

# Flour Yield Token (FYT)

## ART Strategy & Rationale

**Draft v0.9 — for legal & supervisory review**

**Date:** August 23, 2025

**Authors:** Compliance Lead · Legal Counsel · FYT Product · Operations (Balkan Basalt Shpk)

**Legal Notice (Plain English):** FYT is currently a **utility token** for access and rewards within the FYT network. FYT is **not “backed,” not redeemable, not a stable-value instrument**, and **not** an NFT, carbon credit, ART or EMT. References to a **potential ART** describe a **future state** that would apply **only if** all MiCA requirements are implemented, disclosed, and approved.

---

## 1. Executive Summary

This paper sets out the **policy logic** and **operating blueprint** for a **potential future upgrade** of FYT to a **MiCA Asset-Referenced Token (ART)**, should FYT’s purpose expand beyond utility access to reference one or more assets through disclosed stabilization and (if applicable) redemption rules.

- **Why RWAs matter:** Asset-linked instruments can **bridge fiat and crypto** by bringing familiar reference values, clearer disclosure, and auditability to token markets; they can enhance settlement efficiency and programmability while keeping regulators’ focus on **reserves, redemption, governance, and disclosures**. [Financial Stability Board](https://www.financialstabilityboard.org/)
  - **Why EU policy focuses on fiat/commodity-tied “stablecoins”:** These instruments can interact with payment systems, deposits, and broader markets; risks concentrate around **runs, reserve quality, redemption mechanics, contagion, and monetary sovereignty**—hence MiCA’s differentiated regime for **ARTs** and **EMTs** and the accompanying EBA/ESMA frameworks. [eur-lex.europa.eu](https://eur-lex.europa.eu/eli/reg/2023/2531/oj) [European Banking Authority](https://www.esma.europa.eu/press-material/press-conferences-and-news/press-conference-2023-08-23) [European Central Bank](https://www.ecb.europa.eu/press/pr/2023/082301/index.en.htm) [Financial Stability Board](https://www.financialstabilityboard.org/)
  - **FYT today:** A **utility token** (access/rewards) with a conservative communications policy and evidence-ready logistics (bailment/custody records, release-order governance) supporting future assurance—**without** implying backing or redemption in Phase-1.
  - **Future model (if pursued):** A **MiCA ART** issued by **Insela UAB** (prospective issuer) with **Balkan Basalt** as the industrial/resource partner overseeing custody/bailment, QA/CoA, and logistics—under documented reserves, valuation, governance, AML/CFT, disclosures, and wind-down plans. [eur-lex.europa.eu](https://eur-lex.europa.eu/eli/reg/2023/2531/oj) [European Banking Authority](https://www.esma.europa.eu/press-material/press-conferences-and-news/press-conference-2023-08-23)
-

## 2. Policy & Market Background

### 2.1 Taxonomy and nomenclature

MiCA establishes distinct categories: **utility tokens**, **Asset-Referenced Tokens (ARTs)**, and **E-Money Tokens (EMTs)**. “Stablecoin” is **media shorthand**; for legal purposes, EU texts refer to ARTs and EMTs with specific obligations on **authorization, reserves, disclosures, stabilization/redemption, and reporting**. [eur-lex.europa.eu](https://eur-lex.europa.eu)

### 2.2 Why RWAs bridge fiat and crypto

Properly designed asset-linked structures can:

- Provide **reference points** users understand (e.g., a disclosed basket or commodity methodology).
- Improve **market integrity** via reserve disclosure, attestations, and redemption frameworks.
- Enable **programmable finance** for settlements and on-chain commerce while aligning with public-interest safeguards (“same activity, same risk, same regulation”). [Financial Stability Boardbis.org](https://www.financialstabilityboard.org)

### 2.3 Why EU legislators emphasise fiat/commodity-tied stablecoins

European authorities have highlighted risks from large or payment-relevant stablecoins: **run dynamics, reserve fire-sales, payment-system reliance, cross-border spillovers**, and **transparency gaps**. MiCA’s ART/EMT framework, plus EBA/ESMA measures (e.g., redemption plans, supervisory coordination), target those risks explicitly. [European Banking Authoritiesma.europa.eu](https://www.european-cb.europa.eu)[European Central Bank](https://www.ecb.europa.eu)

## 3. FYT Today — Utility Token (Phase-1)

**Public position:** FYT is a **utility token** providing **access & rewards** within the FYT network (e.g., basalt-related offers, pilots, community incentives). There is **no reserve claim, no redemption right, and no stable-value intent**.

**Operating pillars that support transparency (without implying backing):**

- **Bailment/custody governance** for physical flows; **warehouse records** and **Release Orders (ROs)** for title transfer events.
- **Quality assurance:** Certificates of Analysis (particle size, heavy metals) and batch traceability.
- **Marketing guardrails:** Avoid “backed,” “redeemable,” “stable,” “currency,” “NFTs/credits.”
- **Risk factors disclosed:** Market/volatility, operational, legal/regulatory, liquidity, counterparties, technology/security.

*(These arrangements make FYT **audit-readiness-minded** in Phase-1 without any ART claim.)*

## 4. Rationale for a Potential ART (Prospective)

### 4.1 Public-interest case

An ART can improve **consumer protection** and **market clarity** when a token explicitly references assets and offers disclosed stabilization and (if applicable) redemption rules. This reduces ambiguity for users and supervisors relative to unregulated “stablecoins.” [eur-lex.europa.eu/Financial Stability Board](https://eur-lex.europa.eu/Financial%20Stability%20Board)

### 4.2 When an ART makes sense

If FYT’s purpose evolves from **access utility** to **referencing assets** (e.g., a disclosed methodology referencing basalt-linked measures and/or a diversified basket), the appropriate form would be **ART under MiCA**, not an EMT—provided FYT does not represent a claim on fiat at par. [eur-lex.europa.eu](https://eur-lex.europa.eu)

### 4.3 Economic and policy benefits vs risks

Benefits: **clearer stabilization mechanics, governed redemption, reserve assurance, standardized disclosures, supervisory engagement.**

Risks: basis/valuation risk, liquidity stress, custody/title risk, governance failures, operational incidents—managed via the control set in Section 5 and reporting in Section 6. [Financial Stability Board](https://eur-lex.europa.eu/Financial%20Stability%20Board)

---

## 5. Target Operating Model for a Potential FYT ART (Design Blueprint)

**Important:** The following applies **only** if FYT pursues ART authorization under MiCA and after the full control set is in place and published.

### 5.1 Roles and responsibilities

- **Issuer (prospective): Insela UAB** — authorization, whitepaper, governance, disclosures, reserve policy, stabilization/redemption policy, consumer complaints, incident reporting. [eur-lex.europa.eu](https://eur-lex.europa.eu)
- **Industrial/resource partner: Balkan Basalt** — custody/bailment operations; warehouse governance; QA/CoA; logistics and RO execution; evidence packs for audits/assurance.
- **Assurance (external):** Independent attestation of reserves/existence and control effectiveness (cadence per Section 6).
- **CASPs/Distributors:** Onboarding under AML/KYC, disclosures, and marketing guardrails.

## 5.2 Reserves & custody design

- **Segregation/identification** across warehoused and designated unmined allocations; warehouse statements and inspection rights.
- **Bailment/RO logic** aligns title passage and VAT with Incoterms defined per shipment; chain-of-custody records map to batches and CoAs.
- **Evidence pack:** inventory logs, location maps, photos, CoAs, RO ledger. (*Prepared for audit; published summaries for users.*)

## 5.3 Valuation & pricing methodology

- **Source hierarchy:** (1) arm's-length sales; (2) third-party references for aggregates; (3) model proxies with conservative haircuts.
- **Frequency:** monthly official mark; ad-hoc on threshold events.
- **Adjustments:** grade/spec, location/Incoterms, unmined vs warehoused state, impairment triggers.
- **Governance:** Valuation Committee with change-control and documented methodology.

## 5.4 Stabilization & redemption (blueprint)

- **If implemented:** creation/redemption windows; fees; processing timelines; holiday calendars; buffers/liquidity lines; shortfall management; transparent NAV notes.
- **Transparency:** daily/weekly reserve snapshots; monthly valuation notes; incident disclosures. [European Banking Authority](#)

## 5.5 AML/CFT & onboarding

- **KYC tiers** proportional to limits; sanctions/PEP screening; Travel Rule plan; record retention & audit trails. [eur-lex.europa.eu](http://eur-lex.europa.eu)

## 5.6 Reporting & assurance

- **Public cadence:** monthly reserve snapshots (by location/state), valuation notes; quarterly controls summaries; **annual independent assurance** on reserves and key controls; open-data endpoints for basic metrics. [eur-lex.europa.eu](http://eur-lex.europa.eu)

## 5.7 Significant ART thresholds

- Monitor metrics that would trigger “**significant ART**” status and prepare uplift (enhanced governance/reporting) if thresholds are met. [eur-lex.europa.eu](http://eur-lex.europa.eu)

## 6. Regulatory Path & Readiness Milestones

- **MiCA mapping:** Prepare article-by-article matrices covering authorization, reserves, stabilization/redemption, governance, complaints, AML/CFT, disclosures, significant ART obligations, and wind-down. [eur-lex.europa.eu](https://eur-lex.europa.eu)
  - **Documentation set:** Reserve policy; valuation methodology; stabilization/redemption policy; governance charters; complaints & incident handling; AML/KYC; outsourcing & assurance; wind-down plan; marketing lexicon.
  - **Supervisory engagement:** Early dialogue with NCA; share public dossiers (Utility White Paper; ART Readiness Dossier); deliver change-logs; align on disclosure cadence. [esma.europa.eu](https://esma.europa.eu)
- 

## 7. Consumer Protection, Risk & Wind-Down

- **Key risks:** Market/basis; liquidity; operational (RO execution, warehousing); custody/title; legal/regulatory; technology/security; vendor/outsourcing.
  - **Mitigations:** Segregation, inspection rights, conservative valuation haircuts, committee governance, BCP/DR, vendor audit rights, incident playbooks, complaints SLAs.
  - **Wind-down (if ART):** Triggers; freeze creations/redemptions; publish timelines/FAQs; liquidate reserves per waterfall; statutory record retention; post-mortem reporting. [European Banking Authority](https://www.eba.europa.eu)
- 

## 8. Conclusion & Next Steps

- FYT remains a **utility token** today.
  - If FYT references assets with disclosed stabilization/redemption in future, the appropriate path is **MiCA ART**—with **Insela UAB** as issuer and **Balkan Basalt** as industrial/custody partner—**only** after the control set is fully implemented, disclosed, and approved. [eur-lex.europa.eu](https://eur-lex.europa.eu)
  - **Immediate actions:** finalize the **ART Readiness Dossier** (controls/evidence), complete **MiCA mapping**, draft **reserve/valuation/stabilization** policies, schedule **assurance scope**, and agree the **supervisory engagement plan**.
-

## Appendix A — MiCA Article Mapping Matrix (excerpt, to be finalized with counsel)

Theme	MiCA locus	Our policy/artifact
Authorization (ART)	MiCA Title III	Issuer application pack; governance charters. <a href="https://eur-lex.europa.eu">eur-lex.europa.eu</a>
Reserves/Custody	MiCA ART sections	Reserve & custody policy; warehouse/bailment evidence. <a href="https://eur-lex.europa.eu">eur-lex.europa.eu</a>
Stabilization/Redemption	MiCA ART sections; EBA redemption planning	Stabilization policy; redemption plan; buffers. <a href="https://www.eba.europa.eu">European Banking Authority</a>
Disclosures/Whitepaper	MiCA	Public reserve snapshots; valuation notes; incident log. <a href="https://eur-lex.europa.eu">eur-lex.europa.eu</a>
Significant ART	MiCA significant tokens	Threshold watch; uplift plan. <a href="https://eur-lex.europa.eu">eur-lex.europa.eu</a>

## References (primary sources)

- **MiCA — Regulation (EU) 2023/1114** (Official Journal / EUR-Lex). [eur-lex.europa.eu+1](https://eur-lex.europa.eu+1)
- **EBA:** Asset-referenced & e-money tokens (MiCA) hub; consultation on **redemption plans**. [European Banking Authority+1](https://www.eba.europa.eu+1)
- **ESMA:** MiCA activities & coordination; guidance on non-MiCA-compliant ARTs/EMTs. [esma.europa.eu+1](https://esma.europa.eu+1)
- **ECB** (macroprudential bulletin): functions, risks & policy issues around stablecoins. [European Central Bank](https://www.ecb.europa.eu)
- **FSB:** High-level recommendations for regulation/supervision/oversight of stablecoin arrangements. [Financial Stability Board](https://www.fsb.org)
- **BIS:** Policy analyses on stablecoin risks (monetary sovereignty, run/firesale dynamics). [bis.org+1](https://www.bis.org+1)

### One-page executive blurb (for the FYT site's Compliance Library)

**FYT today is a utility token.** This paper explains **when and why** a **MiCA ART** could be appropriate in future, and **what controls** (reserves, valuation, stabilization/redemption, governance, AML/CFT, reporting, wind-down) must be in place, published, and approved **before** any such upgrade. It also

outlines roles for **Insela UAB** (issuer) and **Balkan Basalt** (industrial/custody partner). [eur-lex.europa.eu](https://eur-lex.europa.eu)