



Paxos

- [General Terms and Conditions](#)
- [US Dollar-Backed Stablecoin Terms and Conditions](#)
- [Paxos Virtual Asset Listing and Governance Policies](#)
- [PAX Gold Terms and Conditions](#)
- [Trading Terms and Conditions](#)
- [Privacy Policy](#)
- [Applicant Privacy Policy](#)
- [GLBA Privacy Notice](#)
- [Paxos Cookie Policy](#)
- [Anti-Money Laundering/Know Your Customer \(AML/KYC\) Disclosure](#)
- [Market Manipulation Protection](#)
- [FDIC Pass Through Insurance Disclosures](#)
- [Illegal Activity](#)
- [Risk Disclosures](#)

Paxos Europe

USDG EU Whitepaper

No	FIELD	Content
I.00	Table of contents	<div><div>PART I - Summary</div><div>Part A - Information about the issuer of the e-money token</div><div>Part B - Information about the e-money token</div><div>Part C - Information about the offer to the public of the e-money token or its admission to trading</div><div>Part D - Information on the rights and obligations attached to e-money tokens</div><div>Part E - Information on the underlying technology</div></div>

		<p>Part F - Information on the risks</p> <p>Part G - Information on the sustainability indicators in relation to adverse impact on the climate and other environment-related adverse impacts</p>
I.01	Date of notification	2025-05-09
I.02	Statement in accordance with Article 51(3) of Regulation (EU) 2023/1114	'This crypto-asset white paper has not been approved by any competent authority in any Member State of the European Union. The issuer of the crypto-asset is solely responsible for the content of this crypto-asset white paper.'
I.03	Compliance statement in accordance with Article 51(5) of Regulation (EU) 2023/1114	'This crypto-asset white paper complies with Title IV of Regulation (EU) 2023/1114 of the European Parliament and of the Council and to the best of the knowledge of the management body, the information presented in this crypto-asset white paper is fair, clear and not misleading and the crypto-asset white paper makes no omission likely to affect its import.'
I.04	Warning in accordance with Article 51(4), points (a) and (b), of Regulation (EU) 2023/1114	'This e-money token ("USDG") is not covered by the investor compensation schemes under Directive 97/9/EC of the European Parliament and of the Council or the deposit guarantee schemes under Directive 2014/49/EU of the European Parliament and of the Council.'
SUMMARY		
I.05	Warning in accordance with Article 51(6), second subparagraph of Regulation (EU) 2023/1114	<p>This summary should be read as an introduction to the crypto-asset white paper.</p> <p>The prospective holder should base any decision to purchase this e-money token on the content of the crypto-asset white paper as a whole and not on the summary alone.</p> <p>The offer to the public of this crypto-asset does not constitute an offer or solicitation to purchase financial instruments and that any such offer or solicitation can be made only by means of a prospectus or other offer documents pursuant to the applicable national law.</p> <p>This 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 or any other offer document pursuant to Union or national law.'</p>
I.06	Characteristics of the crypto-asset	<p>The Global Dollar or USDG is an Electronic Money Token (EMT) representing 1 US Dollar on the blockchain, designed to maintain a stable 1:1 value peg and backed by equivalent reserve assets held in segregated, bankruptcy-remote accounts.</p> <p>USDG is a stablecoin fully backed by the United States Dollar (USD) that is issued by Paxos EU, supervised by the Finnish Financial Supervisory Authority. For every USDG in circulation in the European Economic Area ("EEA"), Paxos EU will keep equivalent reserve assets in segregated, bankruptcy-remote accounts on behalf of token holders. These reserves are duly managed under an extensive regulatory framework, which ensures that holders of USDG tokens can redeem their USDG for USD at a 1:1 ratio at any time without incurring fees.</p>
I.07	Right of redemption	USDG is fully redeemable from Paxos on a one-to-one basis for US dollars (1 USDG = 1 USD). The holders of USDG residents of the EEA have a right of redemption with Paxos EU at any time and at par value. USDG holders not residing in the EEA can redeem their USDG with Paxos Digital Singapore, as described in the Paxos US Dollar-Backed Stablecoin Terms and Conditions .

		<p>All redemption requests are subject to compliance reviews, which are used to confirm regulatory adherence, ensuring that the redemption process is secure and compliant with all relevant legislation and other regulatory obligations Paxos EU is subject to.</p> <p>Upon redemption, USDG tokens are removed from the supply and burned. All redemptions are on a one-for-one basis, notwithstanding any change in the market value of stablecoins or reserve assets.</p> <p>See more details on USDG Holders' Right of redemption in section D of this whitepaper.</p>
I.08	Key information about the offer and/ or admission to trading	<p>The minting of USDG is available exclusively on the Paxos Platform for institutions that have successfully completed the requisite onboarding procedures within supported jurisdictions. European Union-based institutions seeking to mint USDG must complete the onboarding process with Paxos EU (Paxos EU), which includes the provision of all necessary Know Your Customer (KYC) documentation.</p> <p>Furthermore, USDG will also be accessible for trading and transferring through crypto-asset service providers regulated within the European Union. Prospective holders of USDG are strongly encouraged by Paxos EU to visit the designated availability page [link to be inserted] to verify whether an entity offering USDG has been formally recognized by Paxos EU as a USDG distributor.</p>
Part A- Information about the issuer of the e-money token		
A.1	Statutory name	Paxos Issuance Europe Oy
A.2	Trading name	Paxos EU
A.3	Legal form	
A.4	Registered address	
A.5	Head office	
A.6	Registration date	2021-10-18
A.7	Legal entity identifier	743700KYSSTKZYGEUF50
A.8	Another identifier required pursuant to applicable law	Finnish business ID: 3236886-2
A.9	Contact telephone number	+358 10 348 7210
A.10	E-mail address	support@paxos.com
A.11	Response time (days)	5
A.12	Parent company	Paxos EU is a subsidiary entity under the parent company, Paxos Holdings LLC.
A.13	Members of the management body	<p>The management body of Paxos EU consists of the following individuals:</p> <ul style="list-style-type: none"> Charles Cascarilla, Chair of the Board of Directors; Meritullinkatu 1B, 00170, Helsinki, Finland Emil Woods, Member of the Board of Directors; Meritullinkatu 1B, 00170, Helsinki, Finland

		<ul style="list-style-type: none"> Juha Viitala, Member of the Board of Directors and Managing Director; Meritullinkatu 1B, 00170, Helsinki, Finland Patrik E. Johansson, Head of EU Compliance, MLRO. Meritullinkatu 1B, 00170 Helsinki, Finland Max Atallah, Compliance Officer; Erottajankatu 1-3 A 1, 00130 Helsinki
A.14	Business activity	<p>USDG is issued by Paxos EU, which is a legal entity established in Finland and supervised by the Finnish Financial Supervisory Authority (FIN-FSA).</p> <p>Paxos EU, the issuing company of USDG, is focused on developing and providing secure, efficient, and compliant digital financial solutions primarily related to e-money tokens (EMTs). Therefore, the company's primary business revolves around the issuance and management of these e-money tokens, which are always fully backed by equivalent reserves in the currency of the face-value of the specific EMT. Paxos EU operates under the regulatory oversight of the Finnish Financial Supervisory Authority, ensuring adherence to stringent financial regulations and industry standards. In addition to issuing e-money tokens, the company may offer a range of related services.</p> <p>The principal markets where Paxos EU operates include the European Union and other jurisdictions with robust regulatory frameworks for crypto-assets and other digital assets. The company's primary revenue-generating activities are derived from the issuance of EMTs and the subsequent interest generated by the asset-reserves backing these issued EMTs.</p> <p>Key customers of Paxos EU include financial institutions, entities operating with crypto-assets and/or other digital/virtual assets, businesses seeking blockchain integration.</p> <p>By leveraging advanced blockchain technology and robust security measures, Paxos EU aims to position itself as a leader in the digital finance sector by being committed to innovation, transparency, and regulatory compliance. This comprehensive approach ensures that Paxos EU remains a reliable partner in the evolving landscape of digital finance.</p>
A.15	Parent company business activity	<p>Paxos Holdings LLC, the parent company, is a leading regulated financial institution and blockchain infrastructure platform. Paxos specializes in building transparent, efficient, and trustworthy financial market infrastructure. Its core business activities include issuing and managing regulated stablecoins (like Global Dollar, USDG), tokenizing real-world assets (such as PAX Gold, PAXG), providing cryptocurrency brokerage services for institutions, and offering blockchain-based settlement solutions.</p>
A.16	Conflicts of interest disclosure	<p>Paxos EU, the issuer of USDG, is committed to maintaining transparency and integrity in its operations. However, potential conflicts of interest may arise in certain situations. One potential conflict of interest could occur if Paxos EU engages in transactions or business activities with entities in which its executives or board members have a financial interest. Another potential conflict could arise from the company's dual role as both the issuer of USDG and the provider of related financial services, such as digital wallets and blockchain integration, which could influence the prioritization of some services over others. To address and mitigate the risk of conflicts of interest, Paxos EU has implemented a comprehensive set of controls designed to ensure transparency, accountability, and ethical conduct throughout its operations. The Company maintains a robust Compliance training program that includes detailed instruction on identifying, managing, and reporting conflicts of interest. This training is mandatory for all employees on an annual basis. Additionally, the Board of Directors is required to complete an annual attestation disclosing any actual or potential conflicts of interest, thereby promoting accountability at the highest levels of governance. Furthermore, employees who become aware of any potential or actual conflicts are obligated to promptly report these concerns to the independent Risk, Governance & Oversight function, which is responsible for assessing and resolving such matters objectively.</p> <p>USDG is being issued jointly by Paxos Digital Singapore Pte Ltd, a legal</p>

entity established in Singapore, and Paxos EU, a legal entity established in Finland (the "Issuers"). These entities are affiliates under common control or share overlapping ownership, management, or strategic objectives.

While the co-issuance structure is intended to support operational efficiency, regulatory compliance, and broad accessibility across jurisdictions, it may give rise to actual or perceived conflicts of interest. These may include:

1. Divergent legal or regulatory obligations between Singapore and Finland;
2. Differing approaches to reserve management, redemption operations, or dispute resolution;
3. Overlapping governance, which may limit independent decision-making in the event of a cross-jurisdictional issue or enforcement action.

The Issuers have implemented internal controls and coordination protocols to mitigate these risks, including but not limited to:

1. Independent reserve verification and redemption mechanisms for each issuing entity;
2. Regular inter-entity reconciliation and information-sharing;
3. Commitment to regulatory cooperation and transparency with the competent authorities of each jurisdiction.

While the listing of USDG may be sought on various independent trading platforms in the future to enhance liquidity and accessibility, Paxos EU does not control any trading platforms.

Regarding the reserve assets backing USDG, Paxos EU does not lend out these assets and maintains strict control over their management. The reserves are held in secure, regulated financial institutions, and their investment policy is conservative, ensuring the stability and liquidity of all e-money tokens issued by Paxos EU currently and in the future.

Neither Paxos EU, nor any of its affiliates, engage in commercial trading activities related to any e-money tokens issued by Paxos EU, thereby minimizing any potential conflicts of interest in this area.

Paxos EU maintains close relations with several businesses and has some partnerships that might influence the operations of USDG. If these relationships were to have a direct effect on Paxos EU's activities relating to the crypto-assets it issues, these effects would be identified, disclosed and managed transparently, specifically in accordance with MiCA and all other relevant legislation, so that any undue influence on operations can be avoided. Additionally, Paxos EU has policies in place to prevent insider trading, which ensure that any principals or employees do not trade based on non-public information related to USDG, USDG or any crypto-asset issued by Paxos EU.

Incentive programs and business arrangements with third-party service providers are always designed to align with the interests of USDG holders. Any potential conflicts arising from these arrangements shall be disclosed and managed according to Paxos EU's Conflict of Interest Policy. This Policy includes regular monitoring, disclosure requirements, and procedures that all are aimed at guaranteeing that all business decisions will be made in the best interest of Paxos EU's stakeholders and everyone who holds any tokens issued by Paxos EU.

By addressing these areas, Paxos EU aims to maintain trust and confidence among its users and partners, ensuring ethical business practices and regulatory compliance.

A.17	Issuance of other crypto-assets	Yes
A.18	Activities related to other crypto-	Yes

	assets	
A.19	Connection between the issuer and the entity running the DLT	Yes.
A.20	Description of the connection between the issuer and the entity running the DLT	Although Paxos can have commercial partnerships with certain DLT networks to issue and grow USDG on their networks, Paxos does not have any control over any of the DLT network mentioned below
A.21	Newly established	Yes
A.22	Financial condition for the past three years	N/A
A.23	Financial condition since registration	<p>Paxos EU has always governed a strong and regulatory compliant reserve, and all e-money tokens issued by Paxos EU are always fully backed by equivalent reserves that are held in regulated financial institutions. These reserves are segregated from Paxos EU's own funds in order to safeguard the assets belonging to holders of such electronic money tokens, even if Paxos EU were to become insolvent in any shape, way or form, in the future.</p> <p>Funds received in exchange for USDG are not protected by a deposit guarantee scheme of any Member State</p> <ul style="list-style-type: none"> • Financial Metrics and Historical Data: Paxos EU has maintained healthy capital reserves, which have ensured robust backing for other stablecoins issued, and should continue the same for USDG. Even though Paxos EU as a company is still in its early stages and inevitably does not currently have a strong positive profit margin, expenses related to operations and regulatory compliance have always been managed effectively, indicating that Paxos EU should be capable of continued operations even prior to the significant revenue streams that have been prepared during these early stages. Specific revenue figures and profit margins are detailed in the company's annual financial statements, which have been duly reported to all competent authorities without any issues. • Causes of Material Changes: Significant increases in revenue can be envisioned in the future due to the growing adoption of e-money tokens issued by Paxos EU, and the expansion of customer bases. On the expense side, the relative costs of development and regulatory compliance have stabilized from initial amounts, leading to improved operational conditions. • Non-Financial KPIs: Key non-financial performance indicators include user growth and transaction volumes. Paxos EU has seen an increase in the number of USDG users, along with a corresponding rise in transaction volumes, reflecting the increasing utilization of USDG, which could be a promising indicator for USDG as well. • Cash Flows and Capital Resources: Paxos EU has an adequate liquidity position, with sufficient short-term and long-term capital resources to support its operations and growth initiatives. The primary sources of capital include equity investments and retained earnings, which provide a solid foundation for future expansion. • Financial Statements: The financial statements for the past fiscal years provide a detailed account of Paxos EU's financial performance. These financial statements have been duly notified to all competent authorities. Notably, there have been no unusual or infrequent events materially affecting Paxos EU's operations. <p>Paxos EU's commitment to transparency, regulatory compliance, and sound financial practices has positioned it well in the competitive</p>

		landscape of services related to digital finance, and more specifically to e-money tokens. As Paxos EU continues to innovate and expand its offerings, it remains focused on maintaining its financial health and delivering value to its stakeholders.
A.24	Exemption from authorisation	No
A.25	E-money token authorisation	Paxos Issuance Europe is an electronic money institution supervised by the Finnish Financial Supervisory Authority and authorized across the EU and EEA. Business ID FI32368862. LEI code 743700KYSSTKZYGEUF50.
A.26	Authorisation authority	Finnish Financial Supervisory Authority (Fin-FSA)
A.27	Persons other than the issuer offering to the public or seeking admission to trading of the e-money token in accordance with Article 51(1), second subparagraph, of Regulation (EU) 2023/1114	
A.28	Persons other than the issuer offering to the public or seeking admission to trading of the e-money token in accordance with Article 51(1), second subparagraph, of Regulation (EU) 2023/1114	<p>USDG may be offered to the public by certain trustworthy and carefully selected third parties that additionally have received a written consent from Paxos EU to act as offerors of USDG, and possibly any other EMTs issued by Paxos EU as well.</p> <p>Before purchasing USDG from any source, Paxos EU strongly encourages that all prospective holders of USDG visit the aforementioned website-address in order to confirm that the person offering USDG has been duly authorized and thus can be endorsed by Paxos EU. If USDG is acquired from non-authorized sources, Paxos EU will not be able to guarantee the legitimacy or reliability of such sources in any way, shape or form.</p>
A.29	Reason for offering to the public or seeking admission to trading of the e-money token by persons referred to in Article 51(1), second subparagraph, of Regulation (EU) 2023/1114	By allowing some trusted third parties to offer USDG to the public, Paxos EU would have access for distributing USDG on various platforms, with the intention of increasing liquidity and accessibility, subsequently making it easier for users to buy, sell, and trade USDG within regulated and secure environments.
Part B - Information about the e-money token		
B.1	Name	Global Dollar
B.2	Abbreviation	USDG
B.3	Details of all natural or legal persons involved in design and development	<p>USDG has been developed by both Paxos EU and Paxos Digital Singapore PTE Ltd. for non EEA token holders.</p> <p>Paxos EU's management body consists of the following persons:</p>

		<ul style="list-style-type: none"> Charles Cascarilla, Chair of the Board of Directors; Meritullinkatu 1B, 00170, Helsinki, Finland Emil Woods, Member of the Board of Directors; Meritullinkatu 1B, 00170, Helsinki, Finland Juha Viitala, Member of the Board of Directors and Managing Director; Meritullinkatu 1B, 00170, Helsinki, Finland Patrik E. Johansson, Head of EU Compliance, MLRO. Meritullinkatu 1B, 00170 Helsinki, Finland Max Atallah, Compliance Officer; Erottajankatu 1-3 A 1, 00130 Helsinki <p>Paxos Technology Solutions, LLC (sister entity to Paxos EU, formed in the US) has been providing information security services, smart contract development and operational support to other Paxos entities, including Paxos EU.</p> <p>Additionally, although Paxos EU has utilized the external expertise of some other sources, these following third parties are the ones that have had a material impact on the continued design and development of USDG:</p> <ul style="list-style-type: none"> Nordic Law Oy Ab, legal advisory and compliance functions; Erottajankatu 1-3 A 1, 00130 Helsinki, Finland KPMG Oy Ab, internal auditing relating to the compliance of the company's regulatory policies and IT-systems; Töölönlahdenkatu 3 A, 00100 Helsinki, Finland Grant Thornton Oy, accounting; Tietokuja 4, 00330 Helsinki, Finland <p>Finnish Financial Supervisory Authority, regulatory oversight resulting in the current format of the company's internal policies and procedures; Snellmaninkatu 6, 00170 Helsinki, Finland</p>
B. A description of the characteristics of the e-money token, including the data necessary for classification of the crypto-asset white paper in the register referred to in Article 109, as specified in accordance with paragraph 8 of that Article		
B.4	Type of white paper	EMTW
B.5	The type of submission	NEWT
B.6	Crypto-asset characteristics	<p>The Global Dollar or USDG is an Electronic Money Token (EMT) representing 1 US Dollar on the blockchain, designed to maintain a stable 1:1 value peg and backed by equivalent reserve assets held in segregated, bankruptcy-remote accounts.</p> <p>USDG is a stablecoin fully backed by the United States Dollar (USD) that is issued by both Paxos EU, supervised by the Finnish Financial Supervisory Authority and Paxos Digital Singapore PTE Ltd. for non EEA token holders. For every USDG in circulation in the European Economic Area ("EEA"), Paxos EU will keep equivalent reserve assets in segregated, bankruptcy-remote accounts on behalf of token holders. These reserves are duly managed under an extensive regulatory framework, which ensures that holders of USDG tokens can redeem their USDG for USD at a 1:1 ratio at any time without incurring fees.</p>
B.7	Website of the issuer	paxos.com/eu
B.8	Starting date of offer to the public or admission to trading	2025-06-09
B.9	Publication date	2025-06-09

B.10	Any other services provided by the issuer	N/A
B.11	Language or languages of the white paper	English
B.12	Digital token identifier code used to uniquely identify the crypto-asset or each of the several crypto assets to which the white paper relates, where available	
B.13	Functionally fungible group digital token identifier, where available	
B.14	Personal data flag	Yes
B.15	LEI eligibility	eligible
B.16	Home Member State	Finland
B.17	Host Member States	All EEA countries.
Part C - Information about the offer to the public of the e-money token or its admission to trading		
C.1	Public offering or trading	OTPC
C.2	Number of units	Paxos EU has structured the issuance of USDG without a predefined cap on the total number of units to be offered to the public or admitted to trading. This open-ended issuance model ensures that USDG can be provided in quantities that meet market demand without limitations. The number of units in circulation will be directly tied to the amount of USD held in reserve, maintaining a 1:1 backing ratio. This approach allows for flexibility in meeting user needs while ensuring the stability and trustworthiness of USDG. The exact number of units available at any given time will be transparently reported and can be verified through regular reserve attestations and public disclosures, ensuring full accountability and transparency for USDG holders.
C.3	Trading platforms name	N/A
C.4	Trading platforms market identifier code (MIC)	N/A
C.5	Applicable law	Law of Finland
C.6	Competent court	District Court of Helsinki, Porkkalankatu 13, 00180 Helsinki, Finland, jurisdiction of Finland.

Part D - Information on the rights and obligations attached to e-money tokens		
D.1	Holder's rights and obligations	<p>Holders of USDG located outside of the EEA shall refer to the USDG Terms of Paxos Digital Singapore Pte Ltd. applicable to them, in particular for the redemption of USDG.</p> <p>Claim for Redemption at Par: Holders of USDG have the right to redeem their tokens at par value, meaning that each USDG token can be redeemed for one USD (1 USDG = 1 USD). MiCA explicitly grants holders of e-money tokens the right to demand redemption from the issuer (Paxos EU) at par value, at any time. Paxos EU is legally obligated to honor these redemption requests promptly. Full redemption rights are available in USDG's Terms and Conditions.</p> <ul style="list-style-type: none"> • Redeeming entity - For EU residents holding USDG, this redemption claim is specifically enforceable against Paxos EU (Paxos EU). Paxos EU operates as a licensed Electronic Money Institution (EMI) in Finland, regulated by the FIN-FSA and subject to MiCA. This regulatory framework grants specific, legally enforceable rights to EU holders of e-money tokens like USDG issued by Paxos EU. Redemptions will be routed through the entity corresponding to the user's residence based on KYC information collected by Paxos at the moment the token holder requires redemptions. EU residents will redeem USDG through Paxos EU, and non-EU residents through PDS. Paxos will ensure that both entities maintain the adequate liquidity to honor such redemption requests. • Institutional Redemption process: To redeem stablecoins for US dollars through the Paxos platform, USDG holders must have a Paxos Account that has been onboarded to Paxos Europe. Each account will have a unique deposit wallet address to which the holder can send USDG. Upon sending USDG to the deposit wallet address, Paxos EU will credit the account with the corresponding amount of US dollars. • Retail Redemption process: Retail customers who hold USDG will have two options to redeem USDG for US dollars: <ul style="list-style-type: none"> • Paxos will guide EU retail customers to GDN partners with retail operations in the European market to assist them with USDG redemptions. • Paxos will offer redemption capabilities internally through our existing customer support page. Customers will need to complete a support ticket on our website requesting a USDG redemption for U.S. dollars and providing KYC documentation and payment details. Once received, we will provide a unique deposit wallet address to the customer so they can send the USDG to be burned. After this step has been completed, we will process the USD payment directly to the requesting customer's bank account. Retail USDG holders will not be onboarding to any Paxos platform. • Conditions for redemptions: Institutions seeking to mint or redeem USDG directly from Paxos are required to have a Paxos Account that has been successfully onboarded to Paxos EU. Only verified institutional customers who have successfully passed Paxos EU's Know-Your-Customer (KYC) and Anti-Money Laundering (AML) onboarding process can redeem USDG, ensuring compliant access to USDG in accordance with MiCA requirements. Onboarding acceptance is subject to Paxos EU's eligibility criteria pursuant to Section 2.2.2 of the Terms and Conditions. <ul style="list-style-type: none"> • KYC and AML verification timelines will vary depending on the customer type. In general, for individual accounts, verification is expected to take up to two days, while for institutional accounts, onboarding to Paxos EU may take up to two weeks. This timeline is, however, subject to other factors such as compliance checks and customer responsiveness among others, which may prolong the onboarding process beyond the expected timelines above. • Redemptions may be delayed in certain circumstances, for example: <ul style="list-style-type: none"> • Operational latency with Paxos' banking partners

- Certain redemption requests need additional and enhanced review for compliance reasons
- Paxos believes that redemption of USDG would be contrary to applicable law or would otherwise expose Paxos EU to legal liability
- **Resolution process** - Paxos EU is able to communicate with customers who are experiencing delays in the redemption of their USDG via a support portal. Paxos EU undertakes the appropriate remediation actions to help customers redeem their USDG given the circumstances of each case. In cases of a mismatch between the beneficial owner of the bank account and owner of the Paxos account, the US dollar withdrawal will be denied and the customer will be notified. Paxos EU also provides support to assist customers with name mismatches or any other support topics around fiat transfers.

Other EU USDG holder's rights

- **Right to Clear Information:** EU holders have the right to receive information about USDG that is fair, clear, and not misleading. This is primarily fulfilled through this MiCA-compliant Whitepaper, which must detail the issuer, the token, rights, risks, fees (if any), reserve management, and redemption procedures. Ongoing material changes must also be disclosed.
- **Right to Safeguarding of Funds:** EU holders have the legal right to have the funds backing their USDG appropriately safeguarded. MiCA mandates that Paxos EU must:
 - Hold reserve assets equivalent to at least 100% of the value of outstanding USDG tokens attributed to EU holders. These reserves must consist of high-quality, low-risk assets like cash and short-term government debt.
 - Keep these reserve assets legally segregated from Paxos EU's own corporate funds.
 - Ensure these assets are held with qualified custodians and structured for bankruptcy remoteness, protecting holder funds if Paxos EU were to become insolvent.
- **Right to Complaint Handling:** EU holders are entitled to access effective and transparent complaint handling procedures established by Paxos EU, as required under MiCA. (See D.7).

Obligations:

- Holders of USDG must comply with certain obligations to exercise their rights of redemption. Specifically, holders are required to provide Paxos EU with all requested information during the redemption process. Such information is necessary to fulfill the obligations placed upon Paxos EU by applicable legislation, as well as compliance with internal policies, which have been approved by the Finnish Financial Supervisory Authority and as such must be stringently complied with.
- Additionally, all holders of USDG must adhere to any and all legislation applicable to them, which shall include but not be limited to, for example, strictly and absolutely refraining from allowing USDG to be used for money laundering, terrorism financing, or any other financial crimes.
- Funds received in exchange for USDG are not protected by a deposit guarantee scheme of any Member State.

D.2

Conditions of modifications of rights and obligations

The rights and obligations of USDG holders may be modified under specific conditions to ensure regulatory compliance and the stability of USDG. Paxos EU, the issuer of USDG, reserves the right to update the terms and conditions governing the redemption and use of USDG. Such modifications may be necessitated by changes in regulatory requirements, operational considerations, or the need to address security and compliance issues. Any proposed changes will be communicated to holders with a 30-day notice period, during which holders can review and prepare for the updates.

Notwithstanding anything to the contrary, if modifications are due to a legally binding request by any competent authority, or if justifiably deemed necessary by Paxos EU in order to comply with regulatory,

		<p>legal, or compliance related obligations, such modifications will be effective immediately. Modifications with immediate effect will be communicated similarly to all other modifications without any undue delays.</p> <p>Additionally, modifications to the rights and obligations may occur in response to compliance reviews/audits, where necessary adjustments are made to maintain adherence to regulatory standards. In cases where compliance issues are detected, redemption requests may be temporarily denied or altered until the issues are resolved, although Paxos EU will consider this as the absolute last resort.</p>
D.3	Description of the rights of the holders	<p>Holders of USDG are entitled to redeem it at any moment and at par value against funds denominated in the official currency referenced by USDG.</p> <p>Holders of USDG located outside of the EEA shall refer to the USDG Terms of Paxos Digital Singapore Pte Ltd. applicable to them, in particular for the redemption of USDG.</p> <p>USDG is fully backed by equivalent reserves in USD, that are held in segregated accounts at regulated financial institutions. These reserves are designated specifically to ensure the redeemability of USDG at par value. In the event that Paxos EU, the issuer of USDG, becomes insolvent or bankrupt, the rights of USDG holders are primarily focused on the protection and redemption of their funds within the reserve of assets that backs USDG. In the case of insolvency or bankruptcy, this segregated reserve of assets would be utilized to honor redemption requests from holders, ensuring they can redeem their USDG for USD. This structure is designed to protect the interests of USDG holders by segregating their assets from the Paxos EU's operational and own funds.</p> <p>All of these segregated accounts where the reserves are held are authorized by the Finnish Financial Supervisory Authority, which in turn results in complete legal segregation from Paxos EU's own funds. Practically, what this means is that if Paxos EU were to become insolvent or bankrupt in the future, all of these accounts, to which all holders of USDG have a legal claim on, will not be used to cover any of Paxos EU's potential outstanding debts or credits, instead being completely devoted for the redemption of all remaining USDG in circulation. All agreements/contracts related to these segregated reserve accounts that Paxos EU uses are construed in a manner where these accounts, which are sometimes referred to as 'trust accounts', are legally segregated from the funds of the financial institution that acts as the custodian for the trust account. Thus, if any of these financial institutions were to become insolvent or bankrupt, the reserve assets, which always ultimately belong to the holders of USDG and are subject to a legal claim from these holders, will remain free from any claims or liens from the debtors or creditors of the insolvent or bankrupt custodian. This segregation aims to ensure that the reserve assets are identifiable and available to meet the redemption claims of the token holders, prioritized over the claims of other creditors of Paxos EU, in accordance with applicable insolvency laws. The specific procedures for distributing these assets would be governed by Finnish insolvency law and overseen by the appointed insolvency administrator and the FIN-FSA.</p> <p>Additionally, this white paper shall act as a public attestation from Paxos EU, that in case of insolvency or bankruptcy, in terms of priority of claims, holders of USDG are entitled to a proportionate share of the segregated reserve assets, with their claims taking precedence over unsecured creditors, as mentioned above. This prioritization ensures that the funds backing USDG are primarily used to satisfy the redemption rights of USDG holders before addressing any other debts and liabilities.</p> <p>The regulatory framework under which Paxos EU operates mandates stringent oversight and audit requirements, further safeguarding the reserves. However, the actual process and priority of claims may be subject to the legal proceedings and regulations governing insolvency and bankruptcy in Finland.</p> <p>Holders shall always have the right to claim their funds from the</p>

		segregated reserves, but they should be aware that the resolution process could involve legal and administrative procedures.
D.4	Rights in implementation of recovery plan	<p>Paxos EU is developing a specific Recovery Plan as required by the Markets in Crypto-Assets Regulation and further specified by EBA guidelines and technical standards. This plan will be finalized and notified to the Finnish Financial Supervisory Authority (FIN-FSA) within six months of USDG's initial offer to the public, per MiCA Article 55.</p> <p>The Recovery Plan serves as the strategic framework used for restoring and maintaining the operational and financial stability of the Company in the face of stress events impacting the issuance and redemption of USDG, now and in the future.</p> <p>The Recovery Plan aims to ensure Paxos EU's operational stability and the protection of USDG and its holders should PIE encounter difficulties. If the Recovery Plan is activated, USDG token holders will fundamentally retain:</p> <ol style="list-style-type: none"> The right to redeem USDG at par value, in line with this white paper and applicable law. Protection through safeguarded funds backing USDG, as mandated by MiCA. The right to timely and clear communication from Paxos EU regarding the recovery process. <p>As part of the global Paxos organization, Paxos EU benefits from established group-level risk management and operational resilience frameworks, which will inform the Paxos EU Recovery Plan while adhering to EU-specific requirements.</p> <p>This white paper will be amended if the finalized plan introduces material changes affecting the abovementioned rights.</p>
D.5	Rights in implementation of redemption plan	<p>Paxos EU is developing a specific Redemption Plan as required by the Markets in Crypto-Assets Regulation and further specified by relevant EBA guidelines and technical standards. This plan will be finalized and notified to the Finnish Financial Supervisory Authority (FIN-FSA) within six months of USDG's initial offer to the public, per MiCA Article 55.</p> <p>The Redemption Plan serves as the operational framework for ensuring the orderly and timely redemption of all outstanding USDG tokens, particularly in scenarios where Paxos EU may cease its activities or is unable to fulfil its ongoing redemption obligations.</p> <p>The Redemption Plan aims to ensure that USDG token holders can redeem their USDG at par value and that their claims on the safeguarded reserve assets are prioritized. If the Redemption Plan is activated, USDG token holders will fundamentally retain:</p> <ol style="list-style-type: none"> The right to redeem USDG at par value against claims on Paxos EU, in line with this white paper and applicable law. The assurance that their claims will be satisfied from the proceeds of the safeguarded reserve assets backing USDG, with priority for token holders as mandated by MiCA. The right to a clear, fair, and communicated process for exercising their redemption rights. The right to timely and clear communication from Paxos EU regarding the redemption process. <p>As part of the global Paxos organization, Paxos EU benefits from established group-level expertise in managing digital assets, safeguarding client funds, and navigating regulated wind-down scenarios, which will inform the Paxos EU Redemption Plan while adhering to EU-specific requirements.</p> <p>This white paper will be amended if the finalized plan introduces material changes affecting the abovementioned rights.</p>
D.6	Complaint submission	support@paxos.com

	contact	
D.7	Complaints handling procedures	<p>Paxos EU has established a comprehensive procedure for handling complaints received from holders of USDG to ensure timely and effective resolution. Holders of USDG can raise complaints by contacting the complaint submission email address listed above. When a complaint is received, it is promptly acknowledged and documented. The complaint is then reviewed by an appropriate member of the team who is responsible for investigating the issue. Relevant information is gathered and necessary departments are consulted to understand the nature of the complaint and identify potential resolutions.</p> <p>Paxos EU aims to provide an initial response to the complaint within five business days, outlining the steps being taken to address the issue. If the complaint requires more extensive investigation, the holder is kept informed of the progress and expected timeline for resolution. Paxos EU strives to resolve all complaints within 30 days from the date of receipt.</p> <p>If the holder is not satisfied with the proposed resolution, they have the right to escalate the complaint to senior management for further review. Additionally, holders can seek external resolution through appropriate legal channels if they believe their complaint has not been adequately addressed. Holders can, for example, seek external resolution through the Finnish Financial Ombudsman Bureau or other relevant regulatory bodies if they believe their complaint has not been adequately addressed.</p> <p>All complaint handling procedures are designed to ensure transparency, fairness, and efficiency in resolving any grievances or other issues holders of USDG may encounter. Detailed records of each complaint and its resolution are maintained so that Paxos EU can continuously improve its services and address any systemic issues.</p>
D.8	Dispute resolution mechanism	<p>Paxos EU has established a comprehensive procedure for handling complaints received from holders of USDG to ensure timely and effective resolution. Holders of USDG can raise complaints by contacting the complaint submission email address listed above. When a complaint is received, it is promptly acknowledged and documented. The complaint is then reviewed by an appropriate member of the team who is responsible for investigating the issue. Relevant information is gathered and necessary departments are consulted to understand the nature of the complaint and identify potential resolutions.</p> <p>Paxos EU aims to provide an initial response to the complaint within five business days, outlining the steps being taken to address the issue. If the complaint requires more extensive investigation, the holder is kept informed of the progress and expected timeline for resolution. Paxos EU strives to resolve all complaints within 30 days from the date of receipt.</p> <p>If the holder is not satisfied with the proposed resolution, they have the right to escalate the complaint to senior management for further review. Additionally, holders can seek external resolution through appropriate legal channels if they believe their complaint has not been adequately addressed. Holders can, for example, seek external resolution through the Finnish Financial Ombudsman Bureau or other relevant regulatory bodies if they believe their complaint has not been adequately addressed.</p> <p>All complaint handling procedures are designed to ensure transparency, fairness, and efficiency in resolving any grievances or other issues holders of USDG may encounter. Detailed records of each complaint and its resolution are maintained so that Paxos EU can continuously improve its services and address any systemic issues.</p>
D.9	Token value protection schemes	Yes
D.10	Token value protection	USDG token value protection shall be ensured through full backing by equivalent reserves in USD held in segregated accounts at regulated

	schemes description	<p>financial institutions. This segregation ensures that the funds are kept separate from any and all operational accounts or personal accounts of Paxos EU, providing a secure basis for redeemability of USDG.</p> <p>In the event of insolvency or financial instability of Paxos EU, these reserves are designated specifically to meet the redemption requests of USDG holders at par value, protecting the token's value. Regular attestations verify the adequacy of these reserves, enhancing transparency and trust.</p> <p>It is important to note that USDG itself 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 or other assets will be held for the benefit of holders of USDG, are covered by these compensation schemes, which further protects the holders of USDG from potential insolvency or bankruptcy of the financial institutions that act as the custodians of these segregated accounts.</p> <p>While there is no specific compensation scheme for USDG, the robust regulatory oversight by the Finnish Financial Supervisory Authority and Paxos EU's continued compliance with stringent financial standards serve as indirect protection mechanisms for USDG holders. Should any disputes arise, holders have the right to seek legal recourse and participate in claims processes as outlined in Paxos EU's dispute resolution mechanisms, ensuring that their rights and the value of their holdings are safeguarded.</p>
D.11	Compensation schemes	No
D.12	Compensation schemes Description	N/A
D.13	Applicable law	Law of Finland
D.14	Competent court	District Court of Helsinki, Porkkalankatu 13, 00180 Helsinki, Finland, jurisdiction of Finland.
Part E - Information on the underlying technology		
E.1	Distributed ledger technology	<p>USDG was originally deployed on the Ethereum blockchain. Ethereum is one of the largest and most established smart contract platforms, offering significant security, developer tooling, and a vast existing user base and ecosystem. On Ethereum, USDG is implemented as an ERC-20 compliant token. This is the standard technical specification for fungible tokens on the Ethereum blockchain. Adherence to ERC-20 ensures seamless compatibility and interoperability with a wide range of existing Ethereum infrastructure</p> <p>Paxos has since started issuing USDG on Solana and Ink, leveraging the most commonly used token standard on their chains. Paxos will continue to expand chains on which USDG to enhance accessibility, reduce transaction costs, and cater to different ecosystem needs. Any new blockchains supported by USDG will be added to this section of the white-paper.</p>
E.2	Protocols and technical standards	<p>Token Standards: USDG utilizes industry-standard protocols and technical standards to ensure secure holding, storing, and transferring of the token.</p> <ul style="list-style-type: none"> • Ethereum: On Ethereum, USDG adheres to the ERC-20 token standard. This is crucial for ensuring interoperability within the vast Ethereum ecosystem, allowing USDG to work seamlessly with wallets, developer tools, block explorers, and other applications that support ERC-20 tokens. • Solana: On Solana, USDG is implemented as an <u>SPL token</u> utilizing the Token-2022 Program standard. SPL, the Solana Program Library token standard, defines the common implementation for fungible and non-fungible tokens on the

		<p>network, ensuring interoperability with Solana wallets and smart contracts.</p> <ul style="list-style-type: none"> • Ink: On Ink, USDG also adheres to the ERC-20 token standard, ensuring similar compatibility within its ecosystem. As an EVM chain, Ink applications also mainly use the ERC-20 token standard to ensure interoperability with Ethereum. • Other Chains: When USDG is deployed on other approved chains in the future, it will adhere to the prevalent fungible token standard on those specific networks to ensure compatibility within those ecosystems. <p>Upgradeability: To address potential bugs or introduce new features, smart contracts often use upgradeability patterns (e.g., proxy contracts). This allows the contract logic to be updated without changing the contract address users interact with. Any upgrade mechanism would be governed by strict internal controls and security protocols at Paxos.</p>
E.3	Technology used	<p>For holding and storing USDG, users can utilize any wallet that supports ERC-20 tokens or the corresponding standards on other blockchains. Wallet technology relies on cryptographic algorithms for the custody of crypto assets, involving the generation and management of public and private keys. Public keys allow users to receive tokens, while private keys are used to authorize transactions and access the tokens. Secure storage solutions include software wallets, hardware wallets, multisignature accounts, and accounts managed by multi-party computing.</p> <p>The transfer of USDG tokens is facilitated through the underlying blockchain protocols, which employ cryptographic techniques to secure transactions, which are used so that integrity and immutability can be ensured. Transactions are validated and recorded directly on the blockchain, providing a transparent and tamper-proof ledger of all token transfers. To enhance security, Paxos EU implements multi-signature policies and other advanced security controls, requiring multiple approvals for transactions to prevent unauthorized access.</p> <p>Additionally, Paxos EU ensures compliance with relevant technical and security standards to protect against unauthorized access and cyber threats, enhancing the overall security and reliability of USDG. This adherence to high technical standards and robust protocols ensures that USDG holders can confidently hold, store, and transfer their tokens within a secure and efficient ecosystem.</p>
E.4	Purchaser's technical requirements	<p>USDG will be available in the EU for purchase on the Paxos platform for onboarded institutions and on the secondary market (e.g. MICA-regulated exchanges) for institutions and individuals.</p> <p>Purchasers may need to open an account with Paxos EU or another entity that is authorized to offer USDG tokens, so that the prospective purchaser can acquire USDG tokens. This process typically includes completing a Know-Your-Customer (KYC) procedure to comply with regulatory requirements. The KYC process involves providing personal identification information and verifying identity, which helps prevent fraud and ensure compliance with anti-money laundering (AML) regulations.</p>
E.5	Consensus mechanism	<p>USDG operates on multiple blockchain platforms, each utilizing different consensus mechanisms to ensure secure and reliable transactions:</p> <p>Proof-of-Stake (PoS): The primary chains currently used for issuing USDG are Ethereum, Solana, and Ink. All chains on which USDG is currently issued utilize a variation of the Proof-of-Stake (PoS) consensus mechanism. PoS is a cryptocurrency consensus mechanism where participants, known as validators, lock up a certain amount of their own digital currency as a "stake" to get a chance to validate new transactions and add them to the blockchain. This stake acts as collateral, incentivizing honest behavior, as malicious actions can lead to losing the staked amount. Unlike Proof-of-Work, PoS does not rely on intensive computational power, making it significantly more energy-efficient and often allowing for faster transaction processing. Validators are typically chosen to create new blocks based on the size</p>

		<p>of their stake and other factors, earning rewards for their role in maintaining the network's integrity and security.</p> <p>Ethereum (Eth): Ethereum uses a Proof-of-Stake (PoS) consensus mechanism called Gasper. Validators stake 32 ETH to participate in proposing and attesting to blocks, earning rewards for honest behavior and facing penalties for malicious actions or being offline. This system ensures blocks become irreversible and significantly reduces energy consumption compared to Proof-of-Work, enhancing network security and scalability.</p> <p>Solana: Solana uses a Proof of History (PoH) consensus mechanism that is combined with a Proof of Stake (PoS) consensus mechanism. PoH serves as a cryptographic clock, providing a historical record that proves events occurred in a specific sequence, which enhances throughput and efficiency. PoS is used for selecting validators and securing the network. The advantages of this mechanism include high transaction speed and low costs, making Solana suitable for high-frequency applications.</p> <p>Ink: Kraken's Ink is an Ethereum Layer-2 network designed to enhance scalability and reduce transaction costs while inheriting Ethereum's security. Ink leverages zero-knowledge proofs (zk-proofs), specifically utilizing zk-rollups to batch and validate transactions off-chain before posting succinct proofs back to Ethereum. As such, its security model relies on Ethereum's underlying Proof-of-Stake (PoS) consensus, while transaction execution and state changes occur off-chain under a zk-rollup framework.</p>
E.6	Incentive mechanisms and applicable fees	<p>Security Incentive Mechanisms: The incentive mechanisms to secure transactions for USDG vary depending on the underlying blockchain used. Validators secure the network through staking for blockchains using the Proof of Stake (PoS) consensus mechanism. Validators are incentivized to act honestly by earning transaction fees and staking rewards, which are distributed based on their staked amount and participation in the consensus process. Paxos does not provide these incentives; they are part of the DLT infrastructure.</p> <p>Network / Gas Fees: Users transferring USDG must pay the standard transaction fees applicable on the respective blockchain network (e.g., gas fees on Ethereum/Ink paid in ETH, transaction fees on Solana paid in SOL). Transaction fees, often referred to as 'gas fees', are assessed based on the complexity of the transaction and the current network demand. These fees are paid by users to prioritize their transactions and compensate validators for processing them.</p> <p>Please refer to the website of each of the blockchains on which USDG is issued for more information regarding their respective incentive mechanisms and applicable fees.</p>
E.7	Use of distributed ledger technology	False
E.8	DLT functionality description	N/A
E.9	Audit	Yes
E.10	Audit outcome	<p>The USDG smart contracts deployed by Paxos undergo thorough security audits conducted by leading, independent, reputable third-party blockchain security firms before deployment and after significant updates. These audits aim to identify and rectify potential vulnerabilities and ensure the code functions as intended. The audit reports provide assurance regarding the security and soundness of the smart contract implementation.</p> <ul style="list-style-type: none"> • ERC - 20 smart contract (Ethereum & Ink) audit from Zelic • SPL smart contract (Solana) audit from Trail of Bits <p>Prior to launch or upgrade, all issues identified during the smart</p>

		contract audits are reviewed and remediated based on their severity
Part F - Information on the risks		
F.1	Issuer-related risks	<p>Paxos EU is exposed to several risks related to the issuance of the e-money token, USDG.</p> <ul style="list-style-type: none"> Regulatory Risks: This is the risk that changes in regulatory frameworks, the introduction of new regulations, or regulatory actions taken against Paxos EU affect operations. Our ability to operate depends on maintaining the necessary licenses (e.g., EMI license in Finland via Paxos EU, MPI license in Singapore via PDS) in good standing and ongoing adherence to regulatory standards.. <ul style="list-style-type: none"> Mitigation: Continuous monitoring of regulatory changes and maintaining a robust legal team to ensure compliance across all jurisdictions. Operational Risks: This is the risk of inadequate or failed internal processes, people, or technology affecting the issuance and redemption of USDG. The efficient issuance and redemption of USDG by Paxos EU relies on robust internal processes and systems and such failures could affect these process efficiencies. . Any failures or disruptions in these processes, including human errors, system failures, or inadequate internal controls, could adversely affect the issuance and redemption of USDG tokens. <ul style="list-style-type: none"> Mitigation: Regular audits, employee training, and the implementation of internal controls. Financial Risks: This is the risk of financial loss due to business activities or reserve investments resulting in potential financial instability, such as liquidity issues or insolvency, that may jeopardize the redemption process. The company's ability to manage its reserves and ensure adequate backing is essential to mitigating this risk. <ul style="list-style-type: none"> Mitigation: Responsible management of our reserves and regularly audited financial statements. Reputational Risks: This is the risk of potential loss of credibility with customers, regulators, or prospective customers due to business activities or failed internal controls resulting in company harm, reducing confidence among token holders and the broader market. <ul style="list-style-type: none"> Mitigation: Act responsibly and appropriately respond to negative publicity. Financial Crime Risks: This is the potential risk that the USDG e-money token is exploited, exposed, or involved in illicit financial activities that violate anti-money laundering, fraud, sanctions, or terrorist financing rules, or regulations. Failing to prohibit such activities through ongoing monitoring and potential freezing and seizing of assets could result in legal penalties and damage to Paxos EU's reputation. <ul style="list-style-type: none"> Mitigation: Customer due diligence and ongoing monitoring controls that may be periodically evaluated by independent auditors. Environmental, Social, and Governance (ESG) Risks: This risk includes the environmental impact of blockchain operations, social responsibility, and governance practices. As global emphasis on ESG factors increases, any failure to adhere to sustainable and ethical practices could result in fines, impact the reputation, and affect operations of Paxos EU. <ul style="list-style-type: none"> Mitigation: Implementing sustainable business practices, adhering to requirements, and actively participating in social responsibility initiatives. <p>By recognizing and proactively managing these risks, Paxos EU aims to maintain the stability, security, and trustworthiness of USDG, ensuring that it remains a reliable digital asset for its holders.</p>

F.2	Token-related risks	<p>USDG, as an electronic money token, is subject to various risks that could impact its stability, usability, and value. Key token-related risks include technological risks, market risks, liquidity risks, regulatory risks, security risks, user-related risks, and reputational risks. The value of USDG may be affected by factors other than the creditworthiness of the issuer, including operational risks, cybersecurity incidents, and market conditions. There may be limitations on redemption or delays due to extreme market events.</p> <ul style="list-style-type: none"> • Liquidity Risks: Although USDG is backed 1:1 by USD reserves, there could be situations where limited liquidity of the token exists, such as during market stress, bank insolvencies, or if Paxos EU faces financial difficulties. This could hinder the ability of holders to redeem their tokens efficiently. • Mitigation: Paxos EU manages reserves by investing in short duration, high-quality liquid assets to minimize exposure to market and credit risks. Paxos EU reserve accounts are legally segregated from corporate accounts. This structure is intentional, as it is designed to protect holder assets in the event of Paxos insolvency. • Counterparty Risk: This is the risk that a counterparty to a financial contract defaults on their contractual obligations prior to the final settlement of the transaction. USDG holders are subject to such risk as Paxos EU uses custodians to hold reserve assets for the benefit of USDG e-money token holders. Paxos EU maintains a robust banking partner due diligence process to ensure that USDG reserves are held only with custodians and partners who would be deemed suitable to provide custody to reserve assets as per regulatory requirements. • Multi-Jurisdiction Issuance risks: <ul style="list-style-type: none"> • Rebalancing Failures: Errors or delays in the jurisdictional reserve rebalancing process between Paxos EU and PDS. <ul style="list-style-type: none"> • Mitigation - Implementing a robust procedure to monitor holder locations daily and formally rebalance reserve assets between Paxos EU and PDS at least weekly to ensure sufficient assets are held in the correct jurisdiction to meet liabilities. • Cross-Jurisdictional Complexity & Conflict: Operating under multiple distinct regulatory frameworks (MiCA/FIN-FSA and SCS/MAS) introduces complexity. Differences in rules, reporting standards, or supervisory interpretations between jurisdictions could create compliance challenges or potential conflicts. The multi-jurisdictional compliance (MJC) model itself requires careful coordination. <ul style="list-style-type: none"> • Mitigation Operating under licenses and direct supervision from both the FIN-FSA in Finland (for Paxos EU under MiCA) and the MAS in Singapore (for PDS under SCS), ensuring adherence to high regulatory standards in both jurisdictions. <p>By understanding and proactively managing these token-related risks, Paxos EU aims to ensure the stability, security, and reliability of USDG, safeguarding the interests of token holders.</p>
F.3	Technology-related risks	<p>USDG utilizes advanced blockchain technology, which, while offering numerous benefits, also presents several risks. Key technology-related risks include smart contract vulnerabilities, blockchain network security, interoperability issues, scalability challenges, reliance on third-party infrastructure, network consensus and validation risks, internet dependence, network governance, attack risks, and hard fork risks.</p> <p>Paxos Platform & Infrastructure Risks:</p> <ul style="list-style-type: none"> • Breach: Attackers breaching Paxos's internal systems, databases, APIs, or cloud infrastructure to steal data, disrupt operations, or attempt to gain control over critical functions. • Private Key Compromise: The theft, loss, or unauthorized access to the private keys that control the USDG smart contract's administrative functions (like minting, burning, pausing, upgrading) or the wallets holding reserve assets. This is

one of the most critical risks, potentially allowing attackers to mint unauthorized tokens or steal reserves.

- **Insider Threats:** Malicious actions taken by employees or contractors with privileged access to systems or keys.
- **Third-Party Risks** - Compromises at critical third-party vendors (e.g., cloud providers, software suppliers, data feeds) could indirectly impact Paxos's systems or services.

USDG-specific risks

- **Smart Contract Vulnerabilities:** The smart contracts used for USDG are critical for its functionality. However, any bugs or vulnerabilities in these smart contracts could lead to security breaches, unauthorized transactions, or loss of tokens.
- **Upgrade Risks:** If the contract is upgradeable, vulnerabilities could be introduced during an upgrade, or the upgrade mechanism itself could be compromised.

Blockchain Network Level Risks:

- **Reliance on Third-Party Infrastructure:** USDG relies on third-party blockchain networks and wallet providers for its operation. Any disruptions, failures, or security breaches within these third-party services can affect the functionality and security of USDG tokens.
- **Blockchain Network Security:** The security of USDG depends on the underlying blockchain networks. These networks can be vulnerable to attacks such as 51% attacks, where a malicious actor gains control over the majority of the network's mining or staking power, potentially compromising the integrity of the blockchain.
- **Network Consensus and Validation Risks:** USDG relies on various blockchain consensus mechanisms, such as Proof of Stake (PoS) on Ethereum, and Proof of History (PoH) on Solana. These consensus mechanisms depend on the active participation of validators or miners to maintain network integrity and security. Any decrease in participation or consensus failures could compromise the network.
- **Network Governance:** The governance of the blockchain networks on which USDG operates affects its stability and development. Poor governance decisions or centralization of control can lead to disputes and instability.
- **Hard Fork Risks:** Blockchain networks may undergo hard forks, creating divergent versions of the blockchain. This can lead to confusion and potential loss of value if the community splits or if there is uncertainty about which fork represents the "true" version of the token.

By recognizing and proactively managing these technology-related risks, Paxos EU aims to ensure the secure and reliable operation of USDG, maintaining trust and confidence among token holders.

F.4

Mitigation
measures

Paxos EU employs a comprehensive set of measures to mitigate the risks associated with the technology used for USDG.

Paxos Platform & Infrastructure Risks:

- **Breach:** Implementing robust technical security measures for Paxos's infrastructure, including firewalls, intrusion detection, encryption, secure key management (e.g., multi-signature controls for critical functions), and regular vulnerability assessments.
- **Private Key Compromise:** Utilizing secure key management practices, including hardware security modules (HSMs) where appropriate, multi-signature controls for critical functions (minting, burning, pausing, upgrading), strict access control policies based on the principle of least privilege, and regular audits of key handling procedures.

- **Insider Threats:** Implementing background checks for relevant personnel, enforcing strict access controls and segregation of duties, monitoring privileged user activity, and providing security awareness training.
- **Third-Party Risks:** Conducting thorough due diligence on critical third-party vendors, establishing contractual security requirements, monitoring vendor security posture, and developing contingency plans for vendor failures (as mentioned under "Reliance on Third-Party Infrastructure" below).

USDG-specific risks

- **Smart Contract Vulnerabilities:** To address smart contract vulnerabilities, regular independent security audits are conducted to identify and rectify any potential issues. Continuous monitoring and prompt updates ensure that smart contracts remain secure and functional. For blockchain network security, USDG leverages robust and widely-used blockchain networks with strong security protocols and a decentralized validator or miner base, reducing the risk of attacks such as 51% attacks.
- **Upgrade Risks:** Implementing rigorous testing procedures, establishing clear governance processes for approving and executing upgrades and potentially requiring independent audits of the code before deploying any upgrades.

Blockchain Network Level Risks:

- **Reliance on Third-Party Infrastructure:** Reliance on third-party infrastructure is managed by establishing strong partnerships with reputable providers and developing contingency plans to address potential disruptions.
- **Blockchain Network Security:** Mitigation involves selecting robust and widely-used blockchain networks with strong security protocols, large and decentralized validator/miner sets (reducing the practical risk of 51% attacks), and continuous monitoring of network health and security alerts.
- **Network Consensus and Validation Risks:** in the future, USDG likely relies on various blockchain consensus mechanisms, such as Proof of Stake (PoS) on Ethereum and Polygon, and Proof of History (PoH) on Solana. These consensus mechanisms depend on the active participation of validators or miners to maintain network integrity and security. Any decrease in participation or consensus failures could compromise the network.
- **Network Governance:** Monitoring governance proposals and developments on the underlying blockchain networks, assessing potential impacts on USDG, potentially participating in governance processes where appropriate, and designing USDG systems to be resilient to potential adverse governance changes.
- **Hard Fork Risks:** Lastly, hard fork risks are managed by closely monitoring developments within blockchain communities and planning responses to potential forks, including clear communication strategies with token holders.

These comprehensive measures ensure that USDG operates securely and reliably, maintaining trust and confidence among its users.

Part G – Information on the sustainability indicators in relation to adverse impact on the climate and other environment-related adverse impacts

G.1

Adverse impacts on climate and other environment-related adverse impacts

This section provides information concerning the principal adverse impacts on the climate and other environment-related adverse impacts of the consensus mechanisms used by the Distributed Ledger Technology (DLT) networks relevant to USDG. The information is presented in accordance with Commission Delegated Regulation (EU) 2025/422 supplementing Regulation (EU) 2023/1114.

Mandatory information on principal adverse impacts on the climate and other environment-related adverse impacts of the consensus mechanism		
N	Field	Format and standards to be used
General information		
S.1	Name	Paxos EU
S.2	Relevant legal entity identifier	LEI or Finnish Business ID
S.3	Name of the crypto-asset	USDG
S.4	Consensus Mechanism	Proof-of-Stake / Proof-of-History. For more information, please refer to field E.5 above.
S.5	Incentive Mechanisms and Applicable Fees	<p>Ethereum (ETH)</p> <p>Validators are incentivized through:</p> <ul style="list-style-type: none"> • Block Rewards: Issuance of new ETH for proposing and attesting to valid blocks. • Transaction Priority Fees (Tips): Users can include tips to incentivize validators to prioritize their transactions. <p>Solana (SOL)</p> <p>Validators and their delegators are incentivized through:</p> <ul style="list-style-type: none"> • Staking Rewards: Rewards from inflationary issuance of SOL, distributed proportionally to stake. • Transaction Fees: A portion of transaction fees is awarded to the leader that processes the block. <p>Ink (Kraken's Layer 2 Solution)</p> <p>Incentive Structure:</p> <ul style="list-style-type: none"> • Sequencer Fees: The sequencer (initially Kraken) collects fees from users for processing transactions on the L2 network.

		<ul style="list-style-type: none"> • Fraud Proof Incentives: In an Optimistic Rollup with permissionless fault proofs, honest actors are incentivized to monitor the L2 state submitted to L1. If they successfully challenge and prove a fraudulent transaction batch, they typically receive a reward, often sourced from a bond posted by the party that submitted the incorrect state. • The underlying Ethereum L1 validators are incentivized according to Ethereum's own PoS incentive structure for processing Ink's L1 submissions.
S.6	Beginning of the period to which the disclosed information relates	2025-01-01
S.7	End of the period to which the disclosed information relates	2025-12-31
Mandatory key indicator on energy consumption		
S.8	Energy consumption	5,720,000kWh (Ethereum) 8,755,000kWh (Solana) N/A (Ink - Data not yet available)
Sources and methodologies		
S.9	Energy consumption sources and methodologies	Ethereum (ETH) <ul style="list-style-type: none"> • Sources: Academic research (e.g., University of Cambridge Centre for Alternative Finance - CCAF) for post-Merge Ethereum; data from DLT sustainability specialists like Crypto Carbon Ratings Institute (CCRI) used in MiCA-aligned disclosures. • Methodology: A bottom-up approach estimating average validator node power consumption (hardware, PUE if applicable), multiplied by the total number of active validators, and annualized. Figures are gross estimates before any offsets.

		<p>Solana (SOL)</p> <ul style="list-style-type: none">Sources: Solana Foundation official publications (e.g., "Energy Impact Report: September 2024"); data from CCRI, which maintains Solana's MiCA-aligned climate dashboard.Methodology: Estimates based on typical validator hardware power needs, total validator count, and annualized network power draw, often developed with or by CCRI. Figures are gross estimates; the Solana Foundation's offsetting activities are reported separately.
Supplementary information on principal adverse impacts on the climate and other environment-related adverse impacts of the consensus mechanism		
N	Field	Format and standards to be used
Supplementary key indicators on energy and GHG emissions		
S.10	Renewable energy consumption	Ethereum: 32,91 Solana: 14.77
S.11	Energy intensity	Ethereum: 0.00028 kWh Solana: 0.00000412 kWh
S.12	Scope 1 DLT GHG emissions – Controlled	Ethereum: 0 tCO2e Solana: 0 tCO2e
S.13	Scope 2 DLT GHG emissions – Purchased	Ethereum: 1514.75 tCO2e Solana: 2,671 tCO2e
S.14	GHG intensity	Ethereum: 0.00009 kgCO2e Solana: 0.00000126 kgCO2e
Sources and methodologies		
S.15	Key energy sources and methodologies	<p>Ethereum</p> <ul style="list-style-type: none">Sources: Crypto Carbon Ratings Institute (CCRI) data and methodologies (e.g., CCRI's "Methodologies to calculate the sustainability indicators required by the MiCA regulation" whitepaper)

		<ul style="list-style-type: none">• Methodology (S.10 Renewable Energy): Estimated based on geographical distribution of validator nodes and application of regional electricity grid renewable energy data.• Methodology (S.11 Energy Intensity): Total annual energy (S.8) divided by total validated transactions in 2024. Data uses best available estimates. <p>Solana</p> <ul style="list-style-type: none">• Sources: Solana Foundation reports, Solana Climate Dashboard (data by CCRI), CCRI methodologies.• Methodology (S.10 Renewable Energy): Estimated using validator geo-distribution and regional grid renewable energy data. Data is an estimate.• Methodology (S.11 Energy Intensity): Solana Foundation calculation: Total annual energy (S.8) / total validated transactions.
S.16	Key GHG sources and methodologies	<p>Ethereum</p> <ul style="list-style-type: none">• Sources: CCRI data and methodologies (as above).• Methodology (S.12 Scope 1): Assumed to be 0 tCO2e as PoS validators typically don't have direct emissions from controlled sources.• Methodology (S.13 Scope 2): Calculated from electricity consumed by validators multiplied by location-based grid emission factors.• Methodology (S.14 GHG Intensity): (Scope 1 + Scope 2 emissions) / total validated transactions. Calculations are pre-offsetting. Data uses best available estimates. <p>Solana</p>

				<ul style="list-style-type: none">• Sources: Solana Foundation reports, Solana Climate Dashboard (data by CCRI), CCRI methodologies.• Methodology (S.12 Scope 1): Assumed 0 tCO2e based on PoS characteristics.• Methodology (S.13 Scope 2): Based on total network energy consumption and location-based grid emission factors. Figure is gross, pre-offsets (Solana Foundation discloses offsets separately).• Methodology (S.14 GHG Intensity): Derived using (Scope 1 + Scope 2 emissions) / total validated transactions. Data uses best available estimates.

	Products <ul style="list-style-type: none">Crypto BrokerageStablecoin PaymentsStablecoin IssuanceMint and RedeemitBit	Paxos-Issued Assets <ul style="list-style-type: none">Global Dollar (USDG)PayPal USD (PYUSD)Lift Dollar (USDL)Pax Dollar (USDP)Pax Gold (PAXG)BUSD	Company <ul style="list-style-type: none">About usBlogCareersNewsroomPaxos Labs	Resources <ul style="list-style-type: none">Transparency ReportsTerms and ConditionsContact usBrand ResourcesSupportFAQs	Developers <ul style="list-style-type: none">DocumentationTestnet Faucet
---	---	---	---	---	---

