

# Blue EMI LT

BLUEUR E-Money Token White paper



#### *Disclaimers*

*This e-money token white paper has not been approved by any competent authority in any Member State of the European Union. The issuer of the e-money token is solely responsible for the content of this e-money token white paper.*

*This e-money token white paper complies with Title IV of Regulation (EU) 2023/1114 and to the best of the knowledge of the management body, the information presented in the e-money token white paper is fair, clear and not misleading.*

*This e-money token is not covered by the investor compensation schemes under Directive 97/9/EC.*

*This e-money token is not covered by the deposit guarantee schemes under Directive 2014/49/EU.*

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## SUMMARY

*The summary should be read as an introduction to the white paper of the e-money token.*

*The prospective holder should base any decision to use the Blue EMI e-money token on the content of the white paper as a whole and not on the summary alone.*

*The offer to the public of the e-money token does not constitute an offer or solicitation to purchase financial instruments. Any offer or solicitation can be made only through a prospectus or other offer documents pursuant to national law.*

*The crypto-asset white paper does not constitute a prospectus as referred to in Regulation (EU) 2017/1129 of the European Parliament and of the Council (36) or any other offer document pursuant to Union or national law.*

## ABOUT THE BLUE EMI TOKEN

Blue EMI LT, UAB is a company registered in Lithuania No. 305682465. Blue EMI LT, UAB is licensed under the Law on Electronic Money and Electronic Money Institutions for the issuance of electronic money. The license is issued by the Bank of Lithuania, licence number 93.

Blue EMI is issuing an electronic money token (BLUEUR) for transaction settlement services in the Axiology DLT platform. BLUEUR is a non-volatile e-money issued in a token format, which enables users to make payment transactions in the closed-loop Axiology DLT platform. Blue EMI LT and Axiology DLT have partnered to deliver a fully compliant solution for tokenised securities trading and settlement infrastructure based on DLT.

Axiology is a Lithuanian capital markets startup, developing a distributed ledger technology (DLT) platform for securities trading and settlement. This platform facilitates tokenised securities issuance, trading, and settlement, focusing on government and corporate bonds. Axiology leverages DLT solutions and the EU DLT Pilot Regime, by democratising access to financial instruments.

Axiology DLT trading and settlement infrastructure is based on XRP Ledger (Ripple). Axiology DLT TSS infrastructure allows regulated financial market participants to use private instance of XRP Ledger to issue, trade, and settle tokenised financial instruments. The main users of the solution are financial institutions and their investors searching for better investment opportunities, and business enterprises looking for more accessible funds.

Blue EMI EMT (BLUEUR) is the backbone of Axiology securities trading and settlement infrastructure, enabling users to top-up their Axiology wallets via their brokers and trade tokenised financial instruments with tokenised money. Blue EMI bridges the gap between traditional finance and innovative infrastructures by tokenising fiat money for uniform usage in the Axiology platform.

Blue EMI acts as an e-money tokenisation partner, ensuring regulatory compliance with tailored anti-money laundering (AML) and know-your-customer, know-your-business (KYC/KYB) processes. Blue EMI issues e-money tokens at par value and only on the receipt of euro funds. BLUEUR is an electronic money token referencing 1:1 euro currency, meaning 1 euro equals 1 BLUEUR. Fiat funds paid-in for EMT issuance are safeguarded at the credit institution until they are redeemed.

Holders of e-money tokens have a claim against UAB Blue EMI LT which safeguards all the Axiology's client funds - the equivalent amount of EMT issued. EMT is redeemed by UAB Blue EMI LT upon request by a holder of an e-money token, at any time and par value, by paying in funds, other than electronic money, the monetary value of the e-money token held to the holder of the e-money token. Funds are redeemed to the user's bank account initially registered with the Axiology platform.

## ISSUER INFORMATION

<b>Company name</b>	UAB BLUE EMI LT
<b>Legal Form</b>	UAB (Private Limited Liability Company)
<b>Registered address</b>	Antano Tumėno str. 4, LT-01109, Vilnius, Republic of Lithuania

<b>Company's head office</b>	Žalgirio str. 92, LT-09303, Vilnius, Republic of Lithuania
<b>Date of registration for the issuing company</b>	2021-01-14
<b>National identifier</b>	305682465
<b>Contact telephone number</b>	+370 664 40414
<b>Email address</b>	<a href="mailto:info@blueemi.com">info@blueemi.com</a>
<b>Claim response time</b>	15 Business Days from receipt of claim, up to 35 Business Days in exceptional cases.
<b>Identity, business address and functions of the persons within the management body of the issuer</b>	<p>UAB BLUE EMI LT is managed by:</p> <ul style="list-style-type: none"> <li>• CEO Vytenis Morkūnas,</li> </ul> <p>and the Board:</p> <ul style="list-style-type: none"> <li>• Algirdas Neciunskas,</li> <li>• Tadas Lukošius,</li> </ul> <p>all residing in Vilnius, Lithuania.</p>

## HOLDERS' RIGHTS OF REDEMPTION

Holders of BLUEUR can redeem their tokens at nominal value free of charge at any time upon request. Axiology offers a multi-asset wallet containing all financial instruments and EMTs owned by the customer. Customers can request EMT redemption for fiat funds through their Axiology wallet. Redemption requests are processed promptly, and fiat funds are credited to the user's registered bank account. Blue EMI adheres to compliance requirements and may require additional information for some transactions from the user. Redemption rights can be modified with no less than 30 days' notice to holders.

## OFFER TO THE PUBLIC OF THE TOKEN

BLUEUR is offered to the clients that onboarded to Axiology solely for transaction settlement on the Axiology DLT TSS platform and cannot be used or traded on other platforms. BLUEUR is used to settle transactions within the Axiology DLT TSS infrastructure. BLUEUR is issued on demand at a 1:1 conversion rate with euro currency and credited instantly to the customer's Axiology wallet. No additional fees are charged for EMT issuance.

Axiology DLT TSS operates under the EU DLT Pilot Regime which foresees certain limitations. The aggregate market value of all the DLT financial instruments that are admitted to trading on the Axiology DLT TSS or that are recorded on the Axiology DLT TSS shall not exceed EUR 6 billion at the moment of admission to trading, or initial recording, of a new DLT financial instrument. Where the aggregate market value of all the DLT financial instruments that are admitted to trading on the Axiology DLT TSS or that are recorded on the Axiology DLT TSS has reached EUR 9 billion, the Axiology DLT TSS shall activate the transition strategy referred to in Article 7(7) of the EU DLT Pilot Regime. The total emission of BLUEUR which corresponds to the maximum market value of assets recorded on the Axiology DLT TSS will not exceed these limitations, according to the EU DLT Pilot regime requirements.

## DEFINITIONS

- **Blue EMI** - Blue EMI LT, UAB, legal entity code: 305682465, address: Žalgirio St. 92, 6<sup>th</sup> floor, 09303, Vilnius, Lithuania. Blue EMI is licensed under the Law on Electronic Money and Electronic Money Institutions. The licence is issued by the Bank of Lithuania, license number 93. Find more about the licence: <https://www.lb.lt/lt/finansu-rinku-dalyviai/uab-blue-emi-lt>.
- **BLUEUR** - e-money token issued by the Blue EMI LT, UAB.
- **‘electronic money token’ or ‘e-money token’** - means a type of crypto-asset that purports to maintain a stable value by referencing the value of one official currency, as it is defined in the Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937;
- **Axiology** - UAB Axiology DLT, legal entity code: 306440582, address: Aukštaičių St. 7, 11341, Vilnius, Lithuania. Axiology has applied to the Bank of Lithuania for authorisation to operate under the distributed ledger technology (“**DLT**”) pilot regime in accordance with 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, and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU (“**DLT Pilot Regulation**”) and plans to receive such authorisation.
- **Axiology DLT TSS** - a set of hardware, software, and other technical infrastructure components operated by the UAB Axiology DLT, where it renders services and provides other functionalities in respect of eligible securities and EMTs, as described in the internal Axiology DLT documents, contractual arrangements and applicable law.

## ABOUT THE BLUE EMI LT, UAB

UAB Blue EMI LT is an electronic money institution, licensed by the Bank of Lithuania. Blue EMI provides payment services for SMEs, crowdfunding and e-commerce platforms. Blue EMI provides tailored payment solutions and customised know-your-customer (KYC) and know-your-business (KYB) processes to fit crowdfunding compliance requirements. Blue EMI provides accounts and wallets for platforms, project owners, and investors. Their funds are safeguarded according to regulatory requirements. Additionally, Blue EMI provides payment acquiring services for e-commerce companies to streamline payment processes, enhance transaction efficiency and customer experience. Blue EMI principal markets span the European Union, focusing on the Baltics market.

## FINANCIAL CONDITION

Blue EMI is a rapidly evolving financial institution and since its inception, has been focused on developing its payment services suite. Blue EMI has initiated commercial operations in 2023 and as such has not yet generated substantial revenue. This period has been dedicated to intensively building a robust and compliant infrastructure, ensuring that all regulatory frameworks and technological foundations are firmly in place.

## ANNUAL FINANCIAL INFORMATION FOR BLUE EMI LT, UAB

Year	2021	2022	2023
Sales revenue		8 350 €	3 660 €
Equity capital	-3 157 €	767 623 €	623 319 €

Blue EMI is currently in a strong position regarding its foundational setup and regulatory compliance. The company's financial reserves have been prudently managed, allowing it to maintain stability as it

starts the operational phase. Being the partner of Axiology DLT enables Blue EMI to conduct innovation and offer wider range of services.

## THE E-MONEY TOKEN

<b>The name of the E-Money Token</b>	<b>BLUE EMI EUR EMT</b>
Abbreviation of your E-Money Token	BLUEUR

## CHARACTERISTICS OF E-MONEY TOKEN

The BLUEUR token is an e-money settlement token for the Axiology tokenised securities trading and settlement system. BLUEUR tokens can be acquired by funding the user's wallet in the Axiology platform with fiat money. By initiating wallet funding, Blue EMI automatically issues and credits new BLUEUR tokens to the user's Axiology wallet. The BLUEUR token is designed solely for transactions within the Axiology platform, such as purchasing and selling securities, trading and receiving coupon payments. BLUEUR tokens cannot be used, traded or transferred outside the platform. UAB BLUE EMI LT is the tokenisation service provider for all euro-denominated payments in the Axiology platform.

The implementation of the BLUEUR e-money token project involves several key individuals and entities: Blue EMI LT core team, Blue EMI LT partners and the development team at UAB Axiology DLT.

Blue EMI management body and team consists of the following persons:

- Algirdas Neciunskas, Chair of the Board;
- Tadas Lukošius, Member of the Board;
- Vytenis Morkūnas, Chief Executive Officer;
- Renatas Makelis, Chief Compliance Officer;
- Andrejus Zlotnikovas, Chief Technology Officer;
- Justina Sinkevičiūtė, Money Laundering Reporting Officer;
- Dovilė Valatkaitė, KYC Specialist;
- Gabija Surgautaitė, Chief Product Owner;
- Austėja Šostakaitė, Chief Business Development Officer;
- Linas Piščikas, Business Development Manager.

Find more about our team at <https://blueemi.com/team/>.

## SHORT DESCRIPTION OF FUNDS FLOW

Axiology clients top-up their Axiology DLT TSS wallets to trade. The top-up operation means that the client transfers fiat funds to the Axiology client account opened at Blue EMI and in parallel receives a token for each unit of euros in his Axiology wallet. Collected funds are immediately tokenised by Blue EMI and credited to the client's wallet in the Axiology system, tokens become available for settlement of transactions. Clients' fiat funds are safeguarded according to the MiCAR and the Law on Electronic Money and Electronic Money Institutions requirements until redeemed. Blue EMI safeguards all the Axiology clients' funds in the safeguarding account at the credit institution.

Holders of Blue e-money tokens have a claim against Blue EMI LT, UAB which safeguards the equivalent amount of fiat funds to EMT issued. The number of tokens circulating in the Axiology platform is equal to the fiat funds received by the Blue EMI. The value of EMTs does not increase relative to the value of euro funds as it references euro currency 1:1.

EMT is redeemed by Blue EMI upon request of a holder of an e-money token at any time and at par value. Blue EMI redeems the tokens, by transferring funds (other than electronic money, or EMT), the monetary value of the e-money token requested by the holder of the e-money token. Funds are transferred to the Axiology client's bank account initially registered with the Axiology platform.

As the funds flow process is similar to e-money issuance under the current e-money licence, the existing Blue EMI internal control mechanisms and risk management procedures apply.

## PUBLIC OFFER AND APPLICABLE LAW

Blue EMI token is intended for the users of the Axiology platform. Clients participating in the trading and settlement of Axiology settle their trades using BLUEUR. The number of units is not predefined, as BLUE EMT is issued on demand. Whenever the user wants to top-up their Axiology wallet - a new Blue EMT is issued and credited to the user's wallet.

The applicable law of the offer to the public of the Blue EMI e-money token is the Regulation (EU) 2023/1114 on Markets in Crypto-Assets (MiCAR) applicable in the European Union. The competent authority for overseeing public offers of e-money tokens is the Bank of Lithuania. The relevant court for legal proceedings is Vilnius Regional Court.

## RIGHTS AND OBLIGATIONS OF THE HOLDERS

Holders are responsible for securely storing their BLUEUR tokens, ensuring the correctness and safekeeping of their Axiology wallet's means of access, and correctly transferring their BLUEUR tokens. No reimbursements are available for users who fail to meet these requirements. Users have the right to:

- Submit complaints about Blue EMI services, such as customer service, correctness of issuance, and redemptions, according to the Complaints Handling Policy.
- Top-up their Axiology wallets with euro currency funds.
- Redeem BLUEUR tokens against euros to their bank account.
- Privacy of information, with data protection policies active in the user's jurisdiction (e.g., GDPR), preventing unlawful disclosure of private information without explicit user agreement, as detailed in the Privacy Policy (<https://blueemi.com/privacy-policy/>).

Users must provide truthful information to facilitate KYC, AML requirements, and other services. Inaccurate or fraudulent data may be subject to prosecution.

Rights and obligations of the EMT holders may change to comply with the current laws and regulations, improve services, or accommodate legal precedents and customer complaints. In case of changes, users will be contacted and informed via their provided contact details, they will be presented with the updated version of Terms and Conditions, or other informational document. Users must consent to changes, and denial of consent may result in the loss of access to services and forced redemption of tokens.

## RIGHTS OF THE HOLDERS IN CASE OF INSOLVENCY OR BANKRUPTCY

Blue EMI has adopted rigorous standards to ensure safe and sound management of its operations. In times of financial stress or economic uncertainty, Blue EMI has established contingency plans to safeguard its activities, including the issuance of BLUEUR, as well as the rights of EMT holders.

In the event that Blue EMI is unable to fulfil its obligations or faces insolvency, the EMT reserves are fully protected in accordance with applicable laws. Specifically, the funds received in exchange for the issuance of EMT are protected from any claims by creditors of Blue EMI, even in the event of enforcement or insolvency proceedings against Blue EMI. Should a financial distress or insolvency situation arise, Blue EMI will activate its Recovery and/or Redemption Plan to ensure that EMT holders can exercise their redemption rights.

Blue EMI issues e-money tokens at par value and only on the receipt of euro funds. Fiat funds paid-in for EMT issuance are safeguarded according to the MiCAR and the Republic of Lithuania Law on Payments, Republic of Lithuania Law on Payment Institutions, 23 July 2020 issued Resolution no. 03-106, amending resolution no 247 of the Board of the Bank of Lithuania of 30 December 2009 on



requirements for electronic money institutions and payment institutions regarding internal control, risk management and safeguarding of received funds, as well as other implementing and applicable legal acts.

Holders of e-money tokens have a claim against Blue EMI LT which safeguards the equivalent amount of fiat funds to EMT issued at the credit institution. EMT is redeemed by the Blue EMI LT upon request of a holder of BLUEUR, at any time and par value, by paying in funds, other than electronic money, the monetary value of the e-money token held to the holder of the e-money token. Funds are redeemed to the user's bank account registered within the Axiology platform.

## RIGHTS OF THE HOLDERS IN THE IMPLEMENTATION OF THE RECOVERY PLAN

The recovery plan describes measures to maintain Blue EMI services related to EMT issuance and administration, timely recovery of operations and fulfilment of obligations in the case of events that pose a significant risk of disrupting operations. It includes safeguarding reserve assets, compliance with regulatory capital requirements, and the assurance of liquidity.

Potential crisis scenarios impacting Blue EMI operations could include operational failures, a run on the token (massive redemptions), cybersecurity breaches, and disaster scenarios. It could have potential impacts on the liquidity, solvency, and operational capabilities of Blue EMI.

Blue EMI is responsible for following risk indicators on a daily basis to manage and reduce risks. Blue EMI monitors liquidity risk indicators, operational risk indicators and credit risk indicators. These indicators are evaluated for potential action-taking. When Blue EMI evaluates that there is an increased risk level, recovery plan is triggered and applicable recovery plan actions are taken.

Stakeholders and clients of Blue EMI and Axiology will be informed about the initiation of the recovery plan. If recovery plan is initiated, it could have an impact of the holders ability to acquire, use or redeem EMTs. During such period, Blue EMI will work to restore normal operations as soon as possible.

## RIGHTS OF THE HOLDERS IN THE IMPLEMENTATION OF THE REDEMPTION PLAN

Blue EMI prepares and implements a redemption plan, ensuring smooth e-money tokens redemption. This plan is to be implemented when the Bank of Lithuania decides that the issuer is unable, or is likely to be unable, to fulfil its obligations, including cases of insolvency or, where applicable, resolution, or in the case of the issuer's license being revoked (MiCAR, Article 47).

Under the EMT redemption plan, all EMT holders have equal rights to redeem their EMTs. Once the redemption plan is in effect, EMT holders will be informed about the initiation of a redemption plan and steps to be taken, such as how to provide a redemption claim. Redemption claims will be subject to certain eligibility criteria described in the Redemption Policy, including holder's identity, token holdings, AML/CFT compliance, bank account details, and any other applicable information.

In case automatic redemption is not available, Blue EMI starts a manual process to fulfill redemption claims. If all relevant information is provided, EMT holders are paid the full nominal value of their EMTs in euros, and no fees are applied for EMT redemption.

## COMPLAINTS HANDLING POLICY

<b>Contact details for the submission of complaints by EMT holders</b>	Email: <a href="mailto:support@blueemi.com">support@blueemi.com</a>
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An employee appointed by the Blue EMI CEO ("**Responsible Employee**") shall be responsible for examining complaints. Complaints shall be examined by the Blue EMI under the principles of reasonableness, good faith, fairness, economy, objectivity, impartiality and respect for human rights, in cooperation with the Applicant and aiming for the most amicable solution possible. Complaints can be filed and are handled free of charge.

Customers can submit complaints through the email address [support@blueemi.com](mailto:support@blueemi.com) or in the contact form at <https://blueemi.com/contact-us/>. The complaint must include relevant circumstances and supporting documents. Complaints can be submitted in both English and Lithuanian.

The company will acknowledge receipt of a complaint and inform the complainant about whether the complaint is admissible without undue delay after its receipt. The company will examine all the relevant information regarding the complaint and respond within 15 Business Days, or 35 Business Days in exceptional cases. In exceptional cases, meetings of the parties may be convened to resolve a dispute amicably. The meeting may be organised by either the Applicant or the Company.

## DISPUTE RESOLUTION MECHANISM

Disputes related to the contract shall first be attempted to be resolved through negotiations. If the Company does not satisfy the Applicant's requests or satisfies them in part and the Applicant is a consumer, the Applicant shall be entitled to apply to the Supervisory Authority in writing or electronically, within 1 (one) year from applying to the Company, for resolution of the dispute arisen. If unresolved, disputes may be settled in a competent court in Lithuania or by contacting the Bank of Lithuania:

- **By email:** Send an email to **info@lb.lt**.
- **Via online form:** Fill out the electronic form available on the Bank of Lithuania's website.
- **Through the E. Delivery System:** Submit your complaint via the electronic delivery system.
- **By mail:** Send a letter to **Totorių g. 4, LT-01121 Vilnius**.
- **By dropping it in the correspondence box:** Place your complaint in the Bank of Lithuania's correspondence box at **Totorių g. 4, Vilnius**, available on business days from **8:00 to 17:00**.
- **In person at the Bank of Lithuania:** Visit the Bank of Lithuania at **Totorių g. 4, LT-01121 Vilnius**, and request to meet with a responsible officer from the Corporate Services Department, Document and Information Management Division.
  - Available **Monday to Friday** during business hours, including lunch breaks.
  - On **Tuesdays, from 17:00 to 19:00**, prior registration is required.

Find out more about the procedure of consumer disputes with financial service providers on the website of the Supervisory Authority: <https://www.lb.lt/en/dbc-settle-a-dispute-with-a-financial-service-provider>.

If the Company does not satisfy the Applicant's demands or satisfies them in part and the Applicant is not a consumer, the Applicant shall be entitled to apply to a court in accordance with the procedure established by the laws of the Republic of Lithuania.

## TOKEN VALUE PROTECTION AND COMPENSATION SCHEMES

BLUEUR is a MiCAR-compliant e-money token and is fully backed by an equivalent amount of euro-denominated deposits held by Blue EMI with regulated credit institution in segregated account apart from Blue EMI's funds, on behalf of, and for the benefit of, EMT holders. This segregation ensures that funds are kept separate from any operational accounts of Blue EMI, providing security from any potential Blue EMI creditors' claims. These reserves are safeguarded to meet the redemption requests of EMT holders at par value, protecting the EMT value.

Blue EMT as an electronic money token is not covered by investor compensation schemes under Directive 97/9/EC or deposit guarantee schemes under Directive 2014/49/EU. However, the segregated accounts, where the funds are safeguarded for the benefit of holders of EMTs, are subject to these compensation schemes further protecting the holders of EMTs from potential insolvency or bankruptcy of the credit institutions that act as the custodians of these segregated accounts.

## THE LAW APPLICABLE TO THE EMT

The rights and obligations of EEA residents arising from the use or ownership of Blue EMTs are governed by the Laws of the Republic of Lithuania.

A competent court to address any proceedings related to the EMT is Vilnius Regional Court in the Republic of Lithuania.

## UNDERLYING TECHNOLOGY

BLUEUR Token resides on a private instance of XRP Ledger, which is an underlying DLT technology of the Axiology DLT TSS platform. XRP Ledger is an open source technology created by Ripple.

Its main token type is I-Owe-You (IOU), it has built-in decentralized exchange (DEX) and enables other payment types: Checks, transfers (Payments), account management. It has no smart contracts and works with a set-list of features, which can be used for building use cases.

## THE PROTOCOLS AND TECHNICAL STANDARDS OF THE TOKEN

TrustLines allow to track balances of IOU tokens on XRP Ledger. They are accounting relationships between addresses that track all tokens other than XRP. To hold a token and recognize it in a wallet, a TrustLine with the token issuer is essential. Any wallet can send a token on XRP Ledger by sending a Payment transaction if the necessary TrustLines are in place. You can “burn” tokens by sending them back to the issuer. You can only send tokens to those XRPL accounts which are willing to hold those tokens. The willingness is expressed by setting up a TrustLine with the issuing address.

## TECHNICAL REQUIREMENTS FOR THE PURCHASER

The user must have KYC completed with the broker and must request the broker to deposit tokens into the user’s Axiology wallet. This process implies a transfer from a bank account to the Axiology clients' account at Blue EMI, which then triggers the issuance of tokens on the XRP Ledger. The user must create a TrustLine with the token in advance, which is to be done automatically by the system. It then allows the user to use the tokens in decentralized exchange or for other operations on the DLT. No specific technical requirements need to be fulfilled to be able to use Blue EMT.

## CONSENSUS MECHANISM USED BY THE DLT

The XRP Ledger (XRPL) uses a unique consensus algorithm known as the XRP Ledger Consensus Protocol. It’s a Byzantine fault-tolerant consensus mechanism, designed to work even if all kinds of things can go wrong. Here’s how it works:

- **Agreement on Transactions:** The main goal of the XRPL Consensus Protocol is to agree on a set of transactions to add to the next ledger version.
- **Application of Transactions:** The agreed transactions are applied in a well-defined order.
- **Confirmation of Results:** Everyone confirms that they got the same results. When this happens successfully, a ledger version is considered validated, and final.
- **Properties:** The protocol ensures that everyone who uses the XRPL can agree on the latest state, and which transactions have occurred in which order. All valid transactions are processed without needing a central operator or having a single point of failure.

This protocol is designed to solve the double-spend problem, which is a fundamental challenge to any digital payment system. It ensures that when money is spent in one place, it can’t also be spent in another place. The protocol is still evolving, as is our knowledge of its limits and possible failure cases.

## INCENTIVE MECHANISMS TO SECURE TRANSACTIONS AND ANY APPLICABLE FEES

On the private instance of XRP Ledger all reserve and fee requirements are set to 0. Meaning that there are no fees.

## TECHNOLOGICAL AUDIT

CertiK, a leading security firm, has conducted comprehensive security audits of projects built on the XRPL. For instance, they confirmed that the Automated Market Maker (AMM) built on the XRPL meets the highest standards of security. In addition, renowned security analyst Guido Vranken spent several months examining the XRPL codebase, helping to improve the handling of malformed or incorrect input data and improve the overall quality and robustness of the code.

## RISK FACTORS

### ISSUER-RELATED RISKS

As a licensed e-money institution, Blue EMI adheres to the comprehensive risk management framework and rigorous compliance policies, which include anti-money laundering (AML) policy, risk appetite statement, ICT and security risk management policy, business continuity policy, client funds safeguarding policy, compliance processes, terms and conditions of services, privacy and data protection policy. In addition, Blue EMI is conducting periodic assessments to identify and evaluate potential risks and their impact, and regular stress tests to assess the ability to withstand adverse conditions. Blue EMI keeps all stakeholders informed of any risks or adverse events and actions to mitigate them.

Here is a potential list of risks that may apply to Blue EMI:

<b>Issuer Liquidity Risk</b>	Blue EMI may not be able to meet financial obligations to the EMT holders due to insolvency, liquidation, or other financial difficulties. Nonetheless, bankruptcy should have no impact on the rights of EMT holders. Axiology clients' reserves safeguarded by Blue EMI are protected by the applicable law and cannot be used to cover Blue EMI's debt to creditors. Axiology clients' funds are safeguarded in the credit institution and will be refunded to its holders.
Mitigation	To minimise liquidity risks, Blue EMI maintains robust financial controls, conducts regular audits, and adheres to strict capital requirements. Blue EMI holds reserves in euro-denominated deposits at the credit institution to meet redemption demands. If necessary, Blue EMI conducts stress tests to assess the ability to handle extreme market conditions and ensure adequate liquidity to support obligations.
<b>Risk of Loss</b>	Blue EMI is exposed to various risks that could lead to financial loss, personal data leak, potentially affecting its operations and the security of e-money tokens (EMT). These risks could arise from a range of scenarios, including fraud, theft, misuse, negligence, or improper administration of EMTs.
Mitigation	To minimise the risk of loss, Blue EMI implements strict internal controls, including segregation of duties, regular audits, and real-time and retrospective monitoring to detect unusual activities and transactions that may indicate fraud. The redemption right of eligible EMT holders remains even if Blue EMI suffers a loss of safeguarded assets.
<b>Legal and Regulatory Risk</b>	Risk of non-compliance with existing regulations, such as Markets in Crypto-Assets Regulation (MiCAR), anti-money laundering (AML) laws, data protection regulations (GDPR), and other financial and consumer protection laws. It could lead to investigations, enforcement actions, and penalties. Changes in regulatory frameworks or the introduction of new regulations could affect Blue EMI's operations.
Mitigation	To minimise regulatory risk, Blue EMI implements a compliance framework that adheres to the applicable law, including robust KYC and AML/CFT procedures, continuously monitors regulatory changes to adapt to evolving standards, and conducts periodic audits.

<b>Operational Risk</b>	Blue EMI could be exposed to risks resulting from inadequate or failed internal processes, systems, people, or external events. This could include technological risks related to technology failures, cybersecurity breaches, fraud, or human error, which could impact the ability to issue, manage, or redeem EMTs.
Mitigation	To minimise operational risk, Blue EMI implements comprehensive internal controls and security measures, including advanced technologies, regular system updates, and internal audits, and maintains contingency plans and business continuity protocols to minimise the impact of any operational disruptions.
<b>Environmental, Social, and Governance Risks</b>	It refers to the potential financial, operational, and reputational risks that arise from environmental factors, social practices, and governance structures. Blue EMI should address environmental concerns related to the energy consumption of the underlying blockchain. For Blue EMI, ESG risks could affect the company's sustainability, ethical standing, and overall long-term performance. This includes the environmental impact of blockchain operations, social responsibility, and governance practices.
Mitigation	Blue EMI is committed to adopting sustainable business practices, including plans to transition to data centres powered by renewable energy and exploring opportunities to invest in carbon offset programs. Blue EMI recognizes the importance of mitigating social risks and is actively working towards creating user-friendly platforms, strengthening privacy controls, and enhancing protections against hacking and fraud. On the governance side, Blue EMI is focused on developing a strong governance framework, transparent corporate structures, and fostering practices that promote fair treatment, safety, diversity, and inclusion in the workplace.
<b>Reputational Risks</b>	Any negative publicity, whether due to regulatory actions, security breaches, operational failures, or adverse market events could harm Blue EMI's reputation and reduce confidence among token holders and the broader market.
Mitigation	Blue EMI maintains proactive public relations strategies and effective communication channels to manage and mitigate any negative publicity, maintaining open communication with regulatory authorities, developing and enforcing a code of conduct and ethics program within the company, and ensuring clear, accurate, and honest communication with all stakeholders.

Blue EMI is committed to continuously enhancing risk management practices to ensure the security, stability, and trustworthiness of e-money token operations, in full compliance with MiCAR and other applicable regulations.

## TOKEN-RELATED RISKS

E-money token issued by Blue EMI could be subject to specific token-related risks. Blue EMT is MiCAR-compliant and adheres to requirements set by MiCA regulation, electronic money regulation, and other applicable laws. Blue EMI is conducting periodic assessments to identify and evaluate potential risks and their impact, and regular stress tests to assess the ability to withstand adverse conditions. Blue EMI keeps all stakeholders informed of any risks or adverse events and actions to mitigate them.

<b>Value Stability Risk</b>	Although Blue e-money tokens are designed to maintain a stable value pegged to fiat currency euro, there is a risk of value instability if the underlying reserves are not managed properly. This could occur due to market stress, inadequate reserve management, or failure in the operational mechanisms.
Mitigation	Maintain a liquidity buffer in highly liquid assets to meet redemption requests even in stressed market conditions; establish maximum daily redemption limits or staggered redemption periods to manage sudden spikes in liquidity demand.



<b>Technology and Infrastructure Risks</b>	E-money tokens rely on robust technological infrastructure. Nonetheless, some risks may occur and have impact on the smooth operation of the infrastructure. Risks include software bugs, system outages, or failures in the distributed ledger technology that underpins the token, which can disrupt transactions or lead to loss of funds.
Mitigation	Technological risks are minimised in a way that token issuance systems at all times have a technological backup. Blue EMI follows its ICT risk management framework and uses a robust IT infrastructure provided by diligent partners who deliver reliable ICT services. It spans regular testing, recovery plans, highest up-time levels, and cloud-based solutions for scalable and resilient operations. Blue EMI partners with a reputable cybersecurity company to improve the cyber security of operations, make penetration tests and deliver ICT compliance.
<b>Custody Risks</b>	Blue EMI is responsible for managing custodial risks to ensure the safety and integrity of clients' funds, preventing loss or unauthorized access. Funds are safeguarded in accounts with credit institutions, per Blue EMI's custody policy, and are protected from encumbrance or collateralization. However, custodians could pose risks of the potential loss or misuse of clients' funds.
Mitigation	Blue EMI performs due diligence on these institutions, assessing their capital and credit ratings, and ensures that custodians protect client assets from fraud, misuse, or negligence. Contractual arrangements with custodians specify that client funds remain accessible for redemption and are protected from custodian creditors' claims.
<b>Risk related to token design</b>	If the token's structure, use case, or governance is not clearly defined or transparent, it can negatively impact token functionality and user perception. As Blue EMI uses the Axiology platform based on a private instance of XRP ledger, developed by Axiology DLT, any technical issues, vulnerabilities, or failures in that platform could affect the functionality and transferability of Blue EMTs.
Mitigation	Blue EMI performs regular audits and security reviews of the systems and continuous monitoring of the DLT networks.
<b>Security Risks</b>	EMT holders could be exposed to risks related to the security of their digital wallets and the overall security of the DLT networks. Cyberattacks, phishing attempts, fake giveaways, identity theft of Blue EMI or its executive members, creation of fake EMT tokens, offering fake EMT airdrops and other security threats could lead to the loss of tokens or unauthorised transactions.
Mitigation	Blue EMI puts all the effort to encouraging best security practices among users, enabling two-factor authentication, along with continuous security improvements conducted by Blue EMI and Axiology DLT.

## RISKS ASSOCIATED WITH THE TECHNOLOGY USED

Below are listed key risks related to the technology used by the Axiology platform where Blue EMI EMT is used for settlement. Several measures were put in place to mitigate the risks related to the technology used.

<b>Key management</b>	Lost private key can lead to permanent loss of assets as they will not be possible to access (appropriate to any blockchain).
Mitigation	Multisignature accounts are used, so that in case of compromised keys they can be replaced and assets preserved.
<b>Limited functionality</b>	Some use cases may be complex to implement without smart contracts.
Mitigation	Deep analysis and technical design is done for each process to ensure its validity and proper implementation on XRPL.

<b>Technical knowledge</b>	Advanced features might need deep technical knowledge to use and implement.
Mitigation	Developers with expert level XRP Ledger knowledge are involved in development and solution design.
<b>Privacy of the network</b>	Private network needs extra security and fallback measures in order to make sure the consensus does not stop.
Mitigation	Automatic pipeline that adds more nodes in case some of existing ones crash is implemented to ensure that consensus never stops.

## SUSTAINABILITY INDICATORS

Main sustainability indicators should be disclosed relating to adverse impacts of the consensus mechanism used by Blue EMT in the Axiology platform that is powered by a private instance of XRPL ledger developed by Ripple.

According to ESMA draft RTS for MiCAR sustainability reporting, Blue EMI is not expected to use more than 500 000 kWh per year for EMT transactions.

Key sustainability features of XRPL include:

- **Eco-Friendly Consensus Mechanism:** XRPL's unique consensus mechanism does not require energy-consuming processes like Proof of Work (PoW), making it one of the greenest blockchain technologies available.
- **Low Energy Consumption:** XRPL uses only 0.0079 kWh of energy per transaction, which is 100,000 times smaller than the energy required by Bitcoin per transaction. This translates into an annual energy saving of over 50 billion kWh<sup>3</sup>.
- **Carbon Neutral:** XRPL is the world's first major public blockchain to be certified carbon-neutral. The trivial amount of energy it consumes is neutralized with carbon credits through EW Zero, an open-source blockchain decarbonization tool.
- **Sustainable Projects:** XRPL supports companies and developers who are using the XRP Ledger to solve problems efficiently and sustainably.