and mitigations; periodic review.
- **Marketing guardrails:** Pre-clear all copy; maintain “do/don’t” lexicon; archive approvals.

12) Data Protection & Privacy

- **Lawful bases:** KYC/AML compliance, contract performance, legitimate interests.
- **DPIA:** For high-risk processing (e.g., chain-of-custody imagery with location data).
- **Vendors:** Security due diligence, SCCs where required, audit rights.

13) Wind-Down & Resolution (If ART implemented later)

- **Triggers:** Regulatory direction, insolvency, prolonged shortfall.
- **Actions:** Freeze creations/redemptions, publish timetable and FAQs, liquidate reserves per waterfall, distribute per T&Cs.
- **Records:** Preserve full audit trail for statutory periods.

14) MiCA Requirement Mapping (high-level matrix)

(Final article numbers to be validated by counsel; this is a structure, not legal advice.)

Requirement Theme	Where Addressed in Dossier	Evidence/Artifact
Governance & fit/propriety	§3	Org chart, committee charters, conflicts register
Reserves & custody	§4	Bailment framework, warehouse logs, inspection rights
Valuation & pricing	§5	Valuation Methodology (versioned), committee minutes
Stabilization/redemption	§6	Blueprint, (inactive in Phase 1)

Requirement Theme	Where Addressed in Dossier	Evidence/Artifact
Risk management	§8	Risk register, BCP/DR plan
AML/KYC/Travel Rule	§7	Policy, vendor agreements
Disclosures & reporting	§9	Monthly/quarterly cadence, open data endpoints
Significant ART obligations	§10	Threshold monitoring & uplift plan
Complaints & consumer protection	§11	Complaints policy & SLA
Marketing & communications	§2 & §11	Lexicon, approvals archive
Data protection	§12	DPIA, vendor controls
Wind-down	§13	Resolution playbook

15) Change Log

- **v0.9 (Draft):** Initial dossier compiled; placeholders for counsel validation.
- **v1.0:** (To be completed post-review) Publish public-facing summary and link from FYT site.