

USDF Consortium

April 2022

USDF
CONSORTIUM

Executive Summary

- USDF is a token that is minted exclusively by banks and represents a deposit at a USDF Consortium bank. The deposits will qualify for insurance up to applicable limits.
- Banks are well-positioned to engage in this activity. They are experienced in managing risk, are highly regulated and subject to comprehensive supervision, are experts in payments, and are uniquely empowered with expertise in managing deposits.
- USDF operates on a permissioned basis governed by the USDF smart contract where USDF can only be sent to customers who have an established relationship with a USDF Consortium bank and have been through standard deposit-account opening processes, including such bank's BSA/AML/OFAC processes.
- USDF facilitates low cost, real-time, 24x7x365 bilateral settlement of transactions on the Provenance Blockchain and provides for the programmability of money.
- The applications for USDF include business-to-business payments, merchant payments and peer-to-peer payments, as well as more complex financial transactions where money is programmed according to smart contracts.
- Founding bank members include New York Community Bank, NBH Bank, FirstBank, Webster Bank and Synovus Bank. Figure Technologies, Inc. and JAM FINTOP are also founding members and will facilitate and promote the adoption of USDF.

USDF Consortium

The USDF Consortium is a bank-owned, operated and governed network of insured banks, along with Figure Technologies, Inc. and JAM FIN TOP to (1) coordinate the efforts of banks with respect to USDF and (2) promote the adoption and interoperability of USDF. The USDF Consortium's key roles include:

- Determining objective admission and ongoing membership or participant criteria for banks
- Developing and administering the USDF smart contract
- Establishing the framework and operating rules governing interbank netting and off-chain settlement procedures
- Developing customer disclosures and other best practices
- Engaging in legislative and regulatory advocacy and provide collateral to banks
- Assisting with development of USDF use cases and implementation for banks
- Facilitating 3rd-party technical support for banks standing up USDF infrastructure
- Furthering the adoption and interoperability of USDF

USDF CONSORTIUM

FOUNDING MEMBERS

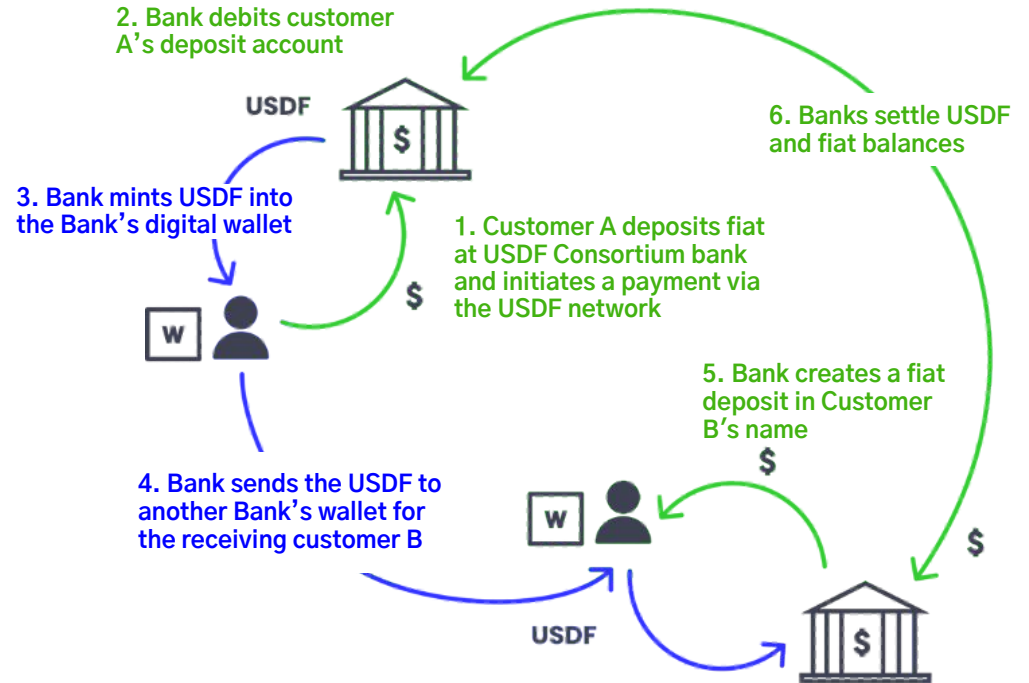


USDF: 24x7x365 Bank Compliant Low-Cost USD Rail

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- USDF facilitates low cost, real-time 24x7x365 settlement of transactions on the Provenance Blockchain, thereby providing a more cost-efficient payment rail than alternative rails, including private company-issued stablecoins, Venmo and Zelle. The applications of USDF are expected to include business-to-business payments, merchant payments and peer-to-peer payments.
- USDF allows banks to integrate existing applications and connect their customers to the expanding digital ecosystem.
- USDF is designed to work across the network of USDF Consortium banks, providing banks with the ability to send money to any USDF Consortium bank customer.

USDF Point-to-Point Payment Flow

- Each USDF Consortium bank will have a digital wallet on the Provenance Blockchain for transacting in USDF on behalf of its customers.
- A customer wishing to transact via the USDF network will be onboarded in accordance with their bank's standard account-opening procedure. The customer will be able to initiate a transaction via the USDF network through their online/mobile banking interface.
- When a customer instructs its bank ("sending bank") to send money to a customer of a USDF Consortium bank ("receiving bank"), USDF is minted by the sending bank, the sending bank will debit funds from the sending customer's deposit account and credit a USDF settlement account at the sending bank.
- When the receiving bank receives the USDF and credits its customer's bank account with deposits, the receiving bank records a debit in its USDF settlement account, reflecting the funds due to it by another bank.
- At the settlement time(s) each day, the USDF Consortium generates a net settlement report indicating each USDF Consortium bank's net settlement position relative to each other USDF Consortium bank. USDF Consortium banks then settle their net obligations over Fedwire Funds or FedACH and update their books and records accordingly.



USDF Operating Rules

Members and participants of the USDF Consortium will be subject to Operating Rules that will:

- Clearly set forth the enforceable rights and obligations of each USDF Consortium bank.
- Provide transparency to banks regarding the governance arrangements of USDF and the USDF Consortium.
- Include tools to enable the USDF Consortium and the USDF Consortium banks to comprehensively manage legal, credit, liquidity, operational and other risks.
- Facilitate prompt settlement of transactions between customers, as well as their banks, while providing clarity and certainty as to the timing of settlement finality.
- Require common disclosures with respect to users of USDF.

USDF: Example Applications

USDF can supplement customer wire, ACH, SWIFT and interchange payments.

Mobile Banking and Payments

- Figure Pay is a private-label mobile banking application built on USDF
- Any Pay customers - P2P, consumer to merchant, B2B - can transact on a USDF rail using QR codes
- Applications include Pay and bank-built alternatives to high-interchange markets

Multi-party Settlement

- USDF is programmable and can be triggered for distribution to wallets tied to specific events, such as receiving all digital signatures on loan documents
- Distribution can be instantaneous and/or follow waterfall
- Applications include complicated transactions involving escrow, like commercial real estate financing

Digital Asset Marketplaces

- A growing number of marketplaces feature blockchain securities, such as funds or private equity
- Marketplaces require tokenized deposits for bilateral transactions
- Applications include providing fiat for Figure Equity Solutions, Figure Digital Fund Services

Receivables Marketplace

- Digital invoices eliminate double pledging and can be settled in USDF
- Encumbered (lent against) or factored invoices can use smart contracts to direct payment to the appropriate party
- Applications include invoice, supply chain finance marketplaces

USDF: Example Applications

USDF can supplement customer wire, ACH, SWIFT and interchange payments.

Mortgage Payments

- USDF can reduce payment servicing cost and settlement time.
- Mortgage customers traditionally make their monthly mortgage payments through ACH.
- ACH has several pain points for mortgage servicers that include 1) 3-day settlement, 2) receiving funds in lump sums with limited detail on individual payers, 3) claw back risk.
- Managing ACH payments requires meaningful resources and oftentimes makes up ~50% of servicing expense.
- USDF allows mortgage servicers to receive payments from borrowers in real-time and reduces servicing costs for performing loans to near zero, while receiving certainty into payor identification and eliminating claw back risk.

Real-Time International Remittance

- USDF can streamline international remittance payments into real-time payments.
- Currently, bank-to-bank ACH transfer is generally the cheapest method to send funds to remittance companies, a process that takes 3 to 4 days.
- While traditional real-time payments exist, they require excessive pre-funding due to the slow settlement times associated with ACH payments.
- USDF can replace ACH transfers and integrate into the payment process of remittance companies to offer real-time payments for a fraction of the cost.
- The total turnaround time from sending in one country to receiving in another country drops to seconds from days while dramatically reducing cost.

USDF: Example Applications

USDF provides cross sell opportunities and support innovative new products

<p>Digital Securities Lending</p> <ul style="list-style-type: none">● Assets on Provenance Blockchain are digital and allow for pure perfection● Banks can use USDF to encumber assets - eliminates double pledging, fraud● Applications include lending against equity in Figure Equity Solutions, SFR in 3rd party marketplaces, funds on Digital Fund Services	<p>Crypto Lending</p> <ul style="list-style-type: none">● Provenance Blockchain supports a bridge to BTC, ETH and other crypto currencies● Banks can secure crypto via custody, lend in USDF and use Figure’s collateral management tool to manage margin● Applications include crypto loans, crypto-backed mortgages
<p>Capital Call Lines of Credit</p> <ul style="list-style-type: none">● Capital calls can be financed by USDF● Banks can encumber fund interest to collateralize calls and liquidate in the secondary market in event of default● Applications include private equity and venture funds listed on DFS, including Apollo (Q1)	<p>Loan Servicing</p> <ul style="list-style-type: none">● ACH is problematic in servicing - one lump sum without clear identification of who paid, and subject to clawback risk● USDF - through mobile solutions like Pay or desktop in lieu of ACH - provides real time, same as cash payment with defined payer

USDF: Example Applications

Programmable money - USDF can tightly integrate into various business processes in novel ways

Construction Projects

- USDF can be programmed into construction project management smart contracts.
- Project management and project finance can be tightly integrated together to allow for micro-draw processes where payouts can only occur when verified for completion of approved tasks.
- Banks de-risk their construction loans with increased governance and improved visibility on the project.
- Builders benefit by minimizing payables, attracting more tradesman, improving cycle time, and increased cost visibility.
- Trades benefit by minimizing receivables and improved cash flow.

Joining and Deploying USDF

To join the USDF Consortium and go live, your institution must...

- Confirm you meet the membership criteria, including that you:
 - Be an insured depository institution and in good regulatory standing
 - Have technology and compliance staffing to support USDF, including BSA/AML/OFAC
 - Be well capitalized and have a CRA rating of at least “Satisfactory” (see [membership criteria](#) for the full list)
- Provide the requested information and execute the NDA and Agreement on the [How to Join](#) page
- Upon approval of membership, remit the fee, which is a tiered pricing based on asset size starting at \$20K
- Work with technical documentation from [USDF Consortium](#) or third parties like [Figure Technologies, Inc.](#) to integrate USDF minting, transferring and burning with your core systems
- Banks can self-onboard or use third parties to integrate their ledgers to USDF rails
- Be willing to seek supervisory non-objection to its USDF activities from its primary supervisor

Questions? Email info@usdfconsortium.com

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