



**EUR COINVERTIBLE (EURCV)**  
**Stablecoin White Paper**

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**FORGE**  
SOCIETE GENERALE GROUP

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## Disclaimer

Nothing in this White Paper constitutes an offer of Tokens for sale in the United States or any other jurisdiction in which it is or may be unlawful to do so. The Tokens may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, both as defined (i) in Regulation S under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, (ii) for the purposes of the United States Commodity Exchange Act of 1936, as amended (the CEA) or any Commodity Futures Trading Commission (CFTC) Rule, guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a "Non-United States person" defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not "Non-United States persons," shall be considered a U.S. person), or (iii) for purposes of the final rules implementing the credit risk retention requirements of Section 15G of the U.S. Securities Exchange Act of 1934, as amended.

In order to access the information contained herein, you must be a qualified investor (*investisseur qualifié*) as defined in Article 2 (e) of Regulation (EU) 2017/1129 and in accordance with Article L.411-2(1) of the French *Code monétaire et financier*.

## Executive Summary

This White Paper introduces a general presentation of an institutional-grade Digital Asset structure with full transparency, the “**EUR CoinVertible**”, which can be offered in a variety of currencies, EUR being the first to be launched (**EURCV**)<sup>1</sup>. Based on the **CAST**<sup>2</sup> open-source interoperability and securitization framework, the EUR CoinVertible has been designed as a Digital Asset developed and administered in accordance with banking standards that purports to maintain a stable value (i.e. a “**stablecoin**”). While the future of payment services may be transformed by the use of Digital Assets and distributed ledger technologies (DLTs), investor and capital protection should be a cornerstone of stablecoins created and managed by regulated intermediaries. Indeed, stablecoins embed a promise of stabilization mechanism, which sets them apart from the main cryptocurrencies and makes a solid and plausible case for the future coexistence of stablecoins and CBDCs<sup>3</sup>. As the past year has shown, that has not been always true. After the so-called “Crypto Winter” of 2022, time has come for projects by financial institutions with strong compliance features and a robust legal framework to respond to regulatory requirements.

As a European bank subsidiary and a pioneer on blockchain-based securities<sup>4</sup>, we at Societe Generale-FORGE (SG-FORGE) see an opportunity to build one of the first stablecoins by a regulated financial institution. Creating the EUR CoinVertible (EURCV) is the first stablecoin project of SG-FORGE and a natural result of our experience in bridging the gap between Societe Generale’s expertise in capital markets and the Digital Assets ecosystem. After having structured and deployed various issuances of Security Tokens and CBDC experiments approved and trialed since 2019 by several regulated institutions (banks, supranational, brokers, etc.), SG-FORGE has been working in developing step-by-step stablecoin

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<sup>1</sup> The full terms and conditions of the EURCV are available at <https://www.sgforge.com/CoinVertible/>

<sup>2</sup> <https://www.cast-framework.com/>

<sup>3</sup> US Federal Reserve, “Digital Assets and the Future of Finance: Examining the Benefits and Risks of a U.S. Central Bank Digital Currency”, Testimony of L. Brainard before the U.S. House of Representatives (Financial Services Committee), May 2022; McKinsey, “CBDC and stablecoins: Early coexistence on an uncertain road”, article by de Bode, Higginson & Niederkorn, Oct. 2021.

<sup>4</sup> Assets transferred on distributed ledger technologies that qualify as securities under applicable regulations are commonly called “Security Tokens”.

solutions. Our strong belief is that the crypto market deserves an institutional, resilient and compliant solution.

The EUR CoinVertible has been construed around three key pillars: a robust legal structure, a sound and transparent financial management and technical resiliency. The structure of the EUR CoinVertible has been designed to take into account the Basel Committee's Prudential treatment of crypto asset exposures<sup>5</sup>. It is a first step and a key part of Societe Generale-FORGE global strategy on bank-grade stablecoins in the context of the requirements and best practices derived from the upcoming European digital asset regulations "MiCAR"<sup>6</sup> and 'DLT Pilot Regime' for Security Tokens<sup>7</sup>, and of the current experiments on the central bank digital currency (wholesale). To that purpose, we strongly believe that the following best practices and solutions put in place for the EUR CoinVertible will foster the interest in institutional-grade stablecoins:

- The issuance of the EUR CoinVertible stablecoin by SG-FORGE, a licensed investment firm and registered digital asset service provider in France,
- The stabilization mechanism of the EUR CoinVertible ensured by a secure legal structure, robust collateral mechanisms and a trustworthy segregated fiduciary structure managed by a reputable agent, and
- The technical and operational implementation of the EUR CoinVertible compliant with the CAST Framework<sup>8</sup>, by creating a permissioned access to the stablecoin on a permissionless distributed ledger.

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<sup>5</sup> Basel Committee on Banking Supervision, "Prudential treatment of cryptoasset exposures", December 2022.

<sup>6</sup> Proposal for a Regulation of the European Parliament and of the Council on Markets in Crypto-assets.

<sup>7</sup> Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot regime for market infrastructures based on distributed ledger technology.

<sup>8</sup> For further information on the CAST Framework, see: <https://www.cast-framework.com/white-paper/>

# 1 | EUR COINVERTIBLE: GENERAL PRINCIPLES

## 1. Overview of stablecoin markets

While the notion of “Stablecoin” has no unique definition worldwide, stablecoins are defined in this White Paper as referring to “Digital Assets that peg their value to an external reference”<sup>9</sup>. The market for stablecoins has grown tremendously in the past few years at global stage. Stablecoins fulfill already a significant role in the emerging Digital Asset markets and may ultimately be a breakthrough innovation for TradFi regulated payments as well.

As of December 2022, there were 86 publicly traded stablecoins with a total market capitalization of \$141 billion U.S. dollars<sup>10</sup>. The current stablecoin market is dominated by two main types: (i) fiat-backed stablecoins, and (ii) cryptocurrency-backed stablecoins.

These categories can be distinguished based on the type of reserve funds retained and the procedure used to maintain its peg. Fiat-backed stablecoins and cryptocurrency-backed stablecoins are largely viewed by the cryptocurrency community as a simple taxonomy:

- **Fiat-backed stablecoin**<sup>11</sup>: A stablecoin whose value is backed through cash or cash-equivalent reserves of a particular fiat currency or index of currencies.
- **Cryptocurrency-backed stablecoin**: A stablecoin whose value is backed through reserves of volatile cryptocurrencies or stablecoins.

Current stablecoin markets are largely dominated by Fiat-backed stablecoins.

## 2. Our vision on asset tokenisation

### 2.1. Manifesto for the standardisation of asset tokenisation projects

**Financial institutions and crypto companies are increasingly turning to blockchain technology to issue, custody and trade assets. In just a few years, DLT has become a major topic for public policy makers around the world. Key regulations have been gradually proposed or adopted on digital assets based on blockchains (such as the draft ‘MiCA’ Regulation and the ‘Pilot Regime’ Regulation in the EU).**

**We at SG-FORGE would like to highlight some key elements for the public debate on the ‘tokenization’ of assets and underline the urgent need of establishing common operating standards such as the ‘CAST’ initiative. Standardizing market practices and operating models will lessen the**

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<sup>9</sup> G.Y. Liao and J. Caramichael, “Stablecoins: Growth Potential and Impact on Banking”, Board of Governors of the Federal Reserve System, International Finance Discussion Papers 1334, January 2022 (<https://doi.org/10.17016/IFDP.2022.1334>).

<sup>10</sup> Source: <https://defillama.com/stablecoins>

<sup>11</sup> Leverage and adjusted from The Board of the International Organization of Security Commissions (2020) Global Stablecoin Initiatives. <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD650.pdf>

**risks of fragmentation and foster business offers' interoperability, compliance with financial regulatory requirements and the creation of a regulated crypto industry.**

For the sake of clarity, the 'tokenization' of assets as defined in this White Paper consists in a protean concept that brings together in a single term different processes in the life of an asset registered on a blockchain ("pre-trade", "trade" and "post-trade").

**For SG-FORGE, asset tokenization should be based on the following key principles and goals:**

- 1. Financial asset tokenization: from dematerialization to digitization of financial assets.** Financial asset tokenization is the new step towards assets' digitization and lifecycle events automation. Since the 1980s, the shift from paper-based securities to dematerialized securities has brought capital markets into the digital era. SG-FORGE perceives digitization of securities and money through DLTs as the next big step towards the building of digital capital markets. Asset tokenization adds native dematerialized and potential automated features to these assets, such as faster and more transparent transfer of property processes, leaner delivery-versus-payment minimizing settlement risk, credit risk and counterparty risk, and easy connectivity with crypto-asset and decentralized finance technologies (including building bridges between centralized finance ('CeFi') and decentralized finance ('DeFi') markets).
- 2. Permissionless blockchains are the core infrastructures of Web3.** We believe that new disruptive market infrastructures and new business models will predominantly come with permissionless DLTs and native digital assets, in the same way as a new information industry was previously born with the Internet. It appears that many issues are still unresolved in the way of a potential systemic use of these decentralized technologies by market participants: transaction costs, energy consumption, transaction-per-second capacity, etc. Yet the intrinsic qualities of public DLTs (adoption by vast IT developers ecosystems, interoperability capabilities, proven resilience to cybersecurity risk of major public DLTs, cost issue and technological dependency risk related to proprietary DLTs) constitute competitive factors relevant for a significant use into the most regulated sector that exists, i.e. the capital markets.
- 3. Permissioned assets and services.** Whatever the underlying technology (public or private blockchains), we believe that tokenization of assets should include a permissioned access to assets and services, as highlighted in the CAST Framework. The creation of permissioned assets and services on blockchains constitutes a powerful tool to comply with regulatory requirements, notably from a compliance perspective (AML-CFT, sanctions & embargoes, KYC, asset freezing, etc.), and enhance service providers accountability towards their users and public authorities.
- 4. Technological neutrality on the use of permissionless DLTs.** DLTs are 'only' technological tools to provide services to clients. We believe that various DLTs should be deeply assessed without preconceived ideas to define the relevant technologies of tomorrow's digital markets. As time goes by the reasoning should be focused on facilitating cross-chain interoperability and creating an efficient market by defining a fine line between innovation and security. A step-by-step iterative and 'test and learn' approach on permissionless DLTs should be adopted avoid prohibiting or restricting *ex ante* their use.
- 5. Regulation enforcement at the heart of all our projects.** While innovation is deeply within financial sector's DNA and open finance is at the heart of this White Paper's philosophy, any project related to tokens should first and foremost be realized in such manner as to provide all the relevant risk management tools to comply with existing regulatory requirements. Blockchains enable a new type of interactions between market participants, regulators and academics, including embedded compliance and supervision of digital markets. Data aggregation and standardization could be assessed more easily on blockchains due to the transparency it provides.

**Towards competition between market participants to create standards and open-source collaborative tools (APIs, etc.) on security tokens.** Beyond proof-of-concepts which are short-term experimentations, we believe that leveraging the tokens markets requires an active competition of global market participants, tech service providers, new players of the DLT ecosystems for effective use cases. Competition to create shared operating models and open-source collaborative tools is key to create the second layer beyond legal certainty.

## **2.2. SG-FORGE's identity: a regulated entity at the crossroads between Capital Markets and Digital Assets ecosystems**

SG-FORGE is a fully integrated and regulated subsidiary of the European bank Societe Generale, incorporated in France. The company provides issuers and investors with end-to-end solutions to issue and manage native digital assets and financial products registered on blockchain. For market infrastructure operators and Digital Asset market participants, SG-FORGE builds open, secure and institutional-grade frameworks and models for Digital Assets (Security Tokens, stablecoins, etc.) operations, underpinned by banking class security and full regulatory compliance.

For Security Token operations, SG-FORGE is a licensed investment firm under European MiFID2 regulation, supervised by the *Autorité de contrôle prudentiel et de résolution (ACPR)* and controlled by the *Autorité des marchés financiers (AMF)*, authorized to provide the following investment and ancillary services:

- Execution of orders on financial instruments on behalf of clients;
- Reception and transmission of orders in relation to one or more financial instruments;
- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services.

For Digital Asset activities, SG-FORGE is registered as Digital asset service provider (*Prestataire de services sur actifs numériques* or PSAN) in France with the AMF on the assent of the ACPR, to provide the following regulated services:

- Custody of Digital Assets on behalf of a client;
- Buying or selling Digital Assets against currencies that are legal tender;
- Trading of Digital Assets against other Digital Assets.

SG-FORGE believes that regulation will bring legitimacy to innovative distributed technologies and will provide consumer protection. We also believe that regulation will not stifle digital innovation and disruptive ideas.

On the strength of this observation, of its licenses and registration as PSAN and of its unique position straddling Capital Markets and Digital Assets Markets, SG-FORGE is committed to provide the digital economy with a regulated and banking-grade Digital Asset designed as a so-called 'stablecoin'.

This White Paper aims at describing the legal, the financial and the operational structure of this stablecoin in more detail. The below diagram summarizes key elements about our solution:





#### COLLATERAL QUALITY

Cash deposit and minimum rating securities.



#### LEGAL PROTECTION

Trust structure and recourse over the collateral



#### FREQUENCY OF COLLATERAL CONTROL

Daily and published on SG-Forge website



#### RESILIENCY STANDARD

CAST Framework

Table 1: EUR CoinVertible (EURCV) key features

SG-FORGE's identity and vision consist in bringing transparency, compliance and legal certainty to our stablecoin projects, which, by design, rely on on-chain registration of Digital Assets and on off-chain compliance and operational mechanisms. SG-FORGE's EUR CoinVertible (EURCV) stablecoin will use a TradFi/CeFi approach, with the security imposed by its licenses, by building and protecting a permissioned access to the EUR CoinVertible stablecoin on a permissionless distributed ledger:

- Deployment of a smart contract and registration of EUR CoinVertible on a permissionless distributed ledger by SG-FORGE;
- EUR CoinVertible's minting upon reception of issuance proceeds;
- Conversion, and coin burning as the case may be, upon reception of EUR CoinVertible;
- Collateral assets are by default held off-chain by a third party;
- The EUR CoinVertible will be fully collateralized by cash reserve and high quality securities;
- Price stability is maintained by a daily transparency of collateralization of at least 100% of the aggregate number of EUR CoinVertible stablecoin outstanding and by a subscription/conversion system;
- EUR CoinVertible is blockchain agnostic and will be available on the Ethereum public blockchain at first.

### 3. Regulatory framework

**Stablecoins have been the focus of a deep interest from regulators since 2020-2021.** To date, there is not yet existing regulation specifically adopted at global level in the main Western countries (United States, EU, etc.) to define and create a regulatory framework specific to "stablecoins". There are nevertheless various regulations currently assessed and soon implemented on these Digital Assets, notably the "MiCA" regulation proposed in September 2020 which will provide a regulatory framework for the main

types of “stablecoins” within the European Union<sup>12</sup>, the Basel Committee’s prudential regulation of crypto-assets published in December 2022<sup>13</sup> and certain American positions taken by the American banking regulator OCC<sup>14</sup> and a report by several American federal authorities calling for the adoption of a prudential regulatory framework for “payment stablecoins” published in November 2021<sup>15</sup>.

In the European Union, the Markets in Crypto-assets (MiCA) regulation will provide legal certainty and clear regulatory framework applicable to stablecoin issuances within the European Union.

Prior to the implementation of the ‘MiCA’ regulation, some EU Member States have already adopted ad hoc regulations for Digital Assets. France has notably implemented the groundbreaking “PACTE” Law in 2019<sup>16</sup>, which defines digital assets and tokens and creates a new regulatory regime for Digital Asset Service Providers (DASP). Some types of stablecoins can fit into the definition of “digital asset” provided by the French “PACTE” law and incorporated within the French Monetary and Financial Code.

**Legal characterization of EUR CoinVertible (EURCV):** The EUR CoinVertible (EURCV) stablecoin is characterized as a ‘Digital Asset’ under French Law (“*actif numérique*” as defined in Article L. 54-10-1 of the French Monetary and Financial Code).

The design of the EUR CoinVertible stablecoin has been developed to take into account the applicable regulatory and operational burdens encountered by current market infrastructures and participants for stablecoin issuances and could facilitate projects by our peers and competitors. It has notably been structured in light of the main requirements of the upcoming “MiCA” EU regulation relating to transparency, diversification risks and segregation of assets. However, it might still be subject to evolutions to fully comply with the upcoming “MiCA” EU regulation and also adapt also the groundbreaking EU DLT Pilot Regime for Security Token Regulation<sup>17</sup>.

The possibility to structure stablecoins with comprehensive regulatory set-up is why market participants, regulators and central banks<sup>18</sup> set stablecoins aside from cryptocurrencies and have dedicated significant effort to stablecoin analysis and proposed regulations.

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<sup>12</sup> Proposal for a Regulation of the European Parliament and of the Council on Markets in Crypto-assets, and amending Directive (EU) 2019/1937, COM(2020) 593 final, 2020/0265(COD), presented by the European Commission on 24 September 2020.

<sup>13</sup> Basel Committee on Banking Supervision, “Prudential treatment of cryptoasset exposures”, December 2022.

<sup>14</sup> Office of Comptroller of the Currency (OCC), “Federally Chartered Banks and Thrifts May Provide Custody Services For Crypto Assets”, News Release 2020-98, 22 July 2020; “OCC Chief Counsel’s Interpretation on National Bank and Federal Savings Association Authority to Hold Stablecoin Reserves”, Interpretive Letter #1172, 21 September 2020; “OCC Chief Counsel’s Interpretation on National Bank and Federal Savings Association Authority to Use Independent Node Verification Networks and Stablecoins for Payment Activities”, Interpretive Letter #1174, 4 January 2021; “Federally Chartered Banks and Thrifts May Participate in Independent Node Verification Networks and Use Stablecoins for Payment Activities”, News Release 2021-2, 4 January 2021.

<sup>15</sup> President’s Working Group on Financial Markets, Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC), “Report on Stablecoins”, November 2021.

<sup>16</sup> Law n° 2019-486 of 22 May 2019 relating to the growth and transformation of companies (so-called “PACTE” law).

<sup>17</sup> The EU DLT Pilot Regime for Security Token Regulation (2022/858) will allow Digital assets that qualify as securities (Security Tokens) to be listed and trading on trading venues in the EU.

<sup>18</sup> Banque de France, “Stablecoins: a good or a bad solution to improve our payment systems?”, introductory speech by Denis Beau, Senior Deputy Governor of the Banque de France, 15 January 2020: “*the first generation of crypto-assets such as Bitcoin and Ethereum, [were] initially designed to be instruments of exchange in the digital world but have a number of limitations, including high price volatility and the absence of guarantees in terms of convertibility and security. A second generation is emerging in the form of “stablecoins” [...]. These stablecoins have many characteristics in common with other crypto-assets, but they seek to stabilize the price of “money” by various means. Therefore, stablecoins may be better able to contribute to the strengthening of global payment schemes, possibly with global reach, especially stablecoins sponsored by large technology or financial companies.*”

## 4. Main Applications

EUR CoinVertible stablecoin has been designed to fill the gaps of the existing market. It will be directly available to any counterparty that is onboarded through Societe Generale Group's compliance procedures (KYC, AML-CFT and Sanctions-Embargoes (S&E)) within the Wholesale Division of Societe Generale<sup>19</sup>, subject to the applicable selling restrictions.

As such, the most immediate applications will be similar to other stablecoins, and we want our solution to be widely available through major Digital Asset exchanges to offer market participants a robust alternative for their needs. We also hope to see our solution used as a quality asset for various on-chain transactions (collateral, margining, wrapping to another blockchain etc.).

The EUR CoinVertible (EURCV) stablecoin has however not been solely designed for applications through Digital Asset exchanges, but has been also built to respond in the future to various wholesale processes:

- A robust settlement asset for on-chain transactions (e.g. Security Tokens, etc.);
- An innovative solution for corporate treasury, cash management and cash pooling activities;
- On-chain liquidity funding and refinancing solutions;
- A solution for intra-day liquidity needs (e.g. margin calls).

The EUR CoinVertible is the natural expansion of SG-FORGE activity in the Digital Assets universe as we see the rise of blockchain-based securities (Security Tokens). This pioneering project complements SG-FORGE's business offer to institutional clients seeking to benefit from innovative settlement and cash management solutions. Most stablecoins currently available are geared towards retail users. The market is still looking for a solution for atomic on-chain settlement and payment solutions in the Digital Asset ecosystem and that can also cover all aspects of a security lifecycle (issuance, coupon trading, redemption). Thanks to its institutional-grade quality, we will apply our stablecoin as a means of settling Digital Asset – and in the future Security Tokens – transactions on-chain. The target will be notably ultimately to be used as a settlement tool for various listed and non-listed Security Tokens transactions and to comply with Security Token regulations such as the EU DLT Pilot Regime Regulation.

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<sup>19</sup> And at a later stage also through the compliance processes (KYC, AML-CFT and S&E) of trusted third parties accepted by Societe Generale Group for adhering to and applying similar compliance standards and processes.

## **2 | EUR COINVERTIBLE: KEY COMPONENTS**

The main objective of this chapter of the EUR CoinVertible (EURCV) White Paper is to provide a global understanding of the key pillars built to create, issue and manage the stablecoin, based on:

- Clear legal structure;
- Resilient collateral and financial mechanisms;
- Robust technical framework.

This framework brings flexibility to implement a token value chain in very different ways, leveraging existing services and infrastructures.

The issuance and the transfer of the EUR CoinVertible (EURCV) stablecoins are based on a self-executing code deployed by the Registrar on the DLT with pre-defined functions related to the Tokens upon fulfilment of pre-determined conditions (the “**Smart Contract**”), on Ethereum address 0xf7790914Dc335B20Aa19D7c9C9171e14e278A134<sup>20</sup>.

The structure of EUR CoinVertible (EURCV) is agnostic of the type of blockchain technology used.

While the stablecoin market has shown improvement in quality and stability since the collapse of several unbacked and/or unregulated stablecoins in 2022, we are convinced at SG-FORGE that there is still an opportunity to build bank-grade stablecoins to respond to clients’ needs. We have the expertise to enhance protections and compliance, thanks to our experience on security tokens and to the complementary expertise provided by our banking group. We believe the time to launch our own stablecoin solution is now. Based on Societe Generale Group and SG-FORGE expertise, our objective is to deliver a fully transparent, best-in class performance around three key pillars: the legal setup, the collateral & financial structure and the technical framework.

## 1. Legal structure

From the beginning of the EUR CoinVertible (EURCV) stablecoin design, our ambition has been to go beyond the existing products by offering more secure, legally binding solutions. This will be accomplished by:

- The **full segregation of the assets backing the value of the stablecoin from SG-FORGE’s and the fiduciary’s own assets and activities and from the fiduciary’s own assets and activities**, so that they are only dedicated to such purpose, and they are bankruptcy remote in the event of an insolvency of SG-FORGE;
- A **direct recourse of the EUR CoinVertible holders on the collateral** held through a fiduciary structure.

These two major points make all the difference compared to many well-known stablecoins today, where no information is given regarding the legal structure or on any recourse one can have when holding these stablecoins. While it is important to know that assets are actually held to back such stablecoin, you have no certainty as to whether you can actually benefit from such collateral in the event of a collateral liquidation.

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<sup>20</sup> Can be examined at <https://etherscan.io/token/0xf7790914Dc335B20Aa19D7c9C9171e14e278A134>

This possibility weakens the quality of the said products and has a negative impact on the level of trust one can give to existing stablecoins, especially among corporates and financial market participants.

For crypto-backed decentralized stablecoins, the holders rely on the automated execution of the liquidation process, but this is only available for crypto collateral, so without any certainty or even reasonable predictability in terms of security and confidence in the actual collateral value.

From SG-FORGE perspective and given our sound experience in both asset tokenization and traditional finance, this is far from being sufficient to provide comfort and security to market participants. As such, we are fully transparent on the legal structure we chose for our solution: SG-FORGE will act as the issuer of the stablecoin and the collateral will be held through a fiduciary structure managed by a reputable agent, under a relevant legal framework for fiduciaries based on applicable law<sup>21</sup>. This solution provides a robust legal framework to the two items mentioned above:

- The collateral is held in a specific estate of an experienced fiduciary, so that the collateral assets (incl. cash deposit) bought to back the stablecoin will be **legally segregated** from SG-FORGE core activities and from the other fiduciary estates and fully dedicated to back the stablecoin;
- Upon events that would threaten the stability mechanisms of the stablecoin, the holders of stablecoin will be recognized as beneficiaries of the fiduciary structure. As such, **they will have a recourse on the collateral assets to protect them from such situation.**

Because the stablecoin holders will be seen as beneficiaries of the structure, and thanks to our technical implementation and the use of SG-FORGE systems to make regular copies of the stablecoin positions, **stablecoin holders will still be entitled to full conversion of their position in the occurrence of events that would prevent the public Ethereum blockchain from working properly** (e.g. hack, node issues, etc.). This is made possible by the strict business continuity plan implemented by SG-FORGE in which all blockchain transactions are duplicated in a separate, offline, repository in a proper adaptation of the Settlement Transaction Repository (STR) concept defined in the CAST Framework – see section 3 “*CAST Framework & Technological implementation*”.

In other words, **our legal structure will protect our clients from technological failures on blockchain in a manner that does not exist in the market today.**

Moreover, because SG-FORGE will comply with the CAST Framework and will have to identify any stablecoin holder and whitelist any address to be eligible to receive the stablecoins, our stablecoin product will benefit from a greater protection against theft and hacks.

Considering the rapidly evolving environment around digital assets, the fiduciary structure is adjustable, so that it can evolve while maintaining the same level of protection for the stablecoin holders.

## 2. Collateral and Financial mechanisms

In addition to a clear, secure and transparent legal framework, our second main point of attention is to offer proper collateral and financial mechanisms with daily transparency.

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<sup>21</sup> The initial fiduciary structure will be created under French Law (Articles 2011 to 2030 of French Civil code).

In that purpose, SG-FORGE has leveraged on the Capital Markets recognized experience of Societe Generale Group in collateral management. Such investment solutions do require a high level of security and performance stability, as well as a very high liquidity. All these criteria match our stablecoin requirements perfectly, so we based our solution on a similar approach.

When issuing the EUR CoinVertible (EURCV) stablecoin, SG-FORGE will receive the proceeds of the sale of such stablecoins and such proceeds will be deposited by SG-FORGE in the fiduciary structure and invested in the Collateral Assets, as defined below.

The collateral mechanism is defined around three axes:

1. **Quality and liquidity:** EUR CoinVertible (EURCV) stablecoins will be backed only by (i) cash deposits opened in reputable credit institution and (ii) high-quality securities (the “**Collateral Assets**” - see eligibility criteria details below) on a 1:1 basis at least. All the Collateral Assets will also have to be redeemable quickly and at a value equal to, or higher than, the amount invested initially<sup>22</sup>;
2. **Availability:** The Collateral Assets will remain unencumbered and never used as collateral for other purposes than backing the value of the stablecoins;
3. **Transparency:** The Collateral Assets composition and valuation will be published every business day on SG-FORGE website, based on the Collateral Assets custodian(s) data.

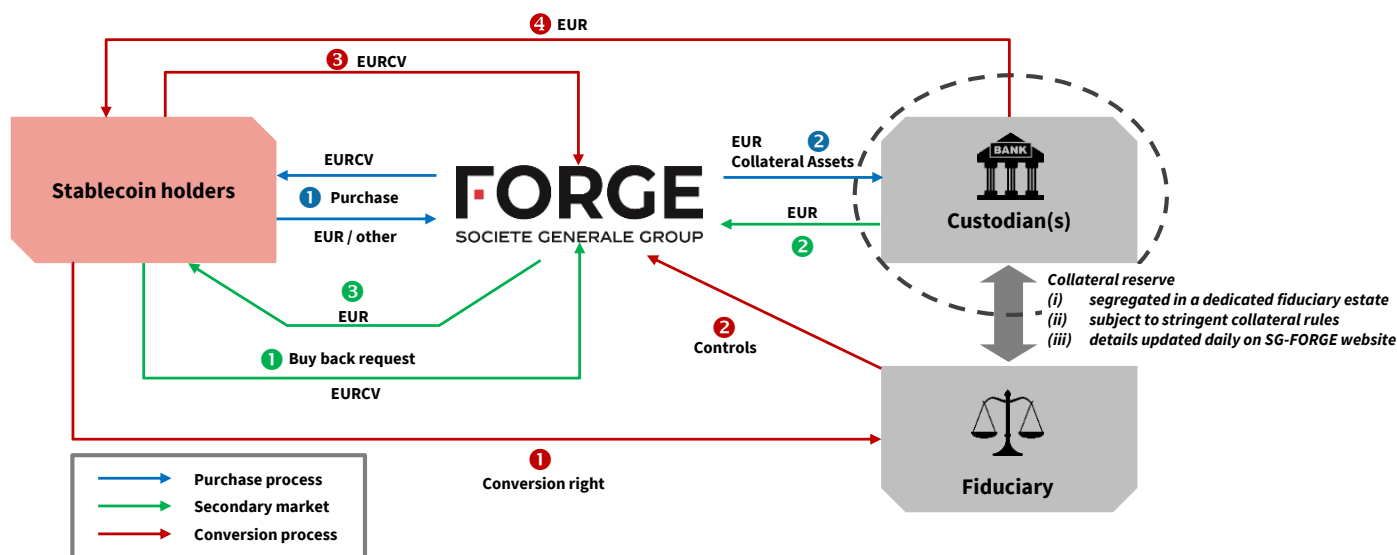


Table 2: EUR CoinVertible (EURCV) structure

The transparency of EUR CoinVertible collateral framework will ensure that, on any business day, SG-FORGE will publish the Collateral Assets, documenting that it complies with the eligibility criteria and that its value is at least equal to the amount of issued stablecoins. The eligibility criteria are that the Collateral Assets can only be composed of:

- a) Cash deposited at a bank with an unsecured long term debt rating at least equivalent to the one of Societe Generale;
- b) Securities that are redeemable or can be sold back within a week **and** at a value equal to or higher than the amount invested initially, **and** either (i) the redemption right is guaranteed by the relevant

<sup>22</sup> If such assets are not available, the stablecoins will be subject to early conversion – see Terms and Conditions – Appendix – Collateral Assets Provisions 4.1.

issuer/guarantor having an unsecured long term debt rating at least equivalent to the one of Societe Generale, or (ii) the sale option is covered by a liquidity or repurchase agreement with a third party having an unsecured long term debt rating at least equivalent to the one of Societe Generale.

The securities will also have to be held with a custodian having an unsecured long term debt rating at least equivalent to the one of Societe Generale.

By using only high quality and liquid assets as collateral, we improve the resilience of the structure to be able to answer to conversion requests in less than a week, no matter the amount of the conversion request and up to the whole amount of placed stablecoins.

Another key element for the product is its deep analysis by third parties to recognize the quality and soundness of the structure. As such, **SG-FORGE has asked one or more independent credit rating agencies<sup>23</sup> to assign credit ratings to the EURCV.**

There can be no assurance that a rating will be approved or assigned. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors. A credit rating is not a recommendation to buy, sell or hold the EURCV and may be revised or withdrawn by the rating agency at any time.

### 3. CAST Framework & Technological implementation

Blockchains, and DLTs more broadly, have entered the financial industry with narratives emphasizing potential disruption, or even revolution. This is based notably on the promise DLTs may bring in terms of lower operating costs and faster transaction execution, with a reduction in the number of intermediaries.

The CAST<sup>24</sup> Framework is an open-source initiative, built and implemented by major financial institutions, designed to foster adoption of Digital Assets, by providing legal, operational and technical frameworks:

- To ease at lower cost the on-boarding of potential market participants and their service providers;
- To provide a permissioned assets and services on blockchains in order to facilitate the compliance with regulatory requirements, notably from a compliance perspective (AML-CFT, sanctions & embargoes, KYC, asset freezing, etc.).

CAST is a technology-agnostic and interoperable model for asset tokenization providing solutions compatible and compliant with traditional banking practices, frameworks and standards to deal with native Security Tokens. The CAST Framework is based on the following pre-requisites:

- Taking a holistic approach covering the whole life cycle of Security Tokens (structured on the basis of the CAST Framework);
- Ensuring interoperability with the current systems in order to facilitate the transition to digitization;
- Securing an internal and/or external review and assessment of operations with regard to current and on-going regulations (KYC-AML, embargoes-sanctions, securities law, etc.);
- Remaining agnostic of underlying DLT technologies in order to have enough flexibility to be able to handle technical developments and the future landscape.

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<sup>23</sup> Established in the EU and registered under the Regulation (EC) No 1060/2009 of the European Parliament and of the Council dated 16 September 2009, as amended (the CRA Regulation) and such registration has not been withdrawn or suspended.

<sup>24</sup> <https://www.cast-framework.com/white-paper/>



The first version of the CAST Framework's White Paper is available in open access online<sup>25</sup>, as well as the technical tools ("Oracles") based on CAST to respond to issuers' and investors' requests related to asset tokenization. All the CAST Oracles have been created under the Apache 2.0 open source license to enable their easy use by regulated entities and serve as building blocks of tomorrow's digital market infrastructures.

EUR CoinVertible (EURCV) will rely on the CAST Framework to provide the best of both worlds: solutions that are compatible and compliant with traditional finance, while meeting the needs of the Digital Assets-native world. EUR CoinVertible (EURCV) has been designed to bridge the gap between traditional capital markets and the digital assets ecosystem based on the CAST open-source interoperability and securitization framework.

In particular, SG-FORGE has implemented a variation of the Settlement Transaction Repository (section 3. of the CAST Framework) to match with the EUR CoinVertible requirements and create an offline safe copy of all the transactions on the EUR CoinVertible. This serves SG-FORGE's business continuity plan in relation to the EUR CoinVertible to prevent any potential technological disruption and to protect the data registered on a DLT infrastructure.

## 4. Operational elements

EUR CoinVertible stablecoin will be available to all parties onboarded by SG-FORGE, subject to selling restrictions as described in the Terms and Conditions.

### 4.1. Issue of new stablecoin (minting)

SG-FORGE may accept a range of assets in exchange for stablecoins. The form of subscription will be dependent on the assets the prospective client wishes to use but client assets will eventually be converted into Collateral Assets in order for the collateral requirements to be met.

In the simple situation where the prospective stablecoin holder wishes to receive the stablecoin by sending fiat EUR with SG-FORGE fiduciary structure, any receipt of fiat currency confirmed to SG-FORGE by the deposit bank before 16h00 CET on a business day will see the corresponding amount of stablecoin minted on the client's Ethereum public address by the end of the same business day<sup>26</sup>.

This new aggregate position, both on the stablecoin and the Collateral Assets side, will be reflected during the position update published on SG-FORGE website on the following business day at the latest.

To keep the management of the Collateral Assets as secure as possible, any receipt of fiat currency confirmed after 16h00 CET will be deemed to have been received on the following business day, and the client will receive the corresponding stablecoins on such following business day.

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<sup>25</sup> <https://www.cast-framework.com/white-paper/>

<sup>26</sup> Subject to Ethereum blockchain transfer speed.



Table 3: Summary of EUR CoinVertible purchase process with SG-FORGE

## 4.2. Transfer of existing stablecoins between Ethereum addresses

In order for stablecoin holders to benefit from the legally binding structure we put in place and to be protected by it, they all need to be known and onboarded by SG-FORGE at first. As a consequence, only addresses that are whitelisted by SG-FORGE will be eligible to receive our stablecoins. Such whitelisting process based on the CAST Framework means that SG-FORGE has performed compliance controls (KYC, AML-CFT, sanctions and embargoes) according to Societe Generale Group policies, and has duly onboarded the owner of such address.

We are confident that we need to provide our clients with a safe environment, in line with our standard KYC, AML-CFT, sanctions and embargoes policies. This also provides for an additional layer of security for our clients, against theft and stolen tokens.

## 4.3. Exposure through third party platforms

To provide exposure to our product to the largest number of persons, SG-FORGE will work with reputable third-party platforms (e.g. centralized Digital Asset exchanges) to have the EUR CoinVertible stablecoin listed.

However, when trading through such intermediaries, our stablecoin will remain on the address of these third parties. The standard operational model for these platforms is built around omnibus accounts. When our stablecoin will be held through such intermediary, it should be noted that end-clients of the third parties will not have any right on the stablecoin and will bear a counterparty risk on such intermediary.

#### **4.4. Repurchase and conversion**

SG-FORGE will offer a liquidity service on the stablecoins so that the holders of stablecoins can easily sell their tokens to SG-FORGE, assuming normal market conditions, normally functioning IT systems and on a no-commitment basis. Under such conditions, transactions will be conducted within a week and at no costs, provided that all identification obligations are satisfied.

Stablecoins will bear conversion rights. Under this right, each stablecoin will be convertible into fiat currency with the fiduciary after the holder has declared himself as owner of stablecoin with the fiduciary. Under such situation, conversions may be subject to further identification requests and costs from the fiduciary and may take longer than anticipated. Such delay could occur because of operational constraints as (i) the corresponding amount of Collateral Assets may have to be liquidated in order to perform the conversions and (ii) the fiduciary may have to adjust the fiduciary structure and perform its corresponding legal duties.

For illustration purpose only, the operational process for a stablecoin holder to convert his holdings into fiat EUR could work as follows if SG-FORGE accepts to buy back the stablecoins:

- A stablecoin holder will ask SG-FORGE to buy back whole or part of its stablecoins;
- SG-FORGE will confirm whether it accepts the transaction;
- If accepted, the client's details will be updated and the client will request a stablecoin transfer to SG-FORGE address;
- SG-FORGE will approve the transfer to its own address upon compliance checks and instruct the corresponding payment to the stablecoin holder's bank account. The fiduciary structure will be adjusted if necessary;

- Once the payment has been sent to the stablecoin holder, the redeemed tokens can be burned or sent/transferred/sold to another client.



Table 4: Summary of EUR CoinVertible buy back process with SG-FORGE

If a stablecoin holder does not sell his stablecoins to another party or to SG-FORGE, he can submit his conversion request directly with the fiduciary. Upon his prior acceptance of the fiduciary contract and the satisfaction of any identification obligations, he will be declared as a beneficiary of the fiduciary structure and entitled to be repaid the corresponding amount of fiat EUR, after the relevant portion of collateral has been liquidated by the fiduciary and subject to additional costs and delay.



Table 5: Summary of EUR CoinVertible conversion process with the fiduciary

## **3 | APPENDICES**

## APPENDIX 1: RISKS AND DISCLAIMERS

This White Paper intends to highlight the main risks of the EUR CoinVertible (EURCV) stablecoin (the Tokens) issued by SG-FORGE (the Issuer) and recorded in a distributed ledger technology. It is not an exhaustive list of risks.

Stablecoin holders should carefully consider the contractual documentation (Terms and Conditions) of the EUR CoinVertible stablecoin and any risk factor associated and consult their own professional advisers about the suitability of purchasing this asset in the light of their particular circumstances.

In case of any discrepancy between any term or element of this White Paper and one of the Terms and Conditions of the EUR CoinVertible stablecoin, the latter would prevail.

This White Paper and the Terms and Conditions (a) are not intended to provide the basis of any credit or other evaluation, nor (b) should be considered a recommendation, statement of opinion, or a report on either of those things by the Issuer. A receipt of the Terms and Conditions or White Paper, or any other information supplied in connection with the Tokens should not be construed as a recommendation regarding the Tokens. Each person contemplating purchasing any Token should make its own independent investigation of the financial conditions and affairs, and its own appraisal of the Issuer, the Tokens and the related fiduciary structure. Neither the Terms and Conditions nor the White Paper nor any other information supplied in connection with the issue of the Tokens constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Tokens.

Neither the Terms and Conditions, nor the White Paper constitutes an offer to sell or the solicitation of an offer to buy any Tokens in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The sale of Tokens may be restricted by law in certain jurisdictions. The Issuer does not represent that the Terms and Conditions nor the White Paper may be lawfully distributed, or that any Tokens may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering.

**Nothing in this White Paper constitutes an offer of Tokens for sale in the United States or any other jurisdiction in which it is or may be unlawful to do so. The Tokens may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, both as defined (i) in Regulation S under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, (ii) for the purposes of the United States Commodity Exchange Act of 1936, as amended (the CEA) or any Commodity Futures Trading Commission (CFTC) Rule, guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a "Non-United States person" defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not "Non-United States persons," shall be considered a U.S. person), or (iii) for purposes of the final rules implementing the credit risk retention requirements of Section 15G of the U.S. Securities Exchange Act of 1934, as amended.**

**In order to access the information contained herein, you must be a qualified investor (*investisseur qualifié*) as defined in Article 2 (e) of Regulation (EU) 2017/1129 and in accordance with Article L.411-2(1) of the French *Code monétaire et financier*.**

The holders of Tokens must be aware that they have no claim or direct right against of the Issuer or the fiduciary and that their rights are limited to the Collateral Assets (as defined in the Terms and Conditions).

The Tokens are not intended to and shall not constitute financial instruments nor electronic money under current French law.

### **ASSESSMENT OF SUITABILITY**

Each prospective purchaser must determine the suitability of that purchase in light of its own circumstances. In particular, each prospective purchaser may wish to consider, either on its own or with the help of professional advisers whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Tokens and the fiduciary structure;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular situation, a purchase of Tokens;
- has sufficient resources and liquidity to bear all of the risks associated the holding of Tokens;
- understands thoroughly the terms of the Tokens and the fiduciary structure; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its purchase and its ability to bear the applicable risks.

### **INDEPENDENT REVIEW AND ADVICE**

Each prospective purchaser of Tokens must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Tokens is fully consistent with its objectives and condition, complies and is fully consistent with all policies, guidelines and restrictions applicable to it and is a fit, proper and suitable purchase for it, notwithstanding the clear and substantial risks inherent in purchasing or holding the Tokens.

Prospective purchasers should also conduct such independent investigation and analysis regarding the Issuer, the Tokens, the fiduciary structure and all other relevant factors as they deem appropriate to evaluate the merits and risks of the Tokens.

A prospective purchaser may not rely on the Issuer in connection with its determination as to the legality of its acquisition of the Tokens or as to the other matters referred to above.

### **NO LEGAL AND TAX ADVICE**

The Issuer is not giving legal or tax advice to the purchasers. Each prospective purchaser should consult its own advisers as to legal, tax and regulatory aspects relating to a purchase of Tokens and the fiduciary structure.

### **LEGALITY OF PURCHASE**

The Issuer does not have nor assume responsibility for the lawfulness of the acquisition of the Tokens by a prospective purchaser of the Tokens, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

### **TAXATION**

Potential purchasers and sellers of the Tokens should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the jurisdiction where the Tokens are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of assets such as the Tokens. It is incumbent on prospective purchasers to seek their own tax advice on their individual taxation with respect to the acquisition, holding, disposal and cancellation of the Tokens. Only such adviser is in a position to duly consider the specific situation of the prospective purchaser.



### **CREDIT RATINGS**

The Issuer may ask one or more independent credit rating agencies (established in the EU and registered under the Regulation (EC) No 1060/2009 of the European Parliament and of the Council dated 16 September 2009, as amended (the **CRA Regulation**) and such registration has not been withdrawn or suspended) to assign credit ratings to the Tokens. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein. A credit rating is not a recommendation to buy, sell or hold the Tokens and may be revised or withdrawn by the rating agency at any time.