



Frictionless Institutional Cash US Treasury Fund (fsISTUSD)



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The Fund

What is the fsISTUSTD Fund?

The fsISTUSTD Fund is a Luxembourg-based tokenized fund, exclusively invested in the Underlying Fund, the BlackRock Institutional Cash Series (ICS) US Treasury Fund referenced by the Bloomberg ticker ISTUSTD.

The Underlying Fund seeks the preservation of principal and same-day liquidity through the maintenance of a portfolio of high-quality short-term government debt and repurchase agreements. The Fund will invest in US Treasury bills, notes and other obligations issued or guaranteed by the US Government and repurchase agreements where the associated collateral is secured by any of the preceding obligations. The ability to use repurchase agreements ensures increased liquidity.

The Underlying Fund is a public debt constant net asset value (CNAV) short-term money market fund and seeks to maintain a CNAV of 1.00 USD (One U.S Dollar)

Rated by S&P, Moody's, and Fitch. The Underlying Fund is rated by an external rating agency(ies). Such rating is solicited and financed by BlackRock.

What is the fsISTUSTD Fund Token?

The fsISTUSTD Fund token is the tokenized share of the series of Notes issued exclusively in the Underlying Fund, the BlackRock Institutional Cash Series US Treasury Fund referenced by the Bloomberg ticker ISTUSTD.

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

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

Who is the Investment Manager of the fsISTUSTD Fund?

The Underlying Fund, ISTUSTD (BlackRock ICS US Treasury Fund Core (Distributing)), a UCITS V compliance fund actively managed under the laws of Ireland, and more particularly in the share IE00B39VC867 (the "Underlying Fund") is managed by Institutional Cash Series plc, a UCITS 2003 Investment Company, defined on the [Central Bank of Ireland Register](#).

Who is the Issuer of the fsISTUSTD Fund Token?

All fsISTUSTD 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 fsISTUSTD



Frictionless Institutional Cash US Treasury Fund (fsISTUSTD)

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Who are the Agents and Counterparties in the fsISTUSTD Fund?

FRICIONLESS 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 fsISTUSTD Fund, referred to as ("The Manager")

BlackRock Institutional Cash Series PLC, 200 Capital Dock, 79 Sir John Rogerson's Quay Dublin 2, D02 RK57, Ireland acts as the Underlying Fund Manager and administers the Underlying Fund and its investment activities.

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 fsISTUSTD 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 fsISTUSTD Fund.

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

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

Investor Eligibility

Who is eligible to invest in the fsISTUSTD 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 fsISTUSTD 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).



Frictionless Institutional Cash US Treasury Fund (fsISTUSTD)

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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 fsISTUSTD Fund?

A Management Fee of **0,25%** (twenty-five basis points) per annum, calculated on the market value of the Underlying Assets based on the principal and accrued daily distribution.

From time to time, the Manager, FRICTIONLESS MARKETS Sàrl may discount the management fee on a case-by-case basis or elect to increase the management fee by amending the final terms for new issuances.

What are the target returns of the fsISTUSTD Fund?

The fsISTUSTD Fund and the Underlying Fund is a daily core distributing share class, the returns are based on the Secured Overnight Financing Rate (SOFR) minus the Underlying Fund management fee (0.20%) and are calculated using the ICS daily yield net distribution factor.

The fsISTUSTD Fund and Underlying Fund seek the preservation of principal and same-day liquidity through the maintenance of a portfolio of high-quality short-term government debt and repurchase agreements. The Fund will invest in US Treasury bills, notes and other obligations issued or guaranteed by the US Government and repurchase agreements where the associated collateral is secured by any of the preceding obligations. The ability to use repurchase agreements ensures increased liquidity.

What is the size of the fsISTUSTD Fund?

At launch, the fsISTUSTD Fund open reserve is USD 250.000.000,00 (up to two hundred and fifty million U.S. Dollars).

Can the fsISTUSTD Fund be increased in size?

Yes, The fsISTUSTD 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 fsISTUSTD Fund?

The minimum investment declared in the final terms under MiFID II professional client status is USD 1.000,00 (one thousand U.S. Dollars).

What is the minimum redemption for the fsISTUSTD Fund?

The minimum trading amount as per the final terms is USD 0,01 (one cent U.S. Dollar).

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



Frictionless Institutional Cash US Treasury Fund (fsISTUSTD)

Investor Due Diligence Questionnaire



Under which jurisdiction is the token issued?

The fsISTUSTD 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 fsISTUSTD 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 fsISTUSTD 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.



Investor Due Diligence Questionnaire

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?

FRICTIONLESS 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. FRICTIONLESS MARKETS then permissions the specified wallet addresses of the Investor to complete their investment.
4. FRICTIONLESS MARKETS creates a secure 2FA OTC desk channel on our Discord server for all communication with the Investor.

Subscription, Redemption and Distribution

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 fsISTUSTD Fund Subscription Documents.
2. Completion of fsISTUSTD Fund investment via SWIFT/SEPA transfer to Citibank dedicated cash custodian account of the fsISTUSTD Fund, or via Frictionless fsUSD institutional deposit token.

When do I receive my fsISTUSTD Fund tokens?

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

How do I redeem my fsISTUSTD Fund tokens?

Investors can redeem their fsISTUSTD 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 fsISTUSTD 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. The fsISTUSTD Fund Manager will factor in non-business days in the accrual of daily distributions at the next business day.

How are distributions accrued and distributed?

The fsISTUSTD Fund and the Underlying Fund is a daily core distributing share class, daily yield is accrued using the 1-Day Yield distribution factor from the Underlying Fund.

In the case of weekends and holiday periods, the daily yield is aggregated to the previous business day. For example, Saturday and Sunday distributions are aggregated with the previous Friday's distributions.

Each day at 17:00 CET the daily distributions are emitted in freshly minted fsISTUSTD Fund tokens to each applicable Investor. The daily distribution tokens are set with a maturity date of the 1st business day of the following month ("Maturity Date"), whereupon they can be settled.

What happens to my daily distributions, if I fully redeem from the Fund before the Maturity Date?

If you redeem your principal before the Maturity Date, your daily distribution tokens will remain in your wallet with the Maturity Date set. Once the Maturity Date arrives the holder of the tokens will receive their auto settlement.

Accounts and Custody

How can I custody of fsISTUSTD Fund tokens?

The fsISTUSTD 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 fsISTUSD 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 fsISTUSD 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 fsISTUSD 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 fsISTUSTD tokens be transferred within the secondary market?

Yes, Investors are free to transfer fsISTUSTD Fund tokens between each other on a direct transfer basis or on a [bid/offer](#) 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 fsISTUSTD tokens be used to invest in other funds?

Yes, indeed the core principle of the fsISTUSTD Fund tokens is that it is interchangeable with other fund tokens on the Frictionless protocol, such as an EURO/Sterling MMF or a private fund, such as a private credit or equity fund, etc.

Can fsISTUSTD tokens be used as financial collateral?

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



Blockchains & Tokenization

What blockchains is the fsISTUSTD Fund available on?

FRICTIONLESS MARKETS only issues on Avalanche at present. Avalanche is an institutional-grade blockchain with low latency, low gas fees and sub-second finality.

Can I transfer my fsISTUSTD Fund tokens to another blockchain?

Not at present, the team at FRICTIONLESS MARKETS has the technology complete to allow token transfers to other EVM-compatible chains and will open access to this once the market has matured.

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 Confidential Compute clusters to ISO-27001 standards.

Only fsISTUSTD 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 fsISTUSTD Fund tokens where the tokens are originated by the FRICTIONLESS MARKETS treasury.

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