

Forte AUD (Ticker: AUDF) Whitepaper

Abstract: Introducing AUDF, a digital token designed to represent the value of the Australian Dollar (AUD) within the digital landscape. By maintaining a 1:1 backing with AUD reserves, AUDF is intended to ensure that each token issued holds a consistent and verifiable value, akin to its traditional counterpart but with the versatility of a cryptocurrency.

Through the subsequent sections of this whitepaper, we will outline the transparent mechanisms that seek to sustain AUDF's peg to the AUD, detail the governance standards we've implemented and highlight how our token can be seamlessly integrated into today's digital and traditional marketplaces, all while prioritising security and trust for our users.

Disclaimer:

This whitepaper is dated 14 March 2024 and issued by Forte Securities Australia Pty Ltd (**FSA, we, us, our**). The content in this whitepaper is for information purposes only. Nothing in this paper represents financial or legal advice. You should obtain independent professional advice before making any investment decisions with respect to AUDF.

We reserve the right to modify or update this whitepaper in our absolute discretion without providing notice to AUDF holders or users.

Information in this whitepaper is believed to be true and correct at the date of this whitepaper. However, changes after the time of publication may impact on the accuracy of this information and we give no assurance as to the accuracy or completeness of any information provided. We have used our best endeavours to ensure the quality of information in this document at the time of publication, but cannot guarantee its accuracy or completeness.

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Introduction

As the world of finance continues to evolve, cryptocurrencies have emerged as a game-changing force. Their promise of decentralisation and financial autonomy has attracted millions. However, their volatile nature has sometimes stood as a barrier to broader adoption, an area where a more stable token may be able to assist.

Fiat-backed tokens have emerged as a potential solution to this volatility, bridging the traditional and digital financial worlds. By pegging their value to a more stable asset being fiat-currencies, these tokens are intended to provide the stability of conventional fiat currencies while utilising the benefits of blockchain technology.

Within the financial markets, the Australian Dollar (AUD) has consistently showcased stability and resilience. AUD is recognized and trusted on a global scale, ranking among the world's most traded currencies, making AUD a prime candidate for a token peg.

Introducing AUDF

Our token initiative seeks to encapsulate the strength and reliability of the AUD within the boundless world of blockchain. Beyond mere pegging, AUDF tackles prevalent issues in the traditional finance and digital asset industry.

Technology Stack

Overview

AUDF currently operates on the Ethereum, Avalanche and Polygon blockchain, with plans to further increase the number of supported networks. This choice aligns with our ambition to foster interoperability, security, and global reach. The ERC-20 standard facilitates seamless integration, allowing AUDF to be utilised across many decentralised applications, platforms, and exchanges.

Core Components

1. **Ethereum Blockchain:** As the backbone of our operations, Ethereum ensures decentralisation, security, and transparency. Its robust consensus mechanisms ensure all transactions are tamper-resistant and verifiable.
2. **ERC-20 Token Standard:** This widely adopted token standard enables AUDF's compatibility. Being ERC-20 compliant ensures that AUDF can be easily traded, held, or integrated into existing Ethereum-based platforms without friction.
3. **Smart Contracts & Multi-sig Authorisation:** These automated, self-executing contracts are the heart of our issuance and redemption processes. The smart contracts govern the

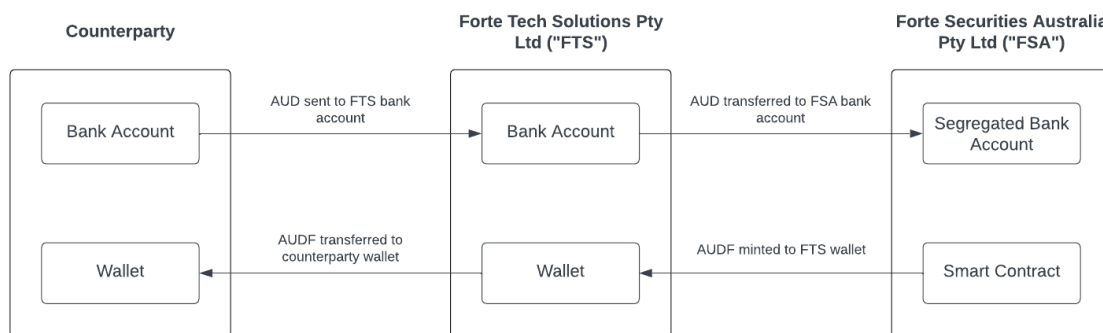
tokens behaviour on the network through multi-sig authorisation which requires two separate individuals to sign for each transaction to ensure that a 1:1 peg is maintained. Before a transaction can be signed, the mint/burn request needs to be verified that it was requested by a counterparty that holds an account with Forte Tech Solutions Pty Ltd (FTS). When a mint transaction has been authorised, the tokens are transferred to a separate dealing wallet in which a new set of users have authorisation to disperse to the whitelisted wallet. This segregation of duties element seeks to reduce fraud, key person and error risks which could arise from transactions being approved by one person without appropriate checks and balances. Token redemptions have a similar segregation of duties where users with burn authority do not have access to the dealing accounts.

4. **Interoperability with EVM Compatible Chains:** AUDF is not just limited to the Ethereum ecosystem. Thanks to its design and the power of EVM, AUDF can interact seamlessly with other blockchains that are EVM-compatible, such as Avalanche and Polygon, ensuring broader accessibility and utilisation.
5. **Security Protocols:** We incorporate robust cryptographic techniques and adhere to best practises in smart contract development. This approach seeks to minimise vulnerabilities with the intent of safeguarding both the AUDF tokens and underlying reserves.
5. **Auditing Tools:** Integrated tools and plugins facilitate regular audits of the AUDF smart contracts, seeking to ensure their integrity and robustness against potential exploits.

Flow of Funds

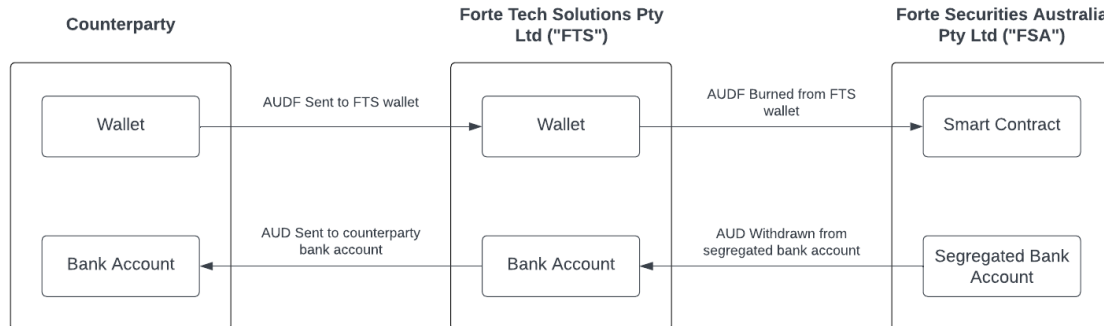
The flow of funds within our ecosystem is designed to be transparent, secure, and efficient, leveraging the capabilities of the Ethereum network (as well as other leading EVM blockchains) and our extensive global banking and payments infrastructure.

Step by Step Process – User Mint of AUDF



1. **User Deposit:** Counterparty that holds an account with FTS, initiates the minting of the token by making a deposit of Australian dollars to our designated bank account.
2. **Verification and Locking of Funds:** Once received, the deposited funds are verified and then held in a segregated bank account by FSA the custodian and issuer.
3. **Token Issuance:** Upon successful verification of the deposited funds, an equivalent amount of AUDF tokens is minted by the smart contract after multi-sig authorisations are completed and then automatically deposited into the FTS wallet where they are then transferred to the counterparties whitelisted wallet address. Once issued, AUDF tokens can be freely traded, transferred, or utilised (*which can be monitored via a public blockchain explorer*).

Step-by-Step Process User Redemption of AUDF



1. **Token Redemption:** Counterparty that holds an account with FTS, initiates the redemption of the token by making a deposit of AUDF to the nominated wallet address (*which can be monitored via a public blockchain explorer*).
2. **Verification and Token Burning:** Once received, the deposited tokens are verified and then transferred to the smart contract address after multi-sig authorisations are completed, they are burned removing them from circulation.
3. **Funds Release:** After the tokens are verified and burned, an equivalent amount of Australian dollars from the reserve is released and transferred to the user's designated bank account.

Beyond this issuance process, users will be able to acquire AUDF on the secondary markets by purchasing them from our partner platforms.

As seen by the process above, FSA is the only entity that can issue and redeem AUDF which is intended to provide an additional layer of transparency and efficiency on how its reserves are backed.

Proof of Reserves & Auditing

Proof of Reserves

In the evolving world of digital assets, trust remains a foundational principle. For a token like AUDF, which is designed to be a 1:1 peg with the Australian dollar, it's important for users to have confidence that every token in circulation is backed by an Australian dollar (or equivalent) in our reserve.

Proof of Reserve is our methodology to verify the authenticity of this claim. It's a transparent mechanism that allows anyone to verify that the issuing organisation possesses the necessary reserves to back each token.

- **Reserves:** Refers to the amount of Australian dollar (or equivalent) held by FSA to ensure the 1:1 backing of AUDF.
- **Proof Mechanism:** Involves providing evidence that the reserves are indeed held by FSA and in an amount satisfactory to the total AUDF on issue at any one time which can be seen on the public blockchains.

AUDF's Commitment to Transparency

We recognise the importance of backing this claim with evidence. To do this, we conduct:

- **Regular Reserve Checks:** Our reserve holdings are checked internally against the number of tokens on the relevant blockchains on a daily basis, ensuring that the total amount of Australian dollars held as reserve corresponds to the number of AUDF tokens in circulation. This function is overseen by FSA.
- **Third-Party Auditing:** While our internal mechanisms are designed to be robust, we believe in the value of external verification:
 - **Audit Frequency:** Audits are conducted on a quarterly basis by an independent auditor. At the end of each quarter the auditor will release a detailed report outlining their findings and confirming that all tokens on the relevant public blockchains are backed 1:1 by our reserve holdings.
 - **Public Access to Audit Reports:** All audit reports are made publicly available on our official website <https://www.forteaud.com>. This ensures that both current and potential users of AUDF are confident of our claims.

Smart Contract Auditing

The smart contracts of this token have been developed using the well-known and audited OpenZeppelin (version 4.9.3) library. In addition, the smart contracts have been audited by Sourcehat, and the audit report is available on their website at <https://sourcehat.com/audits/Fortecoin/>. In addition the smart contract has also been audited by Hashlock <https://www.hashlock.com.au/>.

Potential Use Cases

- **Digital Payments and Remittance:** Cryptocurrency can provide a seamless solution for cross-border transactions, reducing the costs and waiting times commonly associated with traditional rails. Individuals and businesses can send and receive payments in a stable currency without being subjected to the volatility commonly associated with other cryptocurrencies.
- **Trading and Liquidity:** Traders may utilise pegged tokens as a hedging tool against the volatility of other cryptocurrencies and other fiat currencies. Given its peg to the Australian dollar, it offers a stable intermediary for trading pairs on crypto platforms, making the entry and exit points more predictable for traders.
- **Settlements:** Entities may be able to use cryptocurrency for settling payments with partners and vendors, especially for those who operate across borders. This ensures timely settlements without the complexities of currency conversion or the associated fees.
- **Digital Wallets and eCommerce:** Cryptocurrency can be integrated into digital wallets, offering users a stable digital asset to carry out everyday transactions with participating merchants. eCommerce platforms can also adopt cryptocurrency as a payment method, providing customers with a transparent and stable pricing mechanism.

Risk Factors & Potential Mitigations

- **Regulatory Uncertainty:** While the digital currency landscape has evolved over the years, regulatory frameworks in many jurisdictions are still in development. For this reason AUDF is currently only intended for use within Australia. Changes in regulatory stances can impact operations but we are committed to proactive compliance by continually monitoring and adapting to regulatory changes and ensuring our operations remain in line with the latest guidelines.
- **Operational Risk:** Though we prioritise maintaining a secure reserve for every AUDF token, there are always inherent risks associated with holding reserves including de-banking,

human error and loss of talent, but our extensive financial network, multi-signature wallets and strict internal policies aims to ensure that the Australian dollars backing AUDF are safeguarded against these threats. To further mitigate human error and risk of fraud, we have implemented a strict segregation of duties between users with access to token mint/burn and the FIAT/AUDF dealing accounts.

- **Market Liquidity:** While AUDF is designed to be liquid, external market factors could impact its liquidity on platforms, but we are mindful of users wanting to trade or redeem their tokens with minimal friction and work with platform partners and liquidity providers in this regard.
- **Counterparty Risk:** Is when one party in a transaction defaults on its obligation, causing potential losses for the other. For AUDF, this risk arises from centralised reserve management (i.e. holding AUD reserves with banks and financial institutions) and third-party custodians that hold the reserves. Recognizing the potential failures of intermediaries, AUDF selects its partners with diligence. We only work with reputable third-party custodians and platforms, and we have contractual safeguards in place to ensure swift and secure redemptions for our users. Despite this, counter-party risk is unavoidable and cannot be eliminated in its entirety. A failure by a counter-party may result in the loss of some or all AUD reserves held by FSA, which may have a corresponding effect on FSA's ability to satisfy redemptions on a 1AUDF:1AUD basis.
- **T&Cs:** AUDF is regulated in accordance with its terms and conditions (**T&Cs**), which are available on our official website <https://www.forteaud.com>. The T&Cs set out the legal terms which govern AUDF. The T&Cs will apply to any holder of AUDF, including where a person purchases AUDF on a secondary market. You should read and understand the T&Cs before acquiring or holding AUDF.
- **Price Stability Risk:** While the intention of AUDF is to be pegged to the AUD on a 1:1 basis, there is no guarantee that it will maintain its peg on secondary markets. The price of AUDF may fluctuate on secondary markets and may not necessarily be equivalent to its redemption value.
- **Deposit Risk:** AUD reserves held by FSA are not covered by deposit protection insurance or other government guarantee scheme. FSA is not a bank and AUDF should not be considered as being the same as a bank deposit.
- **Legal Tender Risk:** While AUDF is intended to have the same effect of AUD, it is not AUD. AUDF is not legal tender and may not be acceptable for certain transactions or other payments. It is your responsibility to ensure AUDF is appropriate and can be used for its intended purpose.
- **Unsecured Risk:** While AUD reserves will be physically segregated, they may not be protected from a creditor claim that is made against FSA. Accordingly, there is a risk that

AUDF holders would rank behind the claims of secured creditors, and potentially other unsecured creditors, in the event of the bankruptcy or insolvency of FSA. In other words, liabilities of FSA could be discharged through the AUD reserves held by FSA on behalf of AUDF holders. This could result in the loss of some or all AUD reserves held by FSA, which may have a corresponding effect on FSA's ability to satisfy redemptions on a 1AUDF:1AUD basis.

- **No rights:** Other than the right to redeem AUDF for AUD, no other rights attach to AUDF, including voting, dividend or winding up rights in FSA or FTS. AUDF holders are not entitled to any interest or other benefits which arises from AUD reserves being held on deposit.
- **Error/fraud risk:** The minting and burning of AUDF (required to maintain the 1:1 ratio) is dependent on a multi-sig authorisation process which requires two individuals from FSA to approve the relevant transaction. While this process involves various checks and balances, it is not without risk as a smart-contract can be executed without a deposit or withdrawal of appropriate reserves. As this process includes manual elements, fraud and error risks inherently apply. These are sought to be mitigated through the internal controls and external verifications and audits undertaken.
- **Limited disclosure:** This whitepaper is not a regulated disclosure document and does not contain all of the information you may require to make an informed decision about whether to acquire or hold AUDF. There is a risk that the whitepaper does not include all the information that you may require or which would be reasonably desirable for the purposes of making a decision to acquire or hold AUDF. It is your sole responsibility to undertake due diligence with respect to AUDF to determine whether it is appropriate for you having regard to your personal circumstances.

The above is a non-exhaustive list of the key risks associated with AUDF. If any of these risks eventuate, they may have an adverse impact on the value of AUDF, including the ability to redeem AUDF on a 1:1 basis.

It is strongly recommended that you obtain independent advice before acquiring or dealing in AUDF.

Conclusion

AUDF incorporates the stability of the Australian Dollar with blockchain technology, which addresses cryptocurrency volatility and fosters adoption. Leveraging the Ethereum (and other leading EVM blockchains) and the ERC-20 standard, it ensures seamless integrations, transparent fund flow, and auditing mechanisms. With applications in digital payments, trading, and eCommerce, AUDF is a promising bridge between traditional and digital financial realms, offering a stable and reliable alternative.

Legal and Regulatory Compliance

FSA is a proprietary limited company, established 2017, incorporated in Australia (ACN: 614 579 734). FSA holds an Australian Financial Services License (492490) regulated by ASIC

FTS is a proprietary limited company, established 2021, incorporated in Australia (ACN: 656 181 065). FTS is registered as, both, a Digital Currency Exchange Service (registration number DCE100788879-001) and an Independent Remittance Dealer (registration number IND100788879-004) under AUSTRAC in accordance with the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act).

Forte is aiming to bridge the gap between traditional finance and cryptocurrency. Our innovative digital solutions are designed to integrate the reliability of conventional financial systems with the flexibility of crypto assets. Our established expertise in the financial domain, coupled with a forward-thinking approach, positions us uniquely to tackle this market.