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The Fund

What is the fsEUR Fund?

The fsEUR Fund is a Luxembourg-based tokenized fund, exclusively invested entirely in Euros and custodied in the ring-fenced bank account of the Compartment at the designated Cash Custodian.

The Fund is a constant net asset value short-term fund and seeks to maintain a CNAV of 1.00 EUR (One Euro).

What is the fsEUR Fund Token?

The fsEUR Fund token is the tokenized share of the series of Notes issued exclusively in the Fund

The fund unit is EUR 0,01 per unit, each token amount represents the total stake of the Investor in the issued fsEUR Fund in circulation on the specific blockchain.

The fsEUR Fund token is a permissioned ERC-3643 token, derived from ERC-20 and may be issued on any EVM-compatible chain.

Who is the Issuer of the fsEUR Fund Token?

All fsEUR Fund notes and tokens are issued by the FRICTIONLESS MARKETS SECURITIES Securitisation Fund RCSL O46, organised under the laws of Luxembourg and represented by FRICTIONLESS MARKETS Sàrl its Management Company, RCSL B272278 with the Legal Entity Identifier LEI, 213800PVGXAUM7KDT872 within the bankruptcy remote and orphan-entity protected compartment with the name fsEUR

Who are the Agents and Counterparties in the fsEUR Fund?

FRICTIONLESS MARKETS Sàrl, 2C, Parc d'activités, L-8308 Capellen Grand Duchy of Luxembourg acts as the Paying Agent, Settlement Agent, Transfer Agent, Arranger and Registrar of the fsEUR Fund, referred to as ("The Manager")

CREATRUST Sàrl, 2C, Parc d'Activités, L-8308 Capellen Grand Duchy of Luxembourg acts as both the Calculating Agent and the Central Administration Agent of the fsEUR Fund.

Citibank International Limited, Luxembourg Branch Bank, 31 ZA Bourmicht, L-8070 Bertrange, G.-D. Luxembourg acts as the Account Bank and Cash Custodian of the fsEUR Fund.

Audit Conseils Services Sàrl, 47, route d'Arlon, L-8009 Strassen Grand Duchy of Luxembourg acts as the Auditors of the fsEUR Fund.

From time to time, the Manager, FRICTIONLESS MARKETS Sàrl and its Securitisation Fund, FRICTIONLESS MARKETS SECURITIES may appoint one or more Investment Advisers under a fee/no-fee agreement to distribute the fsEUR Fund.



Investor Eligibility

Who is eligible to invest in the fsEUR Fund?

Professional investors only target market. Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate.

Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Who is not eligible to invest in the fsEUR Fund?

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Notes and corresponding tokens are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended or superseded, the Prospectus Directive).

Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Key Details

What are the fees associated with the fsEUR Fund?

The Fund is a zero-fee fund.

From time to time, the Manager, FRICTIONLESS MARKETS Sàrl may amend the final terms for new issuances.

What are the target returns of the fsEUR Fund?

The Fund is a zero-coupon non-interest-bearing Fund.

What is the size of the fsEUR Fund?

At launch, the fsEUR Fund open reserve is EUR 250.000.000,00 (up to two hundred and fifty million Euros).



Can the fsEUR Fund be increased in size?

Yes, The fsEUR Fund can be reduced or increased by amending the final terms in accordance with the securitization laws of the Grand Duchy of Luxembourg.

What is the minimum investment for the fsEUR Fund?

The minimum investment declared in the final terms under MiFID II professional client status is EUR 0,01 (one cent Euro).

What is the minimum redemption for the fsEUR Fund?

The minimum trading amount as per the final terms is EUR 0,01 (one cent Euro).

The Manager reserves the right to aggregate redemption requests within a same-day window to minimise the costs of redemption or secondary trading.

Under which jurisdiction is the token issued?

The fsEUR Fund series of Notes and the corresponding ERC-3643 permissioned tokens are issued under the 2004 securitization laws of Luxembourg, as amended and the Blockchain I, II, and III as amended.

What are the Investor protections in the fsEUR Fund?

It is a key element of the Luxembourg Securitisation Law of 2014 as recently amended and in force from March 2022 to provide enhanced investor protection.

The principle of bankruptcy remoteness separates the securitised assets, including those in digital format, from any insolvency risks of the securitisation vehicle or of the Issuer, service provider and all other involved parties in the transaction. In the event of bankruptcy of the originator or the servicer to whom the securitisation vehicle has delegated the collection of the cash flow from the assets including digital assets and Digital Securities, the Luxembourg Securitisation Law stipulates that the securitisation vehicle is entitled to claim the transfer of ownership of the securitised assets and any cash collected on its behalf before liquidation proceedings are opened. Moreover, the Securitisation Law allows for the following:

- **Subordination Provision:** Arises where the Investors and creditors may subordinate their rights to payment to the prior payment of other creditors or other Investors, this is crucial for tranching the securitisation transaction.
- **Non-recourse Provision:** Arises where Investors and creditors may waive their rights to request enforcement. This means that, for example, if a payment of interest is in default, the investor may agree to wait for payment and not initiate legal action, as the situation is known or temporary.
- **Non-petition Provision:** Arises where Investors and creditors may waive their rights to initiate a bankruptcy proceeding against the securitisation vehicle. This clause protects the vehicle against the actions of individual Investors who may have, for example, an interest in a bankruptcy proceeding against the vehicle.

The [PPM](#) and [ManCo](#) regulations are amended with the special management regulations of this Fund and are provided as an appendix to this document.



What are the tax implications of the fsEUR Fund?

FRICIONLESS MARKETS SECURITIES is a tax-transparent vehicle.

A securitisation fund established in Luxembourg managed by a management company and governed by management regulations is subject to the accounting and tax regulations applicable to undertakings for collective investments (UCIs) provided by the law of the 17th December 2010 on undertakings for collective investment, as amended (the “Fund Law”).

Valuation of assets is by means of a fair market value unless otherwise prescribed by the management regulations.

The accounting year ends on the 31st of December of each year and the fund accounts are audited by an approved Certified Auditor, approved by the management company in the final terms.

The Foreign Account Tax Compliance Act (FATCA) has been ratified by Luxembourg by the Law of the 24th July 2015. This means that financial institutions in Luxembourg conduct assessments on US accounts and will transfer the data to the IRS, if the U.S. investor subscribes to Notes in their own name, conversely, if a U.S. investor is subscribed to a Note via a broker-dealer, RIA or custodian, then FATCA reporting requirement does not arise.

Luxembourg has also enacted by its Law of the 18th December 2015 the European Directive on Administrative Cooperation (“DAC 2”) and the Issuer or its representative will conduct an assessment again on a case-by-case basis to evaluate proposed applicants and investors to the Fund and in full compliance with the Common Reporting Standard (CRS).

Investor Onboarding

How do I onboard?

FRICIONLESS MARKETS may onboard Investors using direct-KYC or reliance mode for regulated counterparties. The process is simple.

1. The Investor onboards according to AML/CTF laws of Luxembourg, providing all KYC, UBO, source of funds, and statement of wealth declarations. Note that Enhanced Due Diligence may be required according to various risk factors and risk scoring by our compliance team.
2. Certification and approval includes W-98, W-9, FACTA, and Form CRS.
3. FRICIONLESS MARKETS then permissions the specified wallet addresses of the Investor to complete their investment.
4. FRICIONLESS MARKETS creates a secure 2FA OTC desk channel on our Discord server for all communication with the Investor.



Subscription and Redemption

How do I subscribe to the Fund?

Once an Investor is onboarded they may subscribe to the fund. The process involves:

1. Completion of the fsEUR Fund Subscription Documents.
2. Completion of fsEUR Fund investment via SWIFT/SEPA transfer to Citibank dedicated cash custodian account of the fsEUR Fund.

When do I receive my fsEUR Fund tokens?

As per the subscription instructions, once the Investor completes all subscription documentation and FRICTIONLESS MARKETS receives the EUR Fiat via SWIFT/SEPA transfer to Citibank dedicated cash custodian account of the fsEUR Fund, before the cut-off time, the tokens shall be minted to the Investors designated wallet address within 1-hour.

How do I redeem my fsEUR Fund tokens?

Investors can redeem their fsEUR Fund tokens by either:

1. Submitting a redemption request to the Investors dedicated FRICTIONLESS MARKETS OTC Desk on Discord.
2. Transferring their tokens to the fsEUR Fund settlement address.

What are the cut-off times for subscriptions and redemptions?

Subscription documents and cleared funds must be received by 15:00 CET will be processed on the same day, and subscription requests received after 16:00 CET will be processed on the next business day.

Redemption requests received before 16:00 CET will be processed on the same day, and redemption requests received after 16:00 CET will be processed on the next business day.

What happens if I redeem on a non-business day?

Redemption requests received on a non-business day will be processed on the next business day.

Accounts and Custody

How can I custody of fsEUR Fund tokens?

The fsEUR Fund token is an ERC-3643 token, derived from ERC-20 therefore can be held at any custodian that supports Ethereum and EVM wallets. There are a wide variety of custodial and noncustodial solutions available.

Note: Investors are responsible for safeguarding their own tokens.



Can Frictionless Markets Securities create a wallet for me?

No, FRICTIONLESS MARKETS SECURITIES is not a custodian. We do however provide free educational sessions on the wide variety of custodial and noncustodial solutions available in the market.

How many wallet addresses can I permission for my account?

There are no limits to the number of wallet addresses that can be permissioned for an Investor, however, a sensible and fair usage policy applies.

How do I change the bank account I set for redemptions?

Any changes to the subscribing or paying account must be conducted with our compliance team, either via:

1. Submitting a request to the Investors dedicated FRICTIONLESS MARKETS OTC Desk on Discord.
2. Contacting protocol_treasury@frictionless.markets

What happens if I lose access to the private keys to a wallet containing my fsEUR tokens?

Firstly, you must contact our trading desk immediately, either via:

1. Your Investors Dedicated FRICTIONLESS MARKETS OTC Desk on Discord.
2. Contacting protocol_treasury@frictionless.markets

The trading desk and compliance team will verify the authorised account holder and freeze the assets.

The technology in the Frictionless protocol enables sophisticated market features, such as freeze, partialFreeze, forceTransfer along with blacklisting and whitelisting of wallet addresses. If you have lost your keys to the wallet, it is a simple operation to recover the assets.

What happens if I suspect that my fsEUR tokens are lost or stolen?

Firstly, you must contact our trading desk immediately, either via:

1. Your Investors Dedicated FRICTIONLESS MARKETS OTC Desk on Discord.
2. Contacting protocol_treasury@frictionless.markets

The trading desk and compliance team will verify the authorised account holder and freeze the assets immediately.

Unlike other protocols, Frictionless is built on ERC-3643, which ensures only permissioned wallets can receive fsEUR Fund tokens. The code is [audited](#) and battle-tested. If your assets have been lost or stolen, we will work with the relevant authorities to identify the counterparty involved.

Please note, should your assets be used as collateral for any other digital asset trade then the Fund cannot bear any responsibility for any loss.



Liquidity and Utility

Can fsEUR tokens be transferred within the secondary market?

Yes, Investors are free to transfer fsEUR Fund tokens between each other on a direct transfer basis via our audited smart contracts.

As a key market protection, if a transfer is attempted to a non-permissioned wallet address (such as an in-eligible Investor) the transaction will fail and a SARs report is automatically raised.

Can fsEUR tokens be used to invest in other funds?

Yes, indeed the core principle of the fsEUR Fund tokens is that they are used as the subscription and redemption tokens for all funds listed on the Frictionless Markets platform.

Can fsEUR tokens be used as financial collateral?

Yes, As long as the destination wallet is permissioned on the Frictionless protocol, fsEUR Fund tokens can be transferred to that address by the Investor. Further, under the Financial Collateral Act of Luxembourg, tokens are recognizable as financial collateral in securitization undertakings.



Blockchains & Tokenization

What blockchains is the fsUSD Fund available on?

FRICTIONLESS MARKETS issues on Avalanche at present. Avalanche is an institutional-grade blockchain with low latency, low gas fees and sub-second finality. There is additional support for other blockchains, please refer to our public site for support for specific chains.

Can I transfer my fsUSD Fund tokens to another blockchain?

Yes, consult our public site for support for specific information on token bridging.

Will my information be publicly viewable on the blockchain?

FRICTIONLESS MARKETS employs privacy-protecting smart contracts to ensure no identifying remarks or personally identifiable information is stored on the public-permissioned blockchains.

All sensitive Investor information is stored in Google Confidential Compute clusters to ISO-27001 standard.

Only fsEUR Fund token balances and transaction history involving counterparties such as amount, destination and action (mint, burn, transfer, exchange, etc) are visible on the blockchain. This is done to facilitate market transparency and to provide the immutable forensically auditable register of all transactions.

All transactions are visible on the block explorer of the relevant blockchain.

Who pays gas fees?

The Manager pays all gas fees associated with minting, transferring and settling fsEUR Fund tokens where the tokens are originated by the FRICTIONLESS MARKETS treasury.

If Investors wish to transfer or bid/offer fsEUR Fund tokens in the secondary market, the Investor will be responsible for any gas fee resulting from a transaction initiated from their wallet.