2) Reserve Policy

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Issuer: FUSAUSD Financial Ltd.
Principal place of business: Wigmore Street, Marylebone, London W1U 3RY, United Kingdom

2.1 Purpose and objectives

1. This Reserve Policy (the "Policy") describes the principles and controls governing the assets held to back the Token liabilities (the "Reserves"). This Policy is intended to be read together with the Terms of Issuance and Redemption, the Transparency Policy, and the Operational Controls.

2. The Issuer's objective is to maintain Reserves with a market value that is at least equal to the nominal value of Tokens outstanding, plus any additional buffer specified in Schedule 1. The Issuer targets daily compliance on each Business Day.

3. The primary purpose of the Reserves is liquidity: to meet expected and stressed redemption demands within the Redemption SLA stated in the Terms and Appendix B, while preserving principal and minimizing credit and duration risk.

4. Reserves are managed conservatively and are not operated as a yield-seeking investment portfolio. Where the Reserves earn interest or income, the treatment of that income is set out in Section 2.5.

5. The Issuer does not pledge, lend, re-hypothecate, or otherwise encumber Reserve assets, except as strictly necessary to execute permitted transactions under this Policy (for example, settlement mechanics for government-only repurchase agreements), and then only on terms that preserve same-day liquidity and bankruptcy-remote segregation.

6. This Policy is designed to be auditable. The Issuer maintains records sufficient to support independent assurance and to demonstrate compliance with the limits and prohibitions described below.

2.2 Eligible reserve assets and prohibited uses

7. The Reserves may include only those asset classes expressly permitted in this Section 2.2 and Schedule 1, and only to the extent consistent with the duration, liquidity, and concentration limits in Section 2.3.

8. All Reserve assets must be denominated in the Token's Reference Currency unless an FX exposure exception is approved under Section 2.3 and recorded in the Transparency reporting.

9. The Issuer maintains a tiering framework to ensure that a defined portion of Reserves is immediately available to fund redemptions.

Tier framework (summary):

Tier	Permitted assets	Liquidity standard	Key constraints
Tier 1	Cash deposits at regulated banks; central-bank money (if accessible)	Same-day	No liens/pledges; account segregation
Tier 2	Short-dated sovereign bills/notes issued or guaranteed by the Reference Currency sovereign (or equivalent); government-only MMF (if approved)	T+0 to T+2	Hard maturity caps; issuer/agency limits; eligible MMF criteria
Tier 3	Government-only overnight repurchase agreements (if approved)	Same-day	Overcollateralized; tri-party or equivalent; government collateral only

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11. **Tier 1 (cash / central-bank money).** Tier 1 consists of cash held in accounts at regulated banks and, where legally and operationally available, central-bank balances. Tier 1 accounts must be titled and structured in accordance with Section 2.4 (Custody and segregation).

12. **Tier 2 (short-dated government instruments).** Tier 2 may include direct holdings of short-dated sovereign bills/notes and/or interests in government-only money market funds, subject to the criteria in Schedule 1. The Issuer may hold instruments issued by the Reference Currency sovereign and, if explicitly approved in Schedule 1, certain government agencies with an explicit sovereign guarantee.

13. **Money market funds are used**, and invest exclusively in cash and government obligations in the Reference Currency, provide same-day liquidity under normal market conditions, and are offered by a regulated manager. The Issuer is able to obtain daily holdings and independent pricing for the fund.

14. **Tier 3 (government-only overnight repo).** Overnight repurchase agreements may be used only if they are (i) backed solely by government collateral eligible under Schedule 1, (ii) structured to be overcollateralized with enforceable margining, and (iii) capable of same-day liquidation or unwind under normal conditions. Where feasible, tri-party (or functionally equivalent) custody and settlement is required.

15. **Explicitly prohibited assets and activities.** The Reserves must not include: corporate debt or commercial paper; unsecured lending; structured credit; equities; commodities; digital assets (including cryptoassets and tokens); long-duration instruments exceeding the maturity limits in Schedule 1; derivatives (except FX spot required to cure an approved mismatch); or any asset subject to material transfer restrictions.

16. **The Issuer does not use Reserves for proprietary trading**, leveraged strategies, maturity transformation beyond the limits in Schedule 1, or to finance the Issuer or any affiliate (including by intercompany loans or purchases of affiliate-issued instruments).

17. **Reserves are not pledged as collateral**, subject to liens, or otherwise encumbered. Any operational lien or security interest imposed by a bank or custodian must be identified, approved by the Reserve Committee, and is disclosed in the Transparency reporting, and must be remediated unless legally unavoidable.

18. Any exception to this Section 2.2 requires written approval under Section 2.7 and must be (i) limited in amount and duration, (ii) disclosed, and (iii) consistent with the primary objective of meeting redemptions under stress.

2.3 Duration, liquidity, concentration, and FX policy

19. The Issuer manages duration and liquidity using hard limits. Schedule 1 specifies: (i) maximum weighted average maturity ("WAM"), (ii) maximum weighted average life ("WAL"), (iii) maximum final maturity for any individual instrument, and (iv) minimum liquidity buffers by tier.

20. Liquidity buffer: the Issuer maintains at least the minimum percentage of Reserves in Tier 1 (and, if specified, Tier 2 instruments that can be liquidated within the Redemption SLA) as set out in Schedule 1. Liquidity limits are measured daily based on market value.

21. Maturity limits apply on a look-through basis. For money market funds and repos, the Issuer measures maturity and liquidity using underlying holdings and contractual unwind terms to the extent information is available. If look-through data is not available, the exposure is treated as ineligible unless otherwise approved.

22. Concentration limits: Schedule 1 sets maximum exposures to any single bank, custodian, manager, issuer, or instrument type. Concentrations are measured at market value and include exposures across all Reserve accounts and intermediaries.

23. The Issuer diversifies Tier 1 cash across multiple regulated banks where practicable, subject to operational constraints. Deposit insurance is not assumed to apply to all Reserve balances and is not relied upon as a primary risk mitigant.

24. FX exposure: the Issuer targets zero FX exposure between Token liabilities and Reserves. If the Issuer chooses to support multiple Tokens with different Reference Currencies, each Token's Reserves will be ring-fenced by currency. Any temporary FX mismatch (for example, due to banking settlement timing) will be (i) corrected promptly, (ii) tracked and reported, and (iii) kept within the limits in Schedule 1.

25. Any FX conversion is executed through approved counterparties and must use spot transactions only, unless the Reserve Committee approves a limited hedging instrument for a specific, documented operational need. Derivative hedging is otherwise prohibited.

26. Breach management: if any limit in this Section 2.3 or Schedule 1 is breached, the Issuer must notify the Reserve Committee and Chief Risk Officer (or equivalent) promptly, document the cause, and execute a remediation plan within the timeframes set out in Section 2.7. Material breaches are disclosed pursuant to the Transparency Policy.

2.4 Custody, account structure, and segregation

27. Reserve assets are held with one or more regulated banks and/or qualified custodians approved by the Reserve Committee and listed in Schedule 2. The Issuer performs due diligence on each bank/custodian, including legal status, regulatory oversight, operational resilience, and controls relevant to segregation and access.

28. Reserves must be held in accounts segregated from the Issuer's proprietary operating funds. The Issuer documents the legal basis for segregation (for example, trust structure, client money arrangements, or other bankruptcy-remote constructs) in Schedule 3 and keeps the supporting legal opinions on file.

29. Account titles and control: Reserve accounts must be titled to reflect their reserve purpose and must be subject to access controls described in the Operational Controls (dual control, four-eyes approvals, and logged instructions). No single individual may unilaterally move Reserve assets.

30. Beneficial ownership: the Issuer maintains records identifying the beneficial interest in Reserve assets and the mapping between Token liabilities and Reserve accounts. Where a trust or SPV structure is used, the Issuer maintains documentation showing that Reserve assets are not available to satisfy general creditor claims of the Issuer, subject to applicable insolvency law.

31. No liens/pledges: the Issuer does not grant security interests over Reserve assets. If a bank or custodian imposes a contractual right of set-off or operational lien, the Issuer must (i) identify it during onboarding, (ii) seek to remove or limit it, and (iii) document and disclose any residual rights that could affect Reserve availability.

32. Rehypothecation is prohibited. The Issuer must not permit a custodian, bank, fund manager, or counterparty to re-use, lend, or otherwise encumber Reserve assets for their own purposes.

33. Settlement and safekeeping: the Issuer uses delivery-versus-payment (or equivalent) settlement where practicable for government securities and repo. The Issuer maintains independent confirmations and reconciles statements from banks/custodians to internal ledgers at the frequencies stated in Section 2.5.

34. Insolvency and resolution planning: the Issuer maintains a documented process for continuing redemptions, or for an orderly wind-down, in the event of a material banking/custody disruption. Where required by law, this includes recovery and redemption planning aligned with applicable regulatory requirements.

35. Pending funds and Provisional Credits are not Tokens outstanding. Purchases funded via reversible payment methods may be credited provisionally during a Hold Period. Tokens are treated as outstanding only once minted/delivered on-chain (or otherwise irrevocably issued per the Token mechanics) following satisfaction of settlement and compliance conditions. Provisional Credits and other pending states are treated as operational timing items and do not change the definition of Tokens outstanding for reserve coverage purposes.

36. EU EMT safeguarding (where applicable). Where the Token is offered in the European Union as an e-money token under Regulation (EU) 2023/1114, the Issuer safeguards funds received in exchange for Tokens such that: (i) at least 30% of the funds received are always

deposited in separate accounts in credit institutions; and (ii) remaining safeguarded funds are invested only in secure, low-risk assets that qualify as highly liquid financial instruments with minimal market, credit, and concentration risk, and are denominated in the same official currency as the Token's Reference Currency.

2.5 Valuation, income, expenses, and reconciliation

37. The Issuer values Reserves at fair market value at least daily on each Business Day, using independent pricing sources where available. For cash, the value is based on account balances and confirmed statements.

38. Pricing sources for government securities and money market fund interests are defined in Schedule 4, including any hierarchy of sources and the use of vendor prices versus broker quotes. The Issuer documents any pricing overrides and the rationale for them.

39. Haircuts: for the purpose of internal risk limits and stressed liquidity calculations, the Issuer applies conservative haircuts to non-cash instruments as specified in Schedule 1. Haircuts are not used to reduce Token liabilities; they are used to assess redemption capacity under stress.

40. Accrued interest and income: unless otherwise disclosed in the Terms or a specific program document, all interest, income, and other returns on Reserve assets accrue to the Issuer. The Issuer bears all reserve-related expenses, including custody, management fees, bank fees, and repo costs, except to the extent specific fees are charged to users under the Terms.

41. Negative yields and fees: if Reserve assets or money market funds incur negative yields or fees, the Issuer may adjust its fee schedule (subject to the Terms and Appendix B) or absorb the costs. The Issuer does not reduce redemption value below par solely due to reserve yield changes, except where permitted by law and explicitly disclosed.

42. Reconciliation: the Issuer performs a daily reconciliation of (i) Tokens outstanding (by chain and in aggregate) and (ii) the market value of Reserves. The reconciliation methodology, including any timing differences, is documented and is available for independent assurance.

43. The Issuer investigates and resolves reconciliation breaks promptly. Material breaks and any resulting operational holds are handled under the incident process set out in Operational Controls and, where applicable, disclosed under the Transparency Policy.

2.6 Redemption liquidity management and stress readiness

44. The Issuer maintains a liquidity management plan designed to meet the Redemption SLA under normal and stressed conditions, subject to the Suspension provisions in the Terms and applicable law.

45. Redemption funding waterfall: absent extraordinary circumstances, redemptions are funded in the following order: (i) Tier 1 cash, (ii) maturing government securities and same-day liquid Tier 2 instruments, (iii) unwind of approved overnight repo, and (iv) sale of permitted government securities within the maturity limits.

46. The Issuer maintains operational capacity to liquidate Tier 2 and Tier 3 instruments within the timeframes assumed by the Redemption SLA, including tested instructions, settlement arrangements, and approved trading counterparties.

47. Stress testing: the Issuer performs stress tests at a cadence set in Schedule 5. Stress scenarios include, at a minimum, rapid redemption outflows, bank or custodian outages, settlement failures, government market liquidity shocks, and concurrent on-chain incidents affecting transfers or burns.

48. Liquidity buffers: the Issuer maintains additional buffers above minimum tier requirements where prudent, taking into account concentration risks, banking cut-off times, and anticipated redemption peaks. Buffer targets and triggers are documented in Schedule 1 and Schedule 5.

49. Contingency funding: if credit lines or other contingent liquidity facilities are used, they must be committed, denominated in the Reference Currency, and approved by the Reserve Committee. Any reliance on such facilities is disclosed in the Transparency Policy. Uncommitted facilities are not treated as Reserves.

50. During market stress or operational disruption, the Issuer may tighten eligibility for minting, impose redemption batching, or activate other measures consistent with the Terms and Operational Controls, provided that such measures are documented, risk-justified, and applied in a non-discriminatory manner as required by law.

2.7 Governance, oversight, and change control

51. The Issuer maintains a Reserve Committee responsible for oversight of Reserves, compliance with this Policy, and approval of material changes. Membership, quorum, and delegated authorities are documented in Schedule 6.

52. The Reserve Committee approves: (i) the limits in Schedule 1, (ii) additions or removals of banks, custodians, money market funds, repo counterparties, and other intermediaries, (iii) any exception requests under Sections 2.2 and 2.3, and (iv) the stress-testing plan in Schedule 5.

53. Any material change to this Policy requires documented approval at the level specified in Schedule 6, including legal/compliance review where applicable. The Issuer assigns a version number and effective date to each update and maintains an immutable archive.

54. The Issuer provides notice of material changes through the publication channels defined in the Transparency Policy, except where immediate changes are required to comply with law or to respond to an incident. Emergency changes must be ratified by the Reserve Committee as soon as practicable.

55. Escalation triggers include: any breach of reserve backing; breach of minimum liquidity buffers; material custody/banking disruption; failure of a key pricing source; repeated

reconciliation breaks; or any event that could impair redemption capacity. Escalations are documented and handled under the incident process.

56. Internal audit (or an independent controls function) periodically reviews compliance with this Policy, including adherence to limits, segregation controls, and change management. Findings are tracked to closure with accountable owners and deadlines.

Schedule 1 — Reserve limits

- Backing target: Reserves ≥ 108 % of Tokens outstanding (market value) measured end-of-day.
- Minimum Tier 1 liquidity: ≥ 20% of Reserves (market value) daily.
- Minimum same-day liquidity (Tier 1 + eligible Tier 2): ≥ 70 % daily.
- WAM cap: ≤ 5 days.
- WAL cap: ≤ 30 days.
- Maximum final maturity for any government security: ≤ 30 days.
- Maximum exposure per bank (cash deposits): ≤ 5 % of Reserves.
- Maximum exposure per custodian: ≤ 25 % of Reserves.
- Maximum exposure per fund manager/MMF: ≤ 30 % of Reserves.
- Repo limits (if approved): overnight only; max repo exposure ≤ 20 % of Reserves; overcollateralization ≥ 110 %; government collateral only.

Schedule 2 — Approved banks and custodians

- Disclosed upon reasonable and valid request to institutional partners

Schedule 3 — Segregation and bankruptcy remoteness basis

- Structure: Segregated accounts through a dedicated SPV
- Key documents and legal opinions on file: Prime Brokerage, SPV structure and Custodian Agreements.

Schedule 4 — Pricing sources and valuation hierarchy

- Cash: bank statements + confirmations.
- Government securities: pricing vendor(s), with documented hierarchy and fallbacks.
- MMF interests: official NAV + independent holdings/pricing feeds.

Schedule 5 — Stress testing and liquidity playbooks

- Cadence: weekly (or more frequently during market stress or following a Material Event), with ad hoc stress tests triggered by escalation events.
- Scenarios (minimum): (i) rapid net redemptions of 10% of Tokens outstanding in one Business Day; (ii) rapid net redemptions of 30% over five (5) Business Days; (iii) temporary unavailability of a Tier 1 bank (72 hours); (iv) temporary gating/suspension of a government-only MMF; (v) failure or delay in repo unwind/settlement; (vi) sharp deterioration in government bill market liquidity (widened bid/ask and elevated haircuts); (vii) concurrent on-chain incident affecting burn/transfer operations.
- Action thresholds and playbooks (summary): Green: all Schedule 1 limits met and Tier 1 liquidity buffer at/above target. Amber: any buffer within 10% of its minimum or any pricing-source disruption lasting >24 hours; actions include increasing Tier 1 cash, pausing discretionary minting, and enhanced monitoring. Red: any reserve coverage shortfall, Tier 1 liquidity below minimum, or material custody/banking disruption; actions include immediate escalation, Suspension consideration under the Terms, and execution of a documented liquidation/settlement plan.

Schedule 6 — Reserve Committee charter (summary)

- Membership/quorum: Chair (Controller or Chief Financial Officer); Treasury Operations Lead; Risk and Compliance Lead; Security Owner (or equivalent). Quorum requires the Chair and at least two (2) other members, including Risk and Compliance.
- Approval thresholds: (i) routine rebalancing within Schedule 1 limits may be executed under delegated authority; (ii) adding/removing a bank, custodian, MMF, or repo counterparty requires majority approval of the Committee and documented due diligence; (iii) any exception to eligible assets, maturity, liquidity, concentration, or FX limits requires unanimous approval of the Chair, Treasury Operations Lead, and Risk and Compliance and must be time-limited and disclosed as required; (iv) any change to Schedule 1 limits or to the tiering framework requires Committee approval and, where applicable, Board or senior management ratification.
- Delegations: Treasury Operations may execute transactions and settlements within approved limits and playbooks; the Controller may approve pricing overrides and reconciliations; in an emergency, the Chair may authorize temporary protective actions for up to 24 hours, subject to Committee ratification as soon as practicable and no later than five (5) Business Days.