



USTBL

DIGITAL ASSET

VALUATION – USD

UNDERLYING ISIN – IE00BGSFIX88

QUOTATION LABEL: \$USTBL

V.2.0 MARCH 2025

**NexBridge Digital Financial
Solutions S.A de C.V.**

Av. Las Magnolias, 206. Edificio insigne, nivel 11, oficina no. 1107
San Salvador, El Salvador

1. SUMMARY

1.1 Introduction

USTBL provides exposure to US Dollar-denominated short-term government bonds issued by the US Treasury, with remaining maturities between zero and one year, through the iShares \$ Treasury Bond 0-1yr UCITS ETF, a publicly listed ETF having ISIN code IE00BGSFIX88. As of the issue date of this RID, the ETF's expected yield to maturity stands at 4.16% per annum with an average outstanding maturity of the open positions at 0.34 years. The prospectus, PRIIP KID and updated Factsheet of the underlying assets is freely available on the issuer's website at the following address: [iShares \\$ Treasury Bond 0-1yr UCITS ETF](#) (the PRIIP KID, the factsheet, and the prospectus' risk factors are included in this RID as **Appendix II**, **Appendix III** and **Appendix IV**, respectively).

This Relevant Information Document (RID) was written in September 2024 and updated in March 2025 and is freely available on the issuer's website (<https://nexbridge.io>), the issuance's website (<https://ustbl.io/>) or via the DASP Platform.

1.2 Introduction

NexBridge Digital Financial Solutions S.A de C.V. is a digital product issuer, incorporated on 25/08/2023 in San Salvador and duly registered in the CNAD Issuer Registry on 12 September 2024 with approval letter no CNAD-CD-216-2024 and registration number EAD-0005.

This issue has been approved and registered in the CNAD Issue Registry with the following registration number: AD-00004.

This public issuance of digital assets and the initial Relevant Information Document (RID), dated August 2024, have been certified on August 28th 2024 by TR Capital S.A. de C.V a certifier of digital asset issuances in the Republic of El Salvador, authorized by the Comisión Nacional de Activos Digitales (CNAD) under registry number CERT-0003.

This RID and bi-annual update certification dated March 31st 2025, was conducted by TR Capital S.A. de C.V., a certifier of digital asset issuances in the Republic of El Salvador, authorized by the Comisión Nacional de Activos Digitales (CNAD) under registry number CERT-0003.

For further details, please refer to Section 7 - CERTIFIER'S REPORT of this RID.

1.3 Primary and Secondary Market

Primary market placement for USTBL in this RID was executed by:

- Bitfinex Securities El Salvador S.A. de C.V. (CNAD registry number. PSAD-0001, <https://www.bitfinex.com/securities>).

Which also provides support for the secondary market. Please refer to the issuance website for the list of DASP supporting USTBL.

DASPs eligibility and regulatory compliance

In accordance with NexBridge's commitment to regulatory integrity and international standards on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT), our digital products are listed exclusively on exchanges that:

- Operate under a recognized legal framework within their jurisdiction.
- Are subject to AML/CFT supervision by competent national authorities.
- Adhere to the core principles established by the Financial Action Task Force (FATF), either



- directly or via participation in FATF-style regional bodies such as GAFILAT or MONEYVAL.
- Maintain cooperation with national Financial Intelligence Units (FIUs) that are part of the Egmont Group.
- Implement effective Know-Your-Customer (KYC), transaction monitoring, and suspicious activity reporting mechanisms.

NexBridge reserves the right to approve only those exchanges that provide sufficient documentation and evidence of compliance with international regulatory norms. This framework ensures interoperability, security, and legal equivalence across jurisdictions, thus enhancing investor protection and systemic trust.

1.4 Main Characteristics of the public issuances of digital assets

Item	Description
Type of Public Offering of Digital Asset	Public offering of economic rights
Token Ticker	USTBL
Portfolio (PTF)	<p><u>Underlying asset</u></p> <p>US Treasury Bond ETF (ISIN code IE00BGSF1X88)</p> <p>For more detailed information, please refer to the information and documentation publicly available at iShares \$ Treasury Bond 0-1yr UCITS ETF IB01. The PRIIP KID, factsheet, and prospectus' risk factors are also included in this RID as Appendix II, Appendix III and Appendix IV, respectively.</p> <p><u>Liquidity balances:</u></p> <p>US dollars or USD Stablecoins balances will be maintained for operational purposes.</p>
Asset allocation	<p>98% – 100%: Underlying asset</p> <p>0 – 2%: Liquidity balances</p>
Valuation Currency	US Dollar
Decentralized ledger and Smart contracts or equivalents used	<p>Liquid Network, Bitcoin layer 2 (exclusively)</p> <p>https://liquid.net</p> <p>The Liquid Network leverages "covenants", a form of smart contracts, to automate and enforce rules directly on the blockchain.</p>
Token unit	Each token represents a proportional share of the Net Asset Value (NAV) of the Portfolio, which mainly consists of the portfolio market value minus operational costs. Information on the token NAV calculation can be found in Section 9 – CHARACTERISTICS OF THE PUBLIC OFFERS of



	<p>the RID.</p> <p>Tokens cannot be fractioned.</p>
Rights of token holders	Token holders are entitled to the proportional share of the redemption value of the related Portfolio.
Tokens maturity	Tokens are linked to the performance of the underlying asset and operate as an open-ended instrument, meaning they do not have a fixed termination or maturity date.
Minimum issuance amount	30,000,000 tokens
Total number of tokens available	There is no limit to the number of tokens available for subscription under this RID.
Initial subscription	<p><u>Start and end dates:</u> The initial subscription started on the 19 November 2024 and ended on the 28 November 2024.</p> <p><u>Minimum subscription:</u> 1 token.</p> <p><u>Token price:</u> USD 1</p>
Additional subscriptions periods	<p>The issuer will allow additional subscription periods after the end of the initial subscription period:</p> <p>Dynamic Subscription</p> <p><u>Start and end dates:</u> subscriptions remain open on an ongoing basis after the secondary market launch, facilitated through the order book(s) of specific authorized participant(s).</p> <p><u>Minimum subscription:</u> 1 token.</p> <p><u>Token price:</u> Market Value</p> <p>Subscription Windows (OTC) *</p> <p><u>Start and end dates:</u> determined for each window and communicated in advance on the respective DASP Platform and, or issuer's website.</p> <p><u>Minimum subscription:</u> determined for each window and communicated in advance on the respective DASP Platform and issuer's website.</p> <p><u>Token price:</u> Token Net Asset Value (NAV) plus a markup to reflect the time difference between the investment date and the NAV calculation date.</p> <p>The list of DASPs supporting subscription processes is available on the issuance website.</p> <p>For further information, please refer to Section 9 – CHARACTERISTICS OF THE PUBLIC OFFERS of this RID.</p>
Redemptions	<p>Tokens have been redeemable since the 29 February 2025.</p> <p>They are redeemable under the following conditions:</p> <p>1) By the issuer:</p> <ul style="list-style-type: none"> • If and when the underlying assets cease to be available.



	<ul style="list-style-type: none"> • If and when the total amount of the issuance remains under the initial minimum amount for three consecutive months, at the issuer's discretion. <p>2) By token holders:</p> <p>During the redemption period defined by the issuer.</p> <p>Dynamic redemption</p> <p><u>Start and end dates:</u> redemptions will remain open on an ongoing basis after the secondary market launch, facilitated through the order book(s) of specific authorized participant(s).</p> <p><u>Minimum redemption:</u> 1 token.</p> <p><u>Token price:</u> Market Value</p> <p>Redemption Windows (OTC) *</p> <p><u>Start and end dates:</u> determined for each window and communicated in advance on the respective DASP Platform and issuer's website.</p> <p><u>Minimum subscription:</u> determined for each window and communicated in advance on the respective DASP Platform and issuer's website.</p> <p><u>Token price:</u> Token Net Asset Value (NAV) minus a markup to reflect the time difference between the investment date and the NAV calculation date.</p> <p>The list of DASPs supporting redemption processes is available on the Issuance website.</p> <p>For further information, please refer to Section 9 - CHARACTERISTICS OF THE PUBLIC OFFERS of this RID.</p>
Subscription and Redemption currencies	<p>US Dollars, BTC or USD Stablecoins available in the Digital Asset Service Provider and duly admitted by the CNAD or under equivalent regulation.</p> <p>DASPs supporting subscriptions and redemptions might accept one or more of the above currencies.</p>
Digital Assets Exchangeability	<p>Tokens may be exchanged for:</p> <ul style="list-style-type: none"> • BTC, USD stablecoins, and any digital assets available in the Digital Asset Service Provider and duly admitted by the CNAD or under equivalent regulation. • Other digital assets issued by NexBridge and listed in this RID.

* The issuer might, in the future, directly offer subscription and redemption windows (OTC). In that case the issuer will substitute itself to the DASP.

The issuer is solely responsible for the content of this Relevant Information Document.

The digital asset that are the object of this offering are registered in the Public Registry of the CNAD. The registration does not imply certification as to the quality of the security or the solvency of the issuer.

It is the investor's responsibility to read all the information contained in this Material Information Document.



The investor, by subscribing to the token, is aware that digital assets may lose their value in whole or in part, may not always be tradable, may not be liquid, and that the issuance is only focused on certain specific underlying assets and does not constitute an invitation for the sale of financial instruments.

This offer does not constitute an offer available in any jurisdiction in which it would be considered illegal.



2. PARTICIPANTS

Role	Name and company information
Issuer	<p>NexBridge Digital Financial Solutions S.A de C.V Av. Las Magnolia, 206. Edificio insigne, oficina no.1107, San Salvador, El Salvador +503 2273 4255 info@nexbridge.io https://nexbridge.io CNAD registry number: EAD-0005</p>
Digital Asset Service Providers	<p><u>Initial subscription platform(s):</u></p> <p>Bitfinex Securities El Salvador S.A. de C.V. 87 Avenida Norte, Torre Futura, Local 11-06 Colonia Escalón. San Salvador, El Salvador https://www.bitfinex.com/securities CNAD registry number: PSAD-0001</p> <p><u>Digital Assets Exchange platforms:</u></p> <p>The list of DASPs where digital assets of this RID are listed and available for trading is available on the issuance website.</p>
Structuration advisor	<p>Digital Assets Solutions S.A. de C.V. Av. Las Magnolias. Edificio insigne, nivel 6 local 602, San Salvador, El Salvador +503 7910 7770 infor@tokenizationexpert.com https://tokenizationexpert.com CNAD registry number: PSAD-0020</p>
Certifier	<p>TR Capital S.A. de C.V. Calle Cuscatlán #4312 Col. Escalón, San Salvador, El Salvador +503 2538 6360 info@trcapital.net www.trcapital.net CNAD registry number: CERT-0003</p>
External Auditor	<p>GT Auditoría, S.A. de C.V (Grant Thornton EL Salvador) Torre Futura, Nivel 12 local 002, Calle El Mirador y 87 Av. Norte, Colonia Escalón, San Salvador, El Salvador +503 2267-7900 grantthornton@sv.gt.com https://www.grantthornton.com.sv</p>
Blockchain	<p>Liquid Network https://liquid.net</p>



<p>Custodian Bank(s)</p>	<p><u>Initial subscription custodian bank(s):</u></p> <p>Capital Union Bank CUB Financial Center, Western Road, Lyford Cay, P.O. Box AP-59223, Nassau, Bahamas +1-242-362-6880 info@capitalunionbank.com https://capitalunionbank.com</p> <p><u>Other custodian bank(s):</u></p> <p>The issuer may subsequently use other custodian banks to hold part or the totality of the underlying asset. The list of Custodian Banks used is available on the issuance website.</p>
<p>Other custodian(s)</p>	<p><u>Digital assets and stablecoins</u></p> <p>Bitfinex Securities El Salvador S.A. de C.V. 87 Avenida Norte, Torre Futura, Local 11-06 Colonia Escalón. San Salvador, El Salvador https://www.bitfinex.com/securities/ CNAD registry number: PSAD-0001</p> <p>Kraken (Payward, Inc.) Payward Interactive, Inc.: 106 E. Lincoln Way, 4th Floor, Cheyenne, WY 82001, USA. support@kraken.com https://www.kraken.com</p> <p>The issuer may subsequently use other custodians to hold part, or the totality of digital assets or stablecoins of the Portfolio. The list of custodians used is available on the issuance website.</p>



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4. GLOSSARY

This glossary has been developed to provide a general understanding of terms used in the context of the USTBL digital asset public issuance. These definitions are not intended to serve as legal advice. For specific guidance or advice, it is recommended to consult a qualified financial advisor.

Advisor - Consultants or firms that provide expert advice on the legal, regulatory, and strategic aspects of issuing digital assets, ensuring compliance with applicable laws and market expectations.

Applicable Laws - The regulations and legal guidelines that govern the issuance, trading, and management of digital assets within a particular jurisdiction.

Bankruptcy - A legal proceeding involving a person or business that is unable to repay outstanding debts.

Block Signers - Entities or nodes within a blockchain network responsible for validating blocks before they are added to the blockchain, playing a crucial role in the security and integrity of decentralized digital ledgers.

Blockchain - A decentralized digital ledger technology that records transactions across multiple computers, preventing retroactive changes without consensus.

Bonds - Debt securities issued by entities such as governments or corporations to raise capital, with bondholders typically receiving periodic interest payments and the bond's face value at maturity.

BTC (Bitcoin) - A decentralized digital currency without a central bank or single administrator, sent from user to user on the peer-to-peer bitcoin network without intermediaries.

Certifier of Digital Assets - Legal entity that performs a financial, legal, technical and administrative analysis of the material and relevant information of the public offerings contained in the Relevant Information Document and issues and submits a report on the issuer's compliance with the formal and substantive obligations to the National Commission of Digital Assets. The Certifier is also duly registered on the National Commission of Digital Assets related registry.

CNAD (National Commission of Digital Assets): - The regulatory authority overseeing the application of digital asset laws in El Salvador, supervising public offerings, and ensuring compliance of digital assets, DASPs, and issuers.

Cryptography - The science of encrypting and decrypting information to protect it from unauthorized access, focusing on data security to ensure confidentiality, integrity, and authenticity during transmission or storage.

Cryptography Keys - Tools used in cryptography, consisting of strings of data that help encrypt and decrypt messages, securing communications, data, and information systems.

Custodian Bank - The financial institution responsible for the custody and management of the underlying assets supporting the value of digital tokens.

Decentralized Ledger and Smart Contracts - Technologies that support the secure, transparent, and autonomous execution of contracts on a blockchain, automating legally relevant events and actions according to predefined rules.



Decentralized Market - A market structure without a central governing body, where the exchange of assets, securities, or information occurs directly between participants or over a distributed network.

Digital Asset - A digital asset is a digital representation that can be stored and transferred electronically, using a Distributed Recording Technology system, or similar or analogous technology, in which the records are linked and encrypted to protect the security and privacy of the transactions.

Digital Assets Service Providers (DASP) - A natural or legal person whose ordinary line of business involves rendering one or more of the digital asset services detailed in Article 19 of the Law for Issuance of Digital Assets of the Republic of El Salvador:

- a) Exchange of digital assets for fiduciary money or equivalent or for other digital assets, either using their own capital or that of a third party.
- b) Operate a platform for the exchange or commercialization of digital assets or digital asset derivatives.
- c) Evaluation of risk and price, as well as subscription to digital asset issuances.
- d) Place digital assets on digital platforms or wallets.
- e) Promote, structure, and manage all types of investment products in digital assets.
- f) The following operations when carried out on behalf of and for the benefit of third parties:
 1. Transfer digital assets or the means to access or control them, between natural or legal persons or between different acquirers, electronic wallets, or accounts of digital assets.
 2. Safeguard, custody or manage digital assets or the means to access or control them.
 3. Receive and transmit orders to buy or sell digital assets or negotiate derivative digital assets.
 4. Execute orders to buy or sell derivative digital assets.

Dynamic Supply - A supply mechanism where the total number of tokens or assets can change based on certain criteria or behaviors in the market, often used to maintain stability or reduce volatility.

Duration: Duration is a measure used in finance to describe how long it takes for the total value of a bond's cash flows (like coupon payments and the return of principal) to be repaid to the investor. It's expressed in years and helps investors understand how long their money will be tied up and how sensitive the bond is to changes in interest rates. Essentially, a bond with a higher duration is more affected by interest rate changes, which can impact the bond's price significantly.

Encrypted - The conversion of information or data into a code, especially to prevent unauthorized access, using cryptographic methods.

ETF (Exchange-Traded Fund) - An investment fund that passively replicates the performance of an index, a commodity, or a basket of assets like market indices or T-bills, traded on stock exchanges to maintain value close to the net value of the underlying assets.

Factsheet - A concise document providing key information about an investment fund or financial product. Factsheets are typically produced by fund managers or financial institutions and are designed to give investors a snapshot of the fund's performance, objectives, holdings, fees, and other relevant details.

FED (Federal Reserve) - The central banking system of the United States, which regulates the U.S. monetary and financial system.



Fiat Money – Traditional currency issued by governments, not backed by a physical commodity. The value of fiat money is derived from the relationship between supply and demand and the stability of the issuing government, rather than the worth of a commodity backing it. As example, USD, Euro, Yen, GBP, CHF, are all Fiat Money.

Financial Instrument - A real or virtual document representing a legal agreement involving any kind of monetary value, either equity-based (representing ownership of an asset) or debt-based (representing a loan made by an investor to the owner of the asset).

Insolvency - The state of being unable to pay debts owed, where creditors may file a petition against a debtor to recover debts.

Investment - The allocation of resources in expectation of some future benefit, such as income or appreciation, involving the purchase of financial instruments or other assets in financial markets.

Investor - An individual or organization that allocates capital with the expectation of receiving financial returns, using various financial instruments to achieve financial goals.

Issuance Price of the Token - The price at which a new digital token is initially offered to investors, determined by fixed or variable market conditions.

Issuer - The organization that creates and issues a digital asset into the market, responsible for compliance with regulatory requirements, under the oversight of authorities like the CNAD.

KYC (Know Your Customer) - The process by which businesses identify and verify the identity, and source of funds of their clients to prevent fraud, money laundering, and other illegal activities, crucial for financial institutions and digital asset providers to ensure compliance with anti-money laundering regulations.

Layer 2 - Technological solutions built "on top" of an existing blockchain (referred to as Layer 1), designed to improve the scalability and efficiency of transactions, handling transactions off the main chain but ensuring security through various mechanisms of anchoring to the primary blockchain.

Liquid Network - A Bitcoin layer 2 chain designed for fast, secure, and confidential transactions, with a focus on the needs of the financial industry.

Liquidity - The measure of how quickly and easily an asset can be converted into cash without significantly affecting its market price, commonly used in financial contexts to describe fiat money, like USD.

Market Close - The end of trading activities on a platform or market for the day, marking the finalization of all transactions within that session.

Market Making - Activities by firms or entities committed to buying and selling a digital asset to maintain market liquidity and operational efficiency.

Order Book - An electronic ledger that lists all the buy and sell orders for a particular financial instrument, asset, or cryptocurrency, organized by price level, essential for trading markets to display market depth and facilitate the execution of orders at the best possible price.

PRIIP KID - Or Packaged Retail and Insurance-based Investment Products Key Information Document, is a standardized document required under the European Union's Packaged Retail and Insurance-based Investment Products (PRIIPs). It is required where the underlying



assets are listed and aims to provide retail investors with clear and understandable information about the key features, risks, and costs associated with an investment product before they decide to invest. PRIIP KIDs are designed to enable investors to compare different investment products more easily and make more informed investment decisions.

Prospectus - A formal legal document that provides detailed information about a financial security or investment offering to potential investors. It is typically prepared by the issuer of the security, such as a company issuing stocks or bonds, or a mutual fund offering shares to the public.

Public Offering of Digital Asset - It is a technical or commercial proposal of digital assets made to the public, on a massive basis, and with the purpose of marketing or selling digital assets.

Redemption - The process of exchanging tokens for a pre-determined amount of currency or underlying assets under specific conditions.

Smart Contracts - A computer program, which uses Distributed Registry Technology or a similar or analogous one, and which is implemented when certain predetermined conditions are met; and is typically used to automate the execution of an agreement so that all participants can be certain of the outcome, without the need for an intermediary. Depending on the agreement between the parties, such programs may be self-executing, judicially executed, or executed in combination.

Stablecoin - A type of digital asset designed to maintain a stable market price by being pegged to a reserve asset, such as a fiat currency like the US dollar, combining the instant processing and security of cryptocurrency transactions with the stable value of traditional fiat currencies.

Subscription Period - The time frame during which investors can purchase newly issued tokens prior to their public trading.

Token - It is a digital asset that is used as a unit of account in a network, based on the Distributed Registry Technology or a similar or analogous one.

Token Ticker - A unique abbreviation or symbol used to identify a digital asset on trading platforms and financial communications.

Token Unit - The smallest denomination of a digital token, representing a proportional share of the underlying assets.

Tokens Maturity - The presence or absence of a defined expiration or maturity date for a token, influencing its trading and investment characteristics.

Trading Currency - The accepted currencies, both fiat and digital, used for transactions involving digital assets.

Underlying Assets - The assets or asset portfolios that underpin the value of a digital token, determining its market value and performance.

USD Stablecoins – Stablecoins denominated and pegged to USD.



5. ISSUER'S INTRODUCTION LETTER

Dear Investors,

We are excited to introduce the **first-ever regulated public offering of tokenized US Treasury Bills** issued under the legal framework of El Salvador. This digital asset provides an excellent investment opportunity in a tangible asset with a well-defined return profile. It is categorized as a low-risk asset, offering attractive yields, which is ideal for those looking to expand or diversify their digital asset portfolio.

At NexBridge, our vision is to revolutionize the investment landscape by bringing innovative opportunities to the blockchain in a secure, efficient, scalable, and accessible way for everyone. We are starting this journey with publicly listed assets, and this inaugural issuance is just the beginning. It is the first in a series of offerings designed to pave the way for future investments on the blockchain, opening the door to new possibilities in digital finance.

To provide the most transparent and straightforward investment experience, we have structured this initial offering by investing in an ETF managed by the world's largest asset manager, holding US Treasury Bills. This ETF, known for being one of the largest and most liquid in the world, manages all maturities and renewals, ensuring professional handling and simplicity for investors.

Key Advantages:

- ✓ **24/7 trading.**
- ✓ **Defined Yield, Low Risk:** Treasury Bills are among the safest asset classes, offering consistency with minimal risk.
- ✓ **Diversification Opportunity:** A unique chance to diversify portfolios, balancing digital assets with traditional financial stability.
- ✓ **Regulatory Compliance:** Committed to adhering to regulatory standards, ensuring a secure investment environment.
- ✓ **Accessibility and Inclusivity:** Opening doors to Treasury Bill investments for a wider audience.
- ✓ **Innovation in Financial Technology:** A testament to the evolution and potential of digital finance.

We believe this token is not just an investment in a financial instrument, but the first step of many others towards the future of finance, combining the security of traditional assets with the innovation of digital technology.

Sincerely,



Michele Crivelli

Legal Representative and CEO of NexBridge Digital Financial Solutions S.A de C.V

Please read carefully the risks associated with this issuance, detailed in section 12, "Associated Risk and Risk Management," of this Relevant Information Document. This will help you make a more informed decision.



6. AFFIDAVIT

NexBridge Digital Financial Solutions S.A de C.V.

Av. Las Magnolia, 206. Edificio insigne, nivel 11, oficina no. 1107, San Salvador, El Salvador

31.03.2025

I, Michele Crivelli, in my capacity as Legal Representative and CEO of NexBridge Digital Financial Solutions S.A de C.V., hereby affirm and declare the following in connection with the issuance of USTBL and its Relevant Information Document (RID):

Issuer Identification: The issuer is duly organized and validly existing under the laws of El Salvador, with registration number EAD-0005.

Offering Details: The issuer is offering USTBL in accordance with applicable laws and regulations.

Compliance and Disclosure: This issuance complies with all applicable laws and regulations. All material information affecting an investor's decision has been fully disclosed, and there are no material omissions.

Use of Proceeds: The proceeds from this issuance will be used for the purchase of the underlying assets as described in paragraph 8 "Destination of the funds" of this RID.

Risk Disclosure: All known risks associated with this investment have been disclosed.

Accuracy of Information: The information provided in the offering documents and to the RID is accurate and complete to the best of my knowledge.

Authority: I have the authority to execute this affidavit on behalf of NexBridge Digital Financial Solutions S.A de C.V.



Michelle Crivelli, LR and CEO



7. CERTIFIER'S REPORT

Please refer to **Appendix I - Certifier's reports** for the initial Certifier's Report and bi-annual reports, together with all its considerations regarding the Issuance of the Digital Asset.

7.1 Certifier

TR Capital S.A. de C.V. is a Salvadoran company authorized by the CNAD with registration number CERT-0003, incorporated on May the 13th 2017, and registered in the Companies Registry of the Commercial Registry at number 21 of Book 3736, with registration number 2017088178, and Tax Identification Number 0614-130517-102-0.

7.2 Initial certification report

The public offering of the digital asset USTBL is favorably certified on August 28th 2024 as compliant with the necessary standards of security, viability, and regulatory requirements.

7.3 Bi-annual and RID Update(s) certification report(s)

7.3.1 Bi-annual review 31.12.2024, and RID v2.0 April 2025:

The public offering of the digital asset USTBL is favorably certified on March 31st 2025 as compliant with the necessary standards of security, viability, and regulatory requirements.

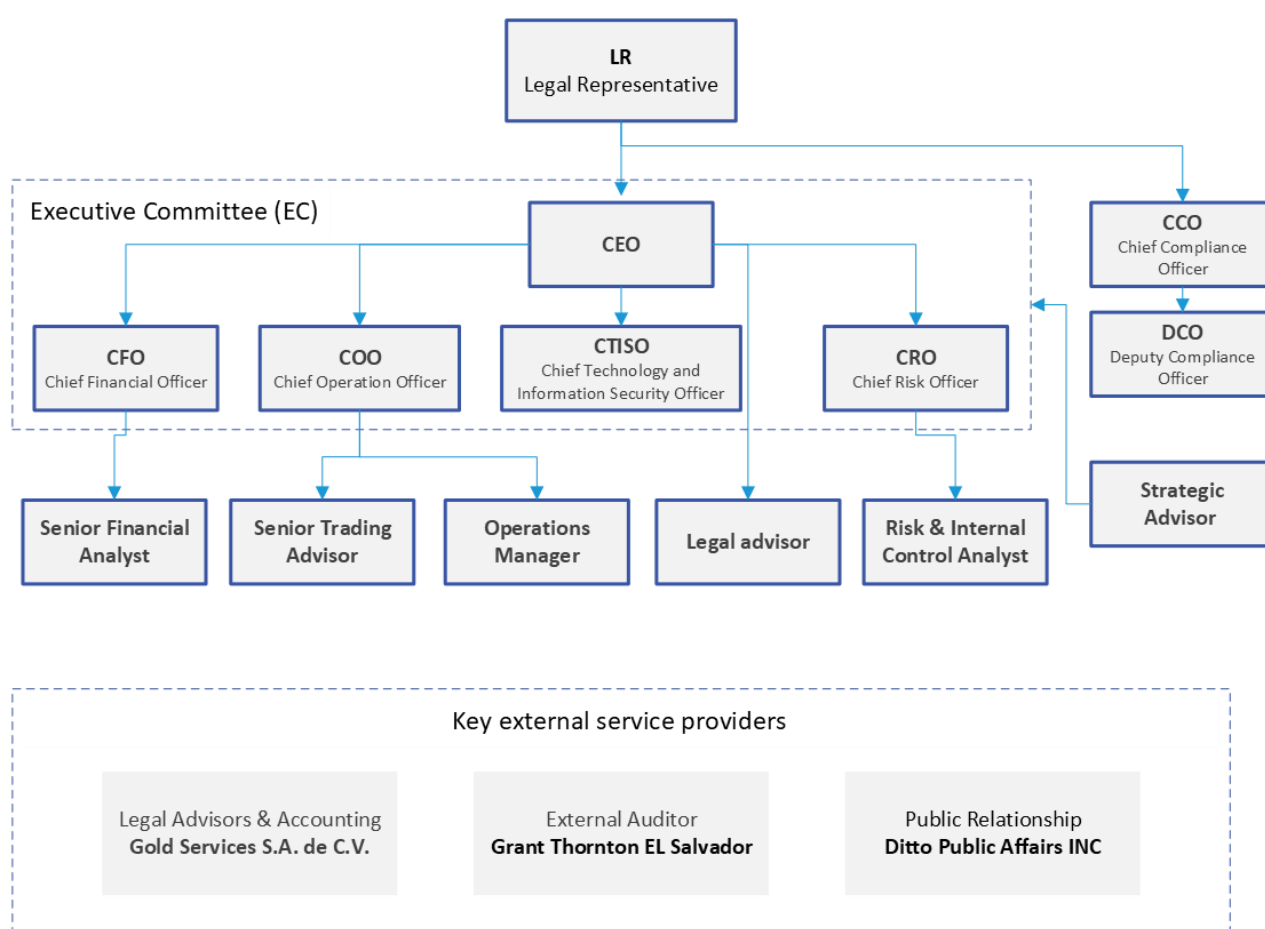


8. ISSUER DESCRIPTION

Issuer	NexBridge Digital Financial Solutions S.A de C.V. (https://nexbridge.io)
Registered Office	Av. Las Magnolia, 206. Edificio insigne, nivel 11, oficina no. 1107 San Salvador, El Salvador
Legal representative	Michele Crivelli

8.1 Organizational Chart and Committees

The corporate structure at the time of issuance is as outlined in the chart below.



NexBridge also has different boards and committees to ensure efficient management of the company and the realization of its mission and objectives.

8.1.1 Legal Representative (LR)

The Legal Representative (LR) is appointed by the shareholders of NexBridge and reports directly to them. The LR's mission is to set the strategic direction of the company in alignment with the objectives of its shareholders.

The primary duties and responsibilities of the LR include:

- Defining and overseeing the organization's mission, vision, and strategic direction.



- Acting in the best interests of the company and ensuring its financial integrity.
- Monitoring and evaluating the organization's performance and management.
- Approving major decisions and ensuring compliance with laws and regulations.
- Hiring, evaluating, and compensating key executives.
- Identifying and mitigating risks that could impact the company.
- Representing and advocating for shareholders and other stakeholders.
- Ensuring adherence to legal and regulatory requirements, including financial reporting and disclosure obligations.

8.1.2 Executive Committee (EC)

The Executive Committee (EC) is appointed by the CEO and reports directly to both the CEO and the Legal Representative (LR). Its primary purpose is to provide leadership, oversee strategic initiatives, and ensure organizational alignment with NexBridge's mission, vision, and values.

Specifically, the EC will:

- Provide strategic guidance and direction to the executive leadership team.
- Leverage the diverse expertise of its members for informed strategic decision-making.
- Review and approve key strategic initiatives, investments, and business plans.
- Monitor organizational performance against established goals and objectives.
- Facilitate communication and collaboration across functional areas and business units.
- Address critical issues and challenges facing the organization.
- Support the CEO in fulfilling their leadership responsibilities.

The EC is composed of senior executives representing various functional areas of the company. The committee includes: the Chief Executive Officer (CEO, Committee Chair), the Chief Operating Officer (COO), the Chief Financial Officer (CFO), the Chief Technology Officer (CTO) and the Chief Risk Officer (CRO).

8.1.3 Risk and Compliance Committee (RCC)

The Risk and Compliance Committee (RCC) is nominated by the CEO and reports directly to both the CEO and the LR. Its primary purpose is to ensure that our organization operates in accordance with all applicable laws, regulations, and internal policies, while also proactively identifying and mitigating risks that may impact our operations and objectives.

Specifically, the RCC will:

- Oversee the development and implementation of Anti-Money Laundering (AML) and Counter- Terrorism Financing (CFT) programs and policies.
- Oversee the development and implementation of compliance programs and policies.
- Monitor regulatory developments and ensure adherence to relevant laws and regulations.
- Identify, assess, and prioritize risks affecting the organization.
- Develop and implement risk management strategies and controls.
- Provide guidance and recommendations to the executive leadership team on compliance and risk-related matters.
- Foster a culture of compliance and integrity.

The RCC is composed of key stakeholders representing various functional areas of the company. The committee includes: the Legal Representative (Committee Chair), the Chief Executive Officer (CEO), the Chief Compliance Officer (CCO), and the Chief Risk Officer (CRO).



8.1.4 Business Development Committee (BDC)

The Business Development Committee (BDC) is appointed by the CEO and reports directly to the CEO and the EC. Its primary purpose is to drive the growth and expansion of our organization by identifying new opportunities, developing strategic partnerships, and ensuring alignment with our long-term objectives and market goals.

Specifically, the BDC will:

- Identify and evaluate new business opportunities and markets for expansion.
- Develop and oversee the implementation of strategic partnerships and alliances.
- Guide the organization's efforts in financial inclusion, ensuring outreach to underserved markets.
- Lead the development and execution of project management strategies that support business growth.
- Oversee the strategic planning process to align business initiatives with the company's vision and goals.
- Provide insights and recommendations to the executive leadership team on business development and growth strategies.
- Ensure the integration of business development initiatives with the company's overall strategic objectives.

The BDC is composed of key leaders representing various strategic areas of the company. The committee includes the Chief Executive Officer (CEO), the Chief Operating Officer (COO), the Chief Risk Officer (CRO), and the Senior Trading Advisor.

8.2 Details About the Management Team



LR (Legal Representative), **CEO** (Chief Executive Officer) and **CFO** (Chief Financial Officer): *Michele Crivelli*

Years of experience: 10+

Michele is a seasoned finance professional with foundational experience at UBS, Switzerland's largest bank, and in various asset management companies. His early career in traditional finance, enriched by an MBA, laid a solid groundwork for his subsequent innovative ventures.

Since 2021, Michele has been instrumental in bridging traditional finance with the dynamic digital services sector. He has focused on developing scalable and accessible solutions that meet the needs of both capital seekers and investors. This pursuit led to the founding of NexBridge Digital Financial Solutions in 2023, underlining his commitment to blending traditional and digital financial worlds.

Beyond NexBridge, Michele's influence extends across the financial sector with ownership in multiple companies. These firms contribute a wide range of integrated digital services, including specialized asset securitization companies offering customized listed financial instruments.

Michele's diverse leadership roles, bolstered by his MBA and deep financial expertise, enable NexBridge to access a broad suite of services crucial for its operations. His unique combination of traditional finance know-how and entrepreneurial drive in the digital finance arena makes him an influential figure in the industry. Michele's comprehensive skillset and academic background are key assets to NexBridge, providing essential tools and services for its success in the digital financial landscape.





COO (Chief Operating Officer): James Murillo Longas
Years of experience: 15+

James Murillo Longas is a financial and business engineer with over 15 years of experience in capital markets, digital assets, blockchain technology, and fintech solutions. His career spans investment banking, portfolio management, risk analysis, debt restructuring, and trading across Latin American and international markets. With a strong background in financial consulting, strategic business development, and product structuring, James has played a pivotal role in shaping innovative digital asset solutions and financial strategies for companies worldwide.

James holds a Master's in Blockchain & Fintech from IEBS Business School and the Catholic University of Ávila, alongside specialized training in Token Engineering, Digital Currencies, and Financial Regulation from prestigious institutions such as the University of Nicosia and Encode Club London. He holds a Digital Asset Professional Certificate and is currently pursuing certification as a Chartered Digital Asset Analyst (CDAA®) from the DEC Institute. His commitment to continuous learning and professional development ensures he remains at the forefront of financial technology advancements.

James has expertise in blockchain technology, decentralized finance (DeFi), tokenization, and Web3, with a proven track record in financial planning, corporate strategy, and product development. He has successfully led projects in tokenization, stablecoins, and decentralized applications, shaping the future of digital assets. As a GBBC Ambassador and Working Group Member, he actively contributes to regulatory frameworks and best practices in blockchain, driving compliance and innovation.

James has held leadership roles in investment firms and financial institutions, providing strategic consulting in energy, mining, and oil. His expertise in international trade, commodities, and risk management has helped optimize investment portfolios and corporate growth. He has led treasury product development, fund management, project finance, and valuation, playing a key role in mergers, acquisitions, and debt restructuring, ensuring sustainable growth and profitability.

James is perfectly suited to managing operations, from structuring digital assets to leading digital market expansion and fostering relationships with institutional parties. His blend of financial acumen, leadership, and networking skills positions him as an invaluable asset in steering NexBridge's financial operations and maintaining key relationships.



CTO & CISO (Chief Technology, Information & Security Officer): Adrian Tavella
Years of experience: 10+

Adrian Tavella is a distinguished technology leader with a track record of co-founding startups like Pipetech, Poseidon and Remotear, and serving as the Coordinator of Integrated Management Systems at ASAT (Asociación Argentina de Teletrabajo). With extensive experience in the tech industry and a focus on digital asset issuance, he is poised to excel as the CTO of NexBridge.

His expertise in systematizing processes, along with his visionary leadership in the development of innovative solutions, positions Adrian as a key figure in driving growth and innovation in the digital economy. Adrian's role as CTO will leverage his technical skills and strategic insight to shape the future of digital asset issuance, underscoring his commitment to excellence and innovation in the tech sector.



CRO (Chief Risk Officer) : Kévin Guillard
Years of experience: 10+

With substantial experience in traditional finance, technology, and Real World Assets (RWA) in the digital assets industry, Kévin is now poised to excel as the Chief Risk Officer (CRO) at



NexBridge. He notably served as the inaugural head of the regulatory and supervision department at the CNAD (National Commission of Digital Assets), bringing a deep understanding of the digital assets ecosystem and proficiency in navigating complex and innovative environments. This expertise will be crucial in developing NexBridge's risk management strategies and overseeing digital assets issuances.

In his role as CRO, Kévin will leverage his technical skills and strategic insight to influence the direction of digital asset issuances, underscoring his commitment to excellence and innovation in the digital assets sector. Additionally, Kévin holds a Master's degree in Management Control and Organizational Audit from Université Paris 1 Panthéon-Sorbonne and is recognized as a risk monitoring expert, having honed his expertise through roles in audit, internal controls, and regulatory positions at prestigious organizations including the CNAD, PwC Luxembourg, and ICBC (Europe).



CCO (Chief Compliance Officer): Carlos Eduardo Vigil Salinas
Years of experience: 5+

Attorney of the Law of the Republic of El Salvador and Anti-Money Laundering Certified Associate (AMLCA) by FIBA, Carlos is a graduate in Laws from the Universidad Centroamericana "José Simeón Cañas". His professional experience includes extensive experience in Due Diligence procedures, KYC, KYB, and KYT in various regulated sectors, including Digital Asset Service Providers. Carlos has worked as a Compliance Officer and AML Advisor in different companies and Non-Profit Organizations (NPOs).



DCO (Deputy Chief Compliance Officer): José Alexander Ortiz Quevedo
Years of experience: 10+

Lawyer and notary with a strong academic background and technical specialization in regulatory compliance, virtual assets, and anti-money laundering (AML). His profile combines a Law Degree from the Central American University "José Simeón Cañas" with ongoing postgraduate studies in Corporate Compliance at CEUPE European Business School (Spain). This academic foundation is further enhanced by prestigious international certifications, including Certified Anti-Money Laundering Specialist (ACAMS), Crypto Compliance Specialist Certificate (TRM Labs), and Anti-Money Laundering Certified Associate (FIBA).

For over five years, Alex held multiple leadership roles at the Financial Intelligence Unit (FIU) of El Salvador, where he played a key role in the unit's regulatory, strategic, and institutional development. He contributed to the coordination and drafting of the National Risk Assessment, played an active role in the country's preparation for the 4th Round of Mutual Evaluations by the FATF, and led international cooperation initiatives and technical training for reporting entities. He was also responsible for the design and implementation of AML/CFT/CPF policies and participated in drafting specialized regulations for virtual assets. His management approach successfully combined legal and operational perspectives, making him a reference figure in strengthening the national AML/CFT system.

From October 2024 to March 2025, Alex undertook a learning-focused role at the National Commission of Digital Assets of El Salvador, where he also coordinated efforts to raise international awareness of the Commission's work. His combination of technical knowledge, institutional leadership, and academic insight enables him to offer innovative solutions that bridge traditional regulation with the dynamic landscape of digital finance.

Alex's commitment to continuous learning and professional excellence positions him as a regional benchmark in compliance, digital asset regulation, and strategic legal development.



Senior Financial Analyst Ana Muriel González (*)**Años de experiencia: 15+**

With more than 18 years of progressive experience in finance, accounting, and administration, Ana Muriel González stands out as a strategic, results-driven executive, highly qualified to assume the role of Chief Financial Officer (CFO). Her career demonstrates high-impact leadership in multinational environments, transforming financial operations and elevating performance across Latin America and Europe.

Muriel has held executive positions at companies such as Fitch Central America, Atlas Group, and Millicom, leading comprehensive financial functions including regional financial control, treasury, budget planning, and internal controls. She has shown a strong ability to align financial strategy with business objectives, designing emergency liquidity strategies, optimizing resources, and strengthening audit and compliance processes.

Muriel holds a Master's in Business Administration from EUDE Business School (Madrid), a Bachelor's in Business Administration from the Universidad Tecnológica de El Salvador, and is a Certified Public Accountant (CPA).

Ana Muriel González combines strategic vision, cross-functional leadership, and financial excellence, positioning her as the ideal Chief Financial Officer to lead the financial future and support the growth of NexBridge.

** Ana Muriel González will join the company as Senior Financial Analyst on May 2nd, 2025.*

8.3 Key service providers

8.3.1 Legal advisor and accountant: Gold Service S.A de C.V

Gold Service S.A. de C.V., with over 25 years of experience in the Salvadorian and Central American markets, is a law firm specializing in corporate law and business advisory services. They extend their expertise to NexBridge, offering high-level corporate and legal advice, as well as accounting services. As a member of several entrepreneurial chambers and with a network of correspondents in over 100 countries, Gold Service is well-positioned to provide global service capabilities. This expansive network and their deep experience make them a valuable asset to NexBridge's operations.

8.3.2 External auditor: Grant Thornton El Salvador

Grant Thornton El Salvador is a member firm of the global Grant Thornton network, a leading organization in audit, tax, and advisory services. The firm provides a comprehensive range of services, including audit and financial advisory, tax consulting, and business strategy. They offer expertise in financial audits, tax compliance, and outsourcing of accounting and payroll functions. Additionally, Grant Thornton El Salvador supports businesses with technology solutions and digital transformation, helping them navigate complex financial and regulatory environments while enhancing operational efficiency. The firm combines local knowledge with global reach to deliver tailored solutions to clients of all sizes.

Grant Thornton provides external audits of financial statements, compliance audits, and certification of issuance balances for NexBridge.



8.4 Financial Statements

NexBridge Digital Financial Solutions S.A de C.V was incorporated on August 25, 2023, with an initial capital of USD 25,000. The certified opening balances as of 28.05.2023 can be found in **Appendix V – Certified opening balances**.

As of January 31, 2024, the share capital increased to *USD 1'525'100*, the balance of the company is as shown in the table below. The Audited Financial Statement of 31.01.2024 can be found in **Appendix VI – Financial Statement 31.01.2024**.

NEXBRIDGE DIGITAL FINANCIAL SOLUTIONS, S.A. DE C.V.
Estado de Situación Financiera al 31 de enero de 2024
Cifras en Dólares de los Estados Unidos de América (USD)

ACTIVO		
ACTIVO		
ACTIVO CORRIENTE		1'470'198
EFFECTIVO Y EQUIVALENTES	1'466'995	
CAJA GENERAL	1'250	
BANCOS Y FINANCIERAS	1'465'745	
OTRAS CUENTAS POR COBRAR	3'137	
IMPUESTOS POR RECUPERAR	235	
ANTICIPOS A PROVEEDORES	2'903	
IVA CREDITO FISCAL	65	
IVA CREDITO FISCAL LOCALES	65	
ACTIVO NO CORRIENTE		6'725
PROPIEDAD PLANTA Y EQUIPO	6'725	
BIENES MUEBLES	6'725	
TOTAL DE ACTIVO		1'476'923
PASIVO Y PATRIMONIO		
PASIVO		
PASIVO CORRIENTE		24'943
CUENTAS POR PAGAR COMERCIALES	22'726	
DOCUMENTOS POR PAGAR	22'726	
OTRAS CUENTAS POR PAGAR	724	
RETENCIONES LEGALES	724	
IMPUESTOS POR PAGAR	1'493	
DIRECCION GENERAL DE TESORERIA	1'493	
PATRIMONIO DE LOS ACCIONISTAS		
CAPITAL, UTILIDADES Y PERDIDAS		1'502'260
ACUMULADAS		
CAPITAL SOCIAL	1'525'100	
CAPITAL SOCIAL SUSCRITO PAGADO	1'525'100	
R-PERDIDAS ACUMULADAS	-22'840	
R-PERDIDA DEL EJERCICIO	-22'840	
OTRO RESULTADO INTEGRAL CAMBIOS		-1'746
EN EL VALOR RAZONABLE		
BTC	-875	
USDC	-10	
USDT	-861	
PERDIDA DEL EJERCICIO		-48'534
TOTAL PASIVO Y PATRIMONIO		1'476'923



8.5 Reason for Public Offering and Objective of the Issue

The primary goal of this public offering is to participation through accessible the world's first public offering of U.S. public debt issued in El Salvador through regulated digital assets, this initiative aims to provide straightforward and secure access to one of the most highly traded assets in the world, harnessing the advantages of tokenization. It is designed to offer investors a stable, low volatility return within the blockchain ecosystem without the need to exit this digital environment.

8.6 Conflict of Interests

8.6.1 The issuer and the CNAD

At the date of the issuance, no conflict of interest exists between the issuer and or the CNAD.

8.6.2 The issuer or structuration advisor and the certifier of digital assets

At the date of the issuance, no conflict of interest exists between the issuer or the structuration advisor, and the Certifier of digital assets.

8.6.3 The issuer and DASP(s)

The issuer, NexBridge Digital Financial Solutions S.A. de C.V., and NexPlace S.A. de C.V. (DASP supporting USTBL), are part of the same group and operate under the control of the same entity or group of entities.

Both companies are regulated under the laws and regulations of the Republic of El Salvador and adhere to strict policies on conflict of interest and ethical standards. All significant transactions and services between the two entities are conducted at arm's length and under market conditions to ensure transparency and fairness.

Intercompany services

Services Provided by NexPlace to NexBridge:

- Capital raising for digital issuances
- Listing and secondary market management for digital assets
- Digital asset registry and token administration
- Facilitation of digital asset transfers to external wallets

Services Provided by NexBridge to NexPlace:

- Employment services agreement, including staff allocation
- Loan agreements



9. CHARACTERISTICS OF THE PUBLIC OFFER

9.1 Type of Public Offering

Public offering of economic rights

9.2 Portfolio

9.2.1 Underlying Asset

ISIN	IE00BGSFIX88
Name	iShares \$ Treasury Bond 0-1yr UCITS
Type of assets	Exchange Traded Fund (ETF)
Currency	US Dollar
Asset Manager	BlackRock Asset Management Ireland Limited.
Underlying assets	US government bonds with a remaining maturity of at least one month and less than one year, and a minimum outstanding amount of \$300 million at the Index rebalance date. These bonds offer a fixed rate of interest.
Maturity	The Fund does not have a fixed term of existence or maturity period but in certain circumstances, as described in the Fund prospectus, the Fund may be unilaterally terminated following written notice to unitholders subject to compliance with the Fund prospectus and applicable regulation.
Availability	<p>The underlying assets are listed on the following stock exchanges:</p> <ul style="list-style-type: none">• London Stock Exchange (USD)• SIX Swiss Exchange (in USD)• Bolsa Mexicana De Valores• Santiago Stock Exchange• Bolsa De Valores De Colombia

The complete detailed information is publicly available at: [iShares \\$ Treasury Bond 0-1yr UCITS ETF | IBO1](#). In addition, the PRIIP KID, the factsheet, and the prospectus' risk factors are also annexed to the RID, as respectively **Appendix II, III** and **IV** respectively.

The issuer reserves the right to change the underlying assets in the event of its unavailability or any other significant event related to the ETF or its issuer that could adversely impact the USTBL token, ensuring that the new asset matches the characteristics outlined in the Key Investor Information Document (KIID).

Additionally, for operational purposes, underlying assets can maintain balances in a US dollar cash account or USD-denominated stablecoin, on average, for up to 2% of the total Assets Under Management (AuM). This threshold may be temporarily exceeded during the execution of investments or transactions following new subscriptions.



9.2.2 Liquidity balances

Additionally, for operational purposes, the issuer can maintain liquidity balances in a US dollar or USD-denominated stablecoin.

9.3 Asset Allocation

- 98% - 100%: underlying asset
- 0 – 2% liquidity balances

threshold may be temporarily exceeded during the execution of investments or transactions following new subscriptions.

Asset allocation is expressed in average, thresholds may be temporarily breached during the execution of investments or transactions following subscriptions or redemptions.

9.4 Valuation Currency

US Dollar (USD).

9.5 Denomination

1 token.

9.6 Token Unit

Each token represents a proportional share of the Net Asset Value (NAV) of the Portfolio, which mainly consists of the Portfolio market value minus operational costs. Information on the token NAV calculation can be found in Section 9.16 – Token Net Asset Value (NAV) of this RID.

Tokens are not fractionable.

9.7 Rights of Token Holders

Token holders are entitled to the proportional share of the redemption value of the related Portfolio.

9.8 Maturity

Tokens do not have a fixed term of existence or maturity period, but if the underlying asset ceases to exist or become unavailable, tokens will be redeemed. In any case, such an event will be communicated in a timely manner to investors as a key event of the respected issuance, please refer to Section 9.14 - Redemptions.

9.9 Minimum Issuance Amount

The minimum issuance amount is set at 30,000,000 (thirty million) tokens.

9.10 Total Number of Tokens Available

There is no limit to the number of tokens available for subscription.

9.11 Initial Subscription

Start and End dates:

The subscription period for the initial offering was conducted on 19 November 2024 and ended on 28 November 2024.



Minimum Subscription:

1 Token.

Token Price:

USD 1

9.12 Additional Subscriptions

The list of DASPs supporting additional subscription processes is available on the issuance website.

9.12.1 Dynamic subscription

To enhance the accessibility and liquidity of USTBL, subscriptions will be available through secondary market order books of selected DASPs. The issuer will place inventory tokens into the order book, making them available for investors within the limits defined by the public offering.

Start and End dates:

The start date will be defined independently for each authorized DASP.

Dynamic subscriptions will remain open on an ongoing basis after the secondary market launch, facilitated through the order book(s) of specific authorized participant(s).

Minimum Subscription:

The minimum amount for each individual investor subscription is set to one token.

Token Price:

The token price for dynamic subscription is defined by market conditions and executed at Market Value. As a result, investors subscribing tokens on the secondary market might encounter prices that are higher or lower than the current Token NAV.

9.12.2 Subscription windows (OTC) *

After the initial subscription period, the issuer may, at its discretion, establish new subscription windows for DASPs that do not offer Dynamic Subscription. The terms and timing will be communicated in advance through the DASP platform, as well as the issuance website.

Start and End dates:

Start and end dates are determined for each window and communicated in advance on the respective DASP Platform and issuance website.

Minimum Subscription:

The minimum subscription is determined for each window and communicated in advance on the respective DASP Platform and issuance website.

Token Price:

The token price for each subscription window is defined based on the Token Net Asset Value (NAV) plus a markup to reflect the time difference between the investment date and the NAV calculation date.

* The issuer might, in the future, directly offer subscription and redemption windows (OTC). In that case the issuer will substitute itself to the DASP.



9.13 Redemptions

Tokens have been redeemable since the 29 February 2025. The list of DASPs supporting redemption processes is available on the issuance website.

9.13.1 Redemption for unavailability of the underlying asset

If the underlying asset ceases to exist or is not available in the market, the issuer will redeem the USTBL tokens. In this scenario, token holders' positions will be liquidated into any USD-denominated stablecoin available through the DASP platform and approved by the CNAD, or in BTC if no compliant stablecoins are available.

9.13.2 Redemption for breach of the minimum issuance amount

If the total of tokens in circulation breaches the minimum issuance amount for three consecutive months, the issuer reserves the right to redeem USTBL tokens. In this scenario, token holders' positions will be liquidated into any USD-denominated stablecoin available through the exchange and approved by the CNAD, or in BTC if no compliant stablecoins are available.

9.13.3 Dynamic redemption

To enhance the accessibility and liquidity of digital assets included in this RID, tokens, redemptions will be available through secondary market order books, the issuer will place bid orders into the orderbook.

However, this process will depend on the available liquidity at the issuer's disposal, which can be limited and variable. Consequently, the issuer cannot guarantee that all redemption orders will be executed through this method.

Start and end dates:

The start date will be defined independently for each authorized DASP.

Dynamic redemptions will remain open on an ongoing basis after the secondary market launch, facilitated through the order book(s) of specific authorized participant(s).

Minimum subscription:

The minimum amount for each individual investor subscription is set to one token.

Token price:

The token price for dynamic redemption is defined by market conditions and executed at Market Value. As a result, investors redeeming tokens on the secondary market might encounter prices that are higher or lower than the current Token NAV.

9.13.4 Redemption windows (OTC) *

Starting three months after the end of the initial subscription period, the issuer may, at its discretion, establish redemption windows for DASPs. The terms and timing will be communicated in advance through the DASP platform, as well as the issuance and issuer's websites.

Start and end dates:

Start and end dates are determined for each window and communicated in advance on the respective DASP Platform and issuance website.



Minimum subscription:

The minimum redemption is determined for each window and communicated in advance on the respective DASP Platform and issuance website.

Token price:

The token price for each redemption window is defined based on the Token Net Asset Value (NAV) minus a markup to reflect the time difference between the investment date and the NAV calculation date.

* The issuer might, in the future, directly offer subscription and redemption windows (OTC). In that case the issuer will substitute itself to the DASP.

9.14 Subscription and Redemptions Currencies

Tokens can be subscribed in US Dollars, BTC or USD Stablecoins available in the Digital Asset Service Provider and duly admitted by the CNAD or under equivalent regulation.

DASPs supporting subscriptions and redemptions might accept one or more of the above currencies.

9.15 Token Net Asset Value (NAV)

Token NAV: The NAV of each token is defined with a granularity of 4 decimals (1.0000). It is determined by calculating its Portfolio NAV, divided by the number of tokens in circulation.

$$\text{Token NAV} = \left(\frac{\text{Portfolio NAV}}{\text{Circulating tokens}} \right)$$

Portfolio NAV: This is the net asset value (NAV) of the Portfolio after accounting for fees. It is calculated based on the Portfolio market value (MV), with fees (F) deducted from the Portfolio MV at the closing market price of the underlying assets.

$$\text{NAV} = \text{Portfolio MV} - \text{accF}$$

Portfolio MV: This represents the total market value (MV) of the Portfolio, which includes liquidity accounts (L) and investment accounts (I).

$$\text{AuM} = \text{L} + \text{I}$$

L (Liquidity): this represents the value of the token's funds maintained as liquidity and is composed of:

- **L_{USD}:** Liquidity in USD is held in the segregated current accounts at the custodian bank for the issuance.
- **L_{STABLE}:** Liquidity in USD stablecoin held in the segregated wallet for the issuance, at the Digital Asset Service Provider (DASP) and the custodian bank.

I (Investment): this indicates the value of the funds invested in the underlying asset, held in segregated custodian bank accounts, and valued at their daily closing price, calculated as:

$$\text{I} = \text{Q}_u \times \text{P}_u$$

Q_u (Number of shares): this represents the number of shares held by the token in the underlying asset.

P_u (Underlying Price): this is the daily closing price of the underlying assets.

- **Closing Market Price of the Underlying Assets:** The daily closing price is determined by the stock exchange where the underlying asset is registered.



accF: this represents accrued operational fees for the period.

Fees are paid at the end of each month and expressed as a percentage of the Portfolio MV, calculated daily:

Accrued fees are calculated daily following the formula below:

$$\text{accF} = F1 + \dots + F_n$$

With $F1$ being the daily fee of the first day of the period, and F_n being the last daily fee of the ongoing period.

$$F_n = \left(\frac{\text{Portfolio MV} * F}{365} \right)$$

The updated Token NAV will be published on both the issuance website and DASP platforms. It is intended to serve as a reference for investors and potential investors regarding the corresponding value of tokens.

9.16 Fees

9.16.1 Fees applicable to the Portfolio

Fixed fees

Operational fees: 0.35%

This fee covers part of the tasks related to issuing and maintaining the token. This includes, but is not limited to, managing supply, ensuring compliance with applicable laws, covering costs charged by the custodian bank for safeguarding the underlying assets, and services provided by digital assets exchanges.

Fixed fees are expressed as a percentage and accrued daily based on the Portfolio MV.

Other fees:

Other fees include third-party fees, transaction costs, such as network fees and brokerage fees related to the use of funds, and are directly deducted from funds proceeds.

9.16.2 Fees applicable to investors

Transactions fees:

Redemption fee: 0.10%

This fee only applies to redemption windows. The fee covers all tasks related to the execution of investors' redemption requests.

9.17 Contribution Recover

If the minimum issuance amount is not reached at the end of the initial subscription period, investors will have the entirety of their investment amount returned. These funds will be available for withdrawal from their Digital Asset Service Provider account one week after the capital raise has been closed. Asset withdrawal fees will not be charged for the amount used for purchase.

9.18 Secondary Market

The secondary market will open the day after the end of the initial subscription period. The minimum trade size on this market is set at 1 token.

The price of any token traded on the secondary market will be determined by market forces



and prevailing economic conditions, which may affect the value of the underlying asset. It is important to note that the market price of a token listed or traded on a DASP may not align with the Token NAV.

Additionally, the issuer will ensure liquidity in the secondary market through its dynamic subscription and dynamic redemption mechanisms. Furthermore, based on market developments and without a predetermined date, internal mechanisms and external market makers will be introduced to enhance depth and liquidity on both sides of the order book, thereby improving the issuance's overall liquidity.

9.18.1 Listings

At the initiation of the issuance, the tokens will be promptly listed and available for trading on the following platforms:

- Bitfinex Securities El Salvador S.A. de C.V. (CNAD registry number. PSAD-0001, <https://www.bitfinex.com/securities>),

Subsequently, the issuer may list the digital assets of this RID with other DASPs.

Please refer to the list of authorized DASPs available on the issuance website.

9.19 Convertibility with other Digital Assets

Tokens can be exchanged with BTC, USD Stablecoins and any Digital Assets available in the Digital Assets Service Provider and duly admitted by the CNAD or under equivalent regulation.

9.20 Safeguard Mechanisms

9.20.1 Custody of the digital assets

With Digital Assets Service Providers

When USTBL tokens are available for trading on DASP platforms, the respective DASP is responsible for their custody. DASPs that provide digital asset custody also offer mechanisms to help investors recover access to their digital assets if they lose their credentials.

Self-custody

Investors can choose to self-custody their digital assets, provided that the solution they opt for complies with El Salvador's laws and regulations. Self-custody requires the whitelisting of the corresponding Liquid Network address to ensure it is authorized to receive and transfer USTBL tokens. Investors who choose self-custody assume the associated risks.

9.20.2 Whitelisting of wallets

The adoption of the Liquid Network and Blockstream AMP enhances asset protection through transfer-restriction whitelisting. Only addresses that have been verified and are associated with entities that have passed KYC checks are whitelisted; therefore, transfers to non-verified or non-whitelisted addresses are not permitted.

9.20.3 Custody of the underlying assets

The custodian bank is responsible for the custody of the underlying assets. As of the date of this issuance, Capital Union Bank Ltd in the Bahamas is responsible for holding these assets. The bank is regulated by the Central Bank of The Bahamas and the Securities Commission of The Bahamas, which oversee its financial activities in this renowned international financial center. Additionally, Capital Union Bank Ltd is audited by Deloitte and adheres to internationally recognized accounting standards and practices.



9.20.4 Custody of stablecoins denominated in USD

The issuer will open wallets on DASP platforms where USTBL tokens of its issuances can be subscribed or redeemed. These funds will be held in custody by the respective DASP. Additionally, to facilitate investment transactions in the underlying assets, the issuer maintains a wallet of stablecoins denominated in USD with the custodian bank, Capital Union Bank.

9.20.5 Custody of fiat currency balances in USD

The underlying assets can only be subscribed to and redeemed in USD; therefore, the issuer holds USD accounts with the custodian bank, Capital Union Bank.

9.21 Smart Contract

The smart contracts as defined by the Ley de Emisión de Activos Digitales (LEAD), on the Liquid Network, are referred to as 'covenants', which are rules ensuring that funds are only spent when certain predetermined conditions are met, without intermediaries.

These covenants ensure the automatic and secure execution of financial agreements. Liquid's federated network operates with nodes from multiple entities (functionaries) that collectively ensure the validity, ordering and finality of transactions and blocks. They allow:

- The elimination of single intermediary control.
- The decentralization of the network.
- Stronger security.

It is important to understand that the Liquid Network is built as a sidechain of Bitcoin, guaranteeing all the security standards and low-level codes of the Bitcoin network. The execution audit of each opcode is supported by Bitcoin's track record and is innovatively implemented by the Liquid Network protocol.

The main covenants used for the issuance are:

- **Issuance of tokens**
Description: Ensures tokens are only issued under specific conditions authorized by the issuer.
- **Burning of tokens**
Description: Ensures tokens can only be burned if certain conditions are met, verified by the holder's signature.
- **Multisignature**
Description: Requires multiple authorized signatures to approve a transaction, enhancing security.
- **Whitelist lock**
Description: Ensures that only addresses on an approved whitelist can receive or transfer tokens, ensuring compliance with KYC/AML.

These covenants ensure secure and compliant issuance, burning, multisignature approval, and whitelist-based transactions in the Liquid Network. For more details, refer to the Liquid Smart Contracts documentation.

The covenants (or smart contracts) have been audited by UILA SV (<https://uila.io>). The report concludes that the digital assets tokens part of this RID, and underlying smart contracts pass the security qualifications to be listed on a digital asset exchange. For more detailed information, please refer to **Appendix V**.



9.22 Future Issuance(s)

NexBridge is dedicated to offering public issuances of digital assets and bridge traditional finances with blockchain technologies. New public issuances must be expected, please refer to the issuer's website for information and news related to the issuer.

9.23 Objective and Strategy

The principal objective of the USTBL token is to bring the traditional advantages of Treasury ETFs into the decentralized market ecosystem, thereby offering investors access to low-risk liquidity instruments that yield economic returns through the innovative application of blockchain technology.

9.23.1 Principal features and advantages

- **Continuous Trading and Liquidity:** USTBL tokens are available for trading 24/7 in the order books of DASPs where USTBL is listed. Some of these DASPs will ensure liquidity, enabling investors to execute buy or sell orders at any time without significant price discrepancies.
- **Stable Yields, Minimal Risk:** Designed as a conservative investment, USTBL tokens provide stable returns and exhibit minimal volatility. This attribute renders them a compelling option for investors aiming to mitigate risk in their investment portfolios while still realizing potential gains.
- **Powered by the Liquid Network:** The integration of the Liquid Network with the USTBL token enhances the security and efficiency of transactions, ensuring a transparent and reliable digital asset. This advanced technology affords the USTBL tokens expedited transaction capabilities and heightened privacy features, establishing a new benchmark for tokenized financial assets.
- **Portfolio Diversification:** Incorporating USTBL tokens into investment portfolios allows investors to balance digital assets with traditional financial stability. This diversification serves to diminish overall portfolio risk while engaging with the emergent opportunities presented by digital finance.
- **Adherence to Regulatory Standards:** The issuance and circulation of USTBL tokens are in strict compliance with existing regulatory frameworks to ensure a secure investment environment. This adherence safeguards investors and underscores the integrity of the USTBL as a reputable digital financial instrument.
- **Expanded Market Accessibility:** USTBL tokens provide access to U.S. Government Treasury Bill investments for individuals and entities who traditionally do not have the opportunity to invest in such assets, particularly in regions where local banking services do not offer such options. This inclusivity significantly broadens the investor base, enabling a wider demographic to benefit from the financial stability offered by U.S. Government Treasury Bills.
- **Advancement in Financial Technology:** The USTBL token represents a notable advancement in financial technology by merging the security of government-backed securities with the adaptability and efficiency of digital assets. This innovation not only speeds up the pace of digital finance development but also illustrates the potential for further transformative advancements in the sector.

This makes it an appealing instrument for all types of investors, including retail, professional, and institutional investors. It also opens the door to the tokenization of any listed asset that can serve as a hedging tool for financial operators when traditional markets are closed.



The characteristics of the USTBL token are tied to those of the underlying assets. For more detailed information, please refer to **Appendix II – PRIIP KID - iShares \$ Treasury Bond 0-1yr UCITS ETF**.

Below is the projection of the performance of the USTBL for an initial investment of \$10'000 across four scenarios.

Scenarios*	Week 2		Year 1		Year 3	
	Value	% var.	Value	% var.	Value	% var.
Stress	\$ 9,985	-0.15%	\$ 9,886	-1.14%	\$ 9,728	-0.85%
Unfavorable	\$ 9,985	-0.15%	\$ 9,886	-1.14%	\$ 9,817	-0.55%
Moderate	\$ 9,991	-0.09%	\$ 10,024	0.24%	\$ 10,211	0.75%
Favorable	\$ 10,010	0.10%	\$ 10,448	4.48%	\$ 10,486	1.65%

* Scenarios are based on the performance scenario estimates disclosed in the PRIIP KID of the underlying assets. For more details, please refer to **Appendix II – PRIIP KID - iShares \$ Treasury Bond 0-1yr UCITS ETF**.

This table categorizes potential outcomes based on the investment exit timeframe and provides historical context for each scenario, thereby facilitating an understanding of the risks and returns associated with each period.

For additional information about the performance of the underlying assets, please refer to the official documentation provided in the underlying asset's factsheet, **Appendix III – Factsheet - iShares \$ Treasury Bond 0-1yr UCITS ETF**.

Please refer to **Appendix VIII – USTBL performance** for information related to the USTBL performance since its issuance.

Disclaimer: Past performance is not a reliable indicator of future results. Historical data presented herein, while providing a record of previous outcomes, should not be taken as a guarantee or a precise predictor of future performance. Each investment carries inherent risks, and the financial outcomes may vary significantly over time due to changing market conditions, economic factors, and other variables. Prospective investors should carefully consider their financial situation and consult with a financial advisor to better understand these risks before making investment decisions.

Additionally, the USTBL token is designed to have a dynamic supply to meet market demands. In response to increasing demand and before reaching the initial supply limits, the issuer aims to increase the available supply of USTBL token to satisfy market needs. This request to increase supply will be submitted in advance to the CNAD, which is responsible for approving such changes. The issuer is not liable for any non-approval of this request by the CNAD.

9.24 Terms and Conditions

Token owners acknowledge and accept that the digital assets part of this RID are issued in respect to the characteristics disclosed in Section 9 – CHARACTERISTICS OF THE PUBLIC OFFERS of this RID.



Token owners acknowledge and accept that dispute resolution will be addressed as described in Section 14 – DISPUTE RESOLUTION of this RID.

Investors must complete the registration process, which includes all necessary Know Your Customer (KYC) and other due diligence checks as required by the digital asset service provider's platform. It is the investors' sole responsibility to comply with these requirements. The issuer, along with any other parties involved in the issuance, will not be liable for any token holders' inability to complete the onboarding process or for any rejections by the digital asset service provider. Failure to meet these prerequisites may result in limitations on the investors' ability to trade or manage their tokens effectively.

9.25 Selling Restrictions

The distribution of NexBridge digital assets to residents of El Salvador is strictly limited to DASPs registered in the CNAD registry.

The sale or distribution of tokens to individuals residing in other jurisdictions may only be conducted through VASPs (Virtual Asset Service Providers) that are registered and authorized in those jurisdictions or where AML/CFT preventive measures are in place in accordance with FATF standards.

However, VASPs that are not properly registered with the CNAD will not be permitted to sell the USTBL token to individuals residing in El Salvador.

NexBridge digital assets must not be distributed, held by, or held on behalf of sanctioned entities or persons, and residents of countries listed on international sanctions lists, including:

- *UN (United Nations)*: Sanctions imposed by the United Nations Security Council.
- *FATF (Financial Action Task Force) blacklist*.
- *US (United States)*: Sanctions administered by the Office of Foreign Assets Control (OFAC).
- *EU (European Union)*: Sanctions imposed by the European Union on countries, entities, and individuals.
- *Switzerland*: Sanctions imposed by the Swiss State Secretariat for Economic Affairs (SECO).
- *United Kingdom*: Sanctions imposed by the Foreign, Commonwealth & Development Office.
- Legal restrictions from El Salvador.

Other restrictions may apply depending on the DASP that distribute our digital assets. These restrictions are solely applicable to trading on the respective platforms. The relevant information will be provided by the trading platform or distribution agent. Please refer to the list of authorized DASPs available on the issuance website.



10. DESTINATION OF THE FUNDS

10.1 Use of Funds

The primary objective is to invest in a listed ETF with ISIN code IE00BGSFIX88, with a minor cash component, typically representing less than 2% of the total investment as disclosed in Section 9 – CHARACTERISTICS OF THE PUBLIC OFFERS of this RID.

10.2 Stakeholders Involved

Role	Name & Information
Issuer	NexBridge Digital Financial Solutions S.A de C.V. Av. Las Magnolia, 206. Edificio insigne, oficina no.1107, San Salvador, El Salvador +503 2273 4255 info@nexbridge.io https://nexbridge.io EAD-0005
Digital Assets Service Providers	<u>Initial subscription platform(s):</u> Bitfinex Securities El Salvador S.A. de C.V. 87 Avenida Norte, Torre Futura, Local 11-06 Colonia Escalón. San Salvador, El Salvador https://www.bitfinex.com/securities/ CNAD registry number: PSAD-0001 <u>Digital Assets Exchange platforms:</u> The list of DASPs where digital assets of this RID are listed and available for trading is available on the issuance website.
Custodian Bank(s)	<u>Initial subscription custodian bank(s):</u> Capital Union Bank CUB Financial Center, Western Road, Lyford Cay, P.O. Box AP-59223, Nassau, Bahamas +1-242-362-6880 info@capitalunionbank.com https://capitalunionbank.com <u>Other custodian bank(s):</u> The issuer may subsequently use other custodian banks to hold part or the totality of the underlying asset. The list of Custodian Banks used is available on the issuance website.



Other Custodian(s)	<p><u>Digital assets and stablecoins</u></p> <p>Bitfinex Securities El Salvador S.A. de C.V. 87 Avenida Norte, Torre Futura, Local 11-06 Colonia Escalón. San Salvador, El Salvador https://www.bitfinex.com/securities/ CNAD registry number: PSAD-0001</p> <p>KRAKEN (Payward, Inc.) Payward Interactive, Inc.: 106 E. Lincoln Way, 4th Floor, Cheyenne, WY 82001, USA. support@kraken.com https://www.kraken.com</p> <p>The issuer may subsequently use other custodians to hold part, or the totality of digital assets or stablecoins of the Portfolio. The list of custodians used is available on the issuance website.</p>
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10.3 Supervision and Control Policy

10.3.1 NexBridge internal AML policy

The issuer aims to define guidelines and controls for the company to prevent money laundering, terrorism financing, and the proliferation of weapons of mass destruction. It seeks to mitigate various risk factors and reduce the likelihood of these activities through the company's operations and interactions with each counterpart.

10.3.2 Custody banks & DASP eligibility and regulatory compliance

In accordance with NexBridge's commitment to regulatory integrity and international standards on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT), our digital products are listed exclusively on exchanges that:

- Operate under a recognized legal framework within their jurisdiction.
- Are subject to AML/CFT supervision by competent national authorities.
- Adhere to the core principles established by the Financial Action Task Force (FATF), either directly or via participation in FATF-style regional bodies such as GAFILAT or MONEYVAL.
- Maintain cooperation with national Financial Intelligence Units (FIUs).
- Implement effective Know-Your-Customer (KYC), transaction monitoring, and suspicious activity reporting mechanisms.

NexBridge reserves the right to approve only those custody banks and DASP that provide sufficient documentation and evidence of compliance with international regulatory norms. This framework ensures interoperability, security, and legal equivalence across jurisdictions, thus enhancing investor protection and systemic trust.

10.3.3 NexBridge internal policy on the use of funds

The issuer maintains segregated custody accounts, current accounts and wallets for all counterparts involved in money transfers and trading operations. These accounts are configured to allow only whitelisted internal transfers, with any transfer of funds to third parties strictly prohibited. This setup aims to ensure all financial operations are controlled and secure, maintaining compliance with regulatory standards and preserving operational integrity. Internal restrictions are enforced on fund transfers and trading orders. Only key executives, clearly identified within the organization, are authorized to initiate these transactions, ensuring secure and responsible management of financial operations. Certifiers monitor the proper use of funds, and external auditors conduct periodic due diligence related to the issuance.



11. FINANCIAL INSTITUTIONS AND DIGITAL PLATFORM

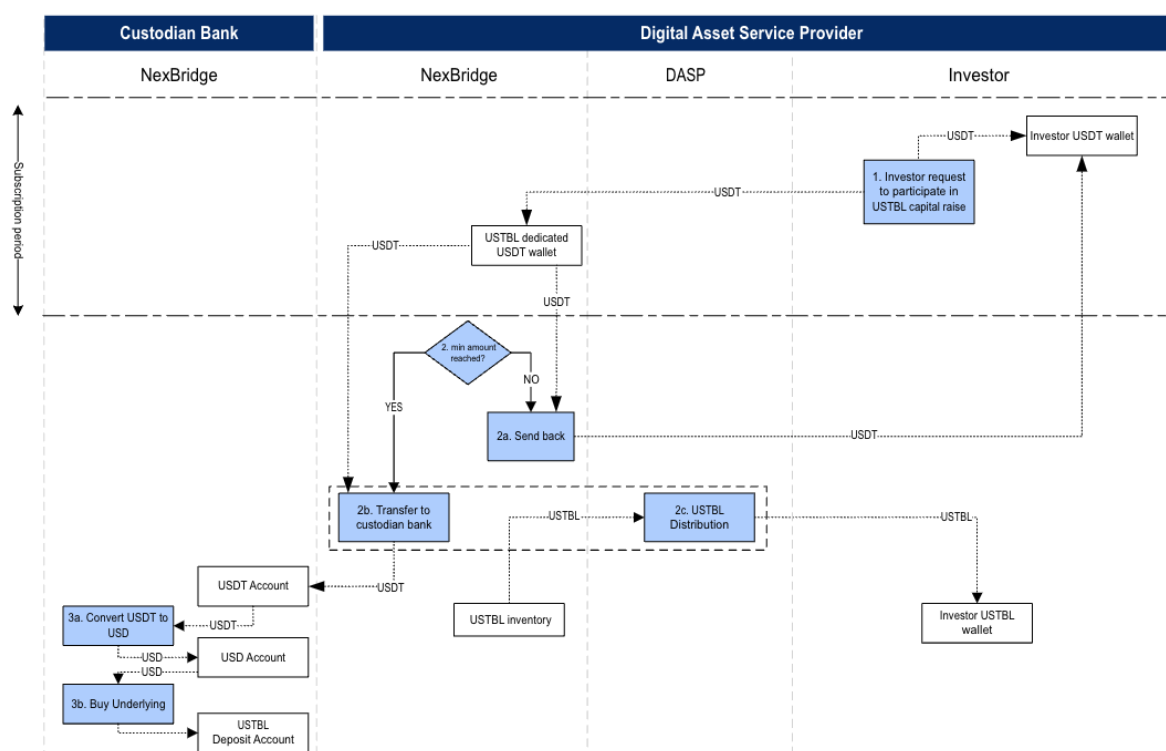
11.1 Investment and fund transfer mechanisms

11.1.1 Subscription

Initial subscription

During the initial subscription period, investors first transfer liquidity to their DASP wallets (0), then request to participate in the USTBL capital raise on the selected DASP platform. The platform collects initial investments in US dollars, BTC or USD Stablecoins and sends them to the issuer's segregated issuance subaccount on the DASP platform (1). If the minimum issuance amount is not reached, initial investments will be returned to the respective investors (2a). Upon reaching the minimum issuance amount, the raised funds will be transferred to the custodian bank (2b), and tokens will be issued to the investors' wallets (2c). The issuer then directs the custodian bank to convert USD Stablecoins to USD (3a) and purchase the underlying assets (3b), establishing the initial Assets under Management (AuM) and setting the P_{USTBL} price.

Below is a graphical representation of the initial subscription procedure.



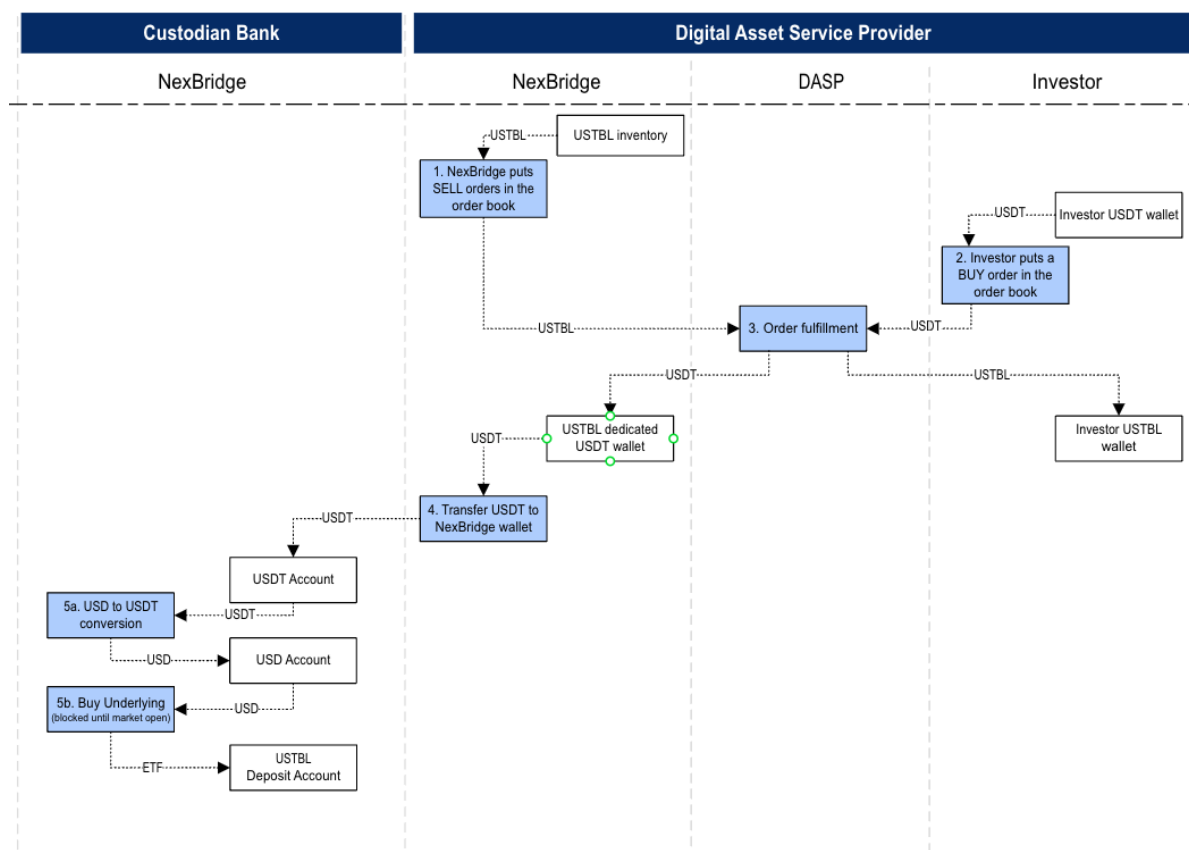
The initial subscription will be executed only through Bitfinex Securities S.A de C.V.



Dynamic subscription

During the dynamic subscription procedure, the issuer first places inventory tokens on sale in the order book (1). Investors then place buy orders in the order book (2), thereby matching orders and generating new subscriptions. Following this, investors receive the USTBL tokens in their wallets, and the issuer collects the assets from these transactions (3). The collected USDT are transferred to the issuer's segregated wallet (4). The issuer then periodically transfers these assets to the custodian bank (5), where the USDT is converted to USD (5a). Subsequently, these funds are used to acquire additional shares of the underlying assets on the next available trading day (5b).

Below is a graphical representation of the dynamic subscription procedure.



Subscription windows (OTC)

The use of funds and the fund transfer process will remain the same as for the initial subscription, although the timeline may vary.

The issuer might, in the future, directly offer subscription and redemption windows (OTC). In that case the issuer will substitute itself to the DASP.



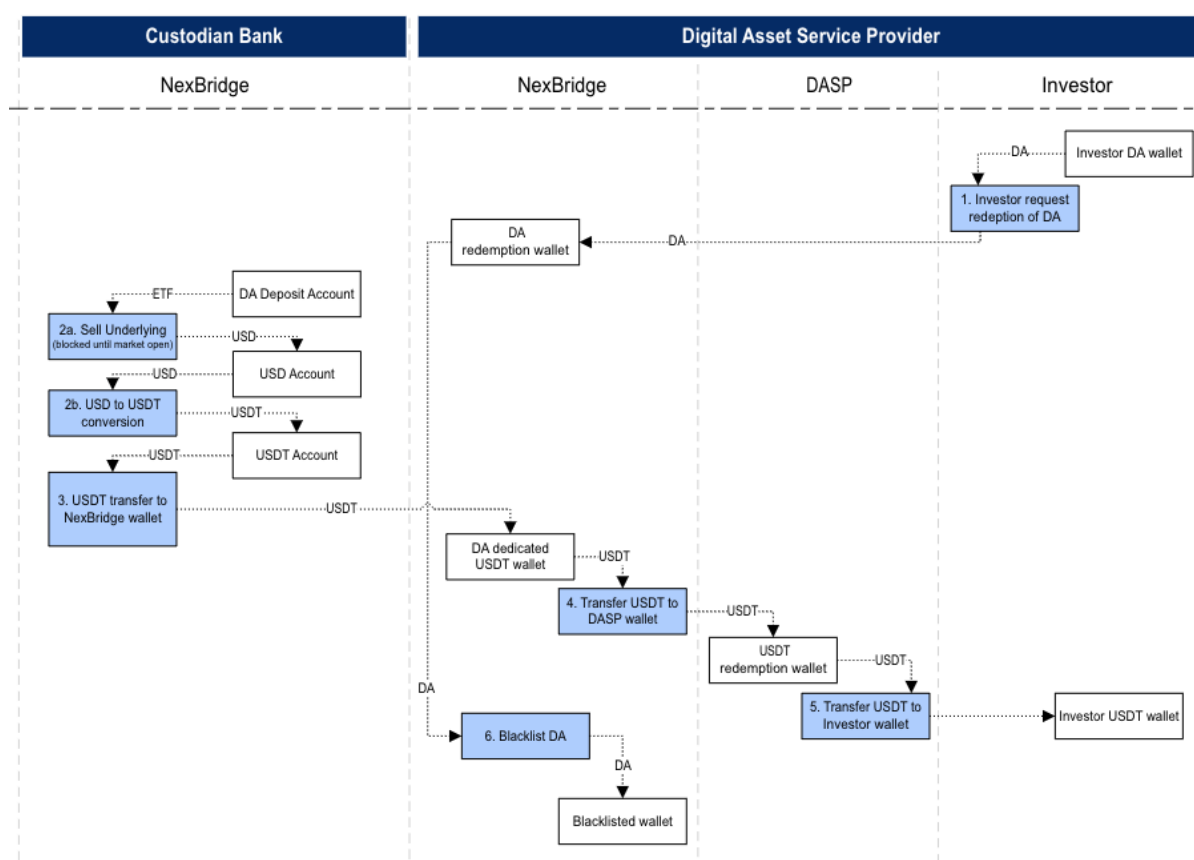
11.1.2 Redemptions

Redemption initiated by the issuer

In case of the realization of events introduced in Section 9.13.1 - Redemption for Unavailability of the Underlying Assets and Section 9.13.2 - Redemption for Breach of the Minimum Issuance Amount”, for one or more digital assets, respected tokens will be redeemed.

Token owners will be promptly informed of such event, and will be required to transfer their tokens to a dedicated wallet on the authorized DASP platform by a specified date (1). On that date, the issuer will instruct the custodian bank to sell the underlying assets (2). After the sale, the custodian bank will transfer the proceeds to the issuer (3). The issuer will then distribute the funds to the authorized DASP (4). Finally, the DASP will transfer the corresponding amount in a USD stablecoin, available on the DASP platform, to the investors for their redeemed tokens (5). Following this, tokens are blacklisted and definitively

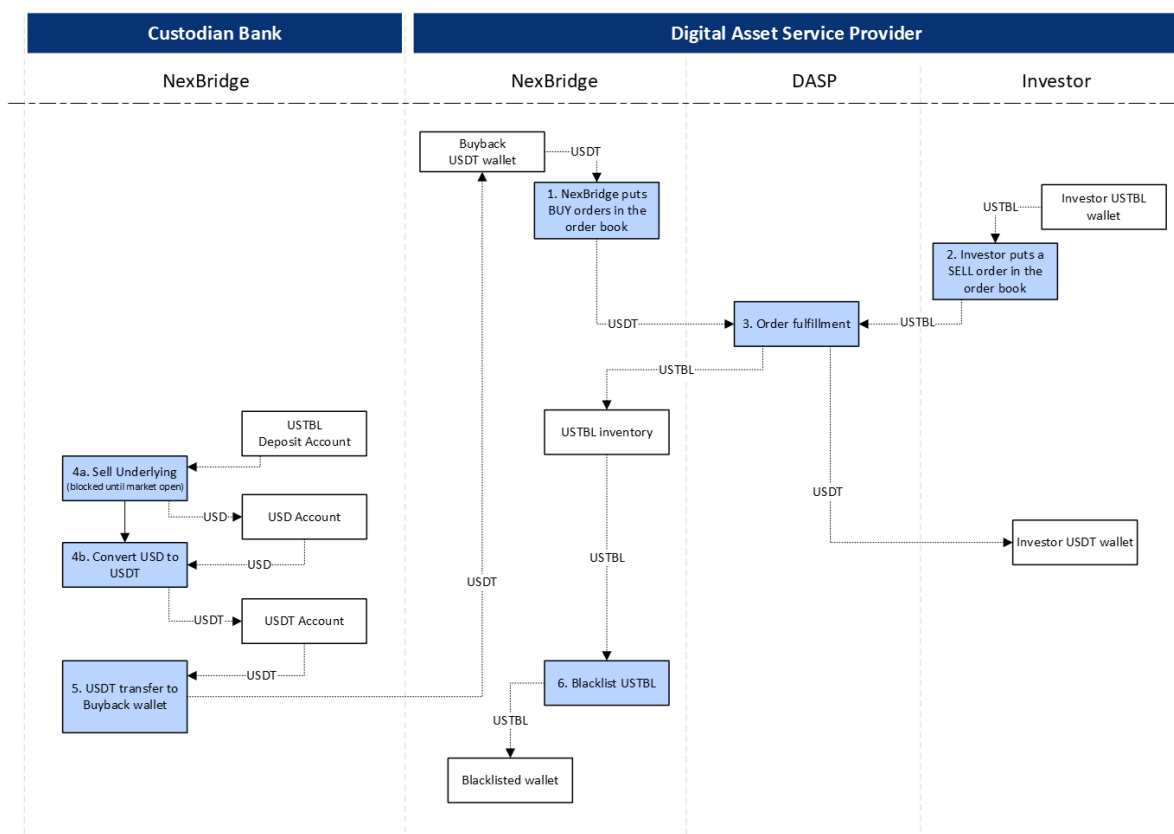
Below is a graphical representation of the redemption procedure:



Dynamic redemption

Investors place sell orders in the DASP orderbook (1). Unmatched orders at Token NAV or lower, due to a lack of buyers, are automatically fulfilled by the issuer through its buyback inventory (2), thereby initiating redemptions. Investors then receive the redeemed amount in their personal wallets (3). The issuer instructs the custodian bank to sell the related underlying assets (4), and the funds are subsequently transferred back to the issuer to replenish the buyback inventory (5). At this point, with the assets outside the custodian bank, the tokens no longer have any value and can be transferred to a garbage wallet to be burned (6), thus reducing the circulating supply.

Below is a graphical representation of the dynamic redemption procedure.



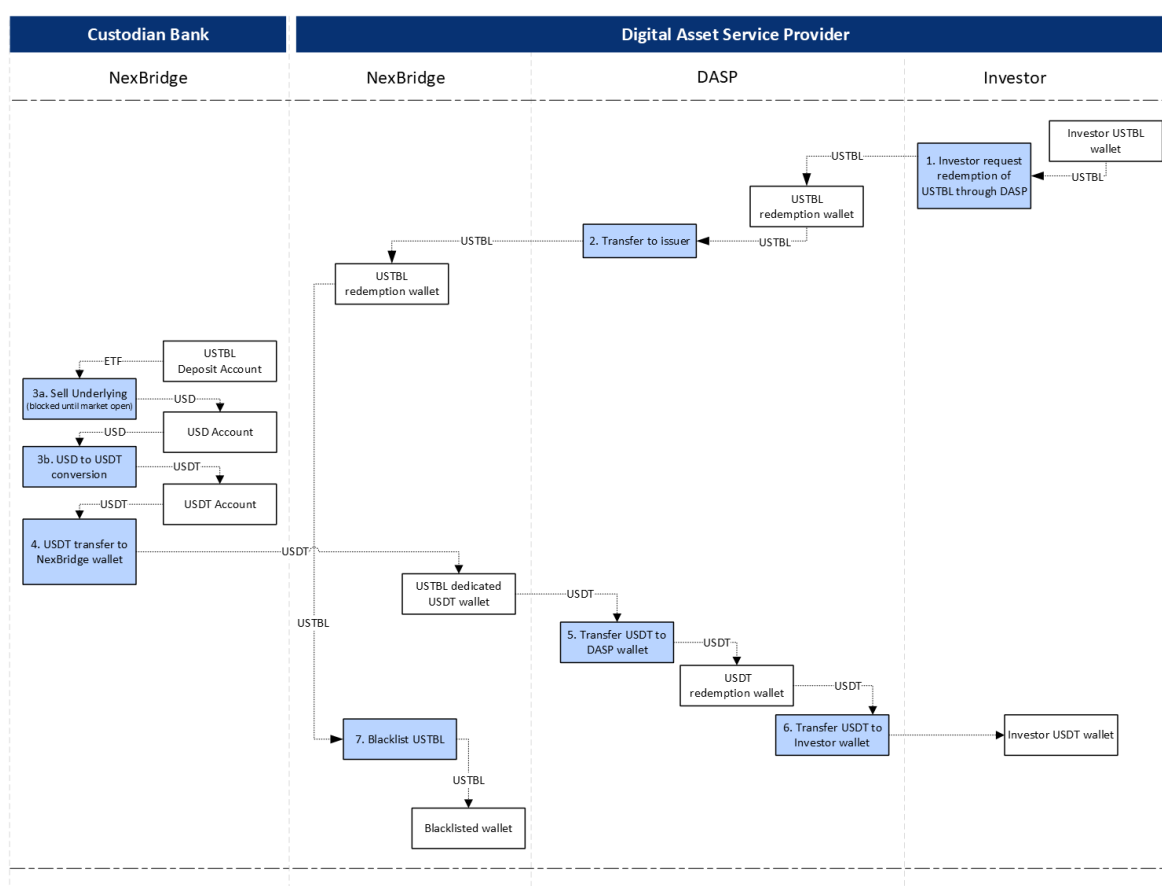
Redemption windows (OTC)

During the redemption window, investors first send a redemption request through the selected DASP platform (1). The DASP platform then transfers tokens to Issuer's dedicated redemption wallet (2). Upon reception of the redeemed tokens the issuer sells the underlying assets to generate the necessary funds (3a) and converts the proceeds from USD to USDT (3b), which are then transferred to the issuer's dedicated redemption wallet on the DASP platform (4). The issuer will then transfer the USDT to the DASP dedicated account (5), which then sends the USDT to the investors' wallets (6). Finally, the redeemed tokens are blacklisted and burned (7).

After the redemption procedure is completed, all redeemed tokens, now devoid of value, are transferred to a 'garbage' wallet for burning, effectively removing them from circulation.

The underlying assets may be temporarily collateralized to ensure sufficient liquidity on the DASP platform, facilitating the execution of the redemption process.

Below is a graphical representation of the redemption windows mechanism.



The issuer might, in the future, directly offer subscription and redemption windows (OTC). In that case the issuer will substitute itself to the DASP.



11.2 Proof of Ownership of Fund

- 1) The issuer is the owner of the USD bank account, securities depository accounts, USD stablecoin wallets, segregated for each digital asset issuance. Ownership is established through a bilateral contract or in general terms and conditions with the custodian bank.
- 2) The issuer is the owner of the digital asset wallets, segregated for each digital asset issuance, held with the designated Digital Asset Service Provider (DASP). Ownership is established through a bilateral contract or general terms and conditions of the respective DASP.

11.3 Proof of Right to Receive Funds

NexBridge Digital Financial Services S.A de C.V is officially registered in the CNAD Issuer Registry as of 12 September 2024, with the approval letter number CNAD-CD-206-2024 and registration number EAD-0005, authorizing it to issue digital asset products.

Digital assets public issuances part of this RID are dully authorized by the CNAD under the registry number AD-00004. Consequently, the issuer is authorized to receive assets resulting from those digital assets public issuance as outlined in this RID.

11.4 Custodian Bank Capacity

Capital Union Bank Ltd is regulated by the Central Bank of The Bahamas and the Securities Commission of The Bahamas. These regulatory bodies oversee the bank's financial activities in The Bahamas, a renowned international financial center.



12. UNDERLYING TECHNOLOGY AND STANDARDS

Blockchain	Liquid Network, Bitcoin Layer 2 https://liquid.net
Interoperability	Through counterparty platform supporting the Liquid Network

USTBL digital assets are issued on the Liquid Network managed by Blockstream AMP.

12.1 The Liquid Network (liquid.net) briefly

- It is a sidechain-based, Bitcoin layer-2 settlement network. Liquid is an implementation of Elements (elementsproject.org), an open source, sidechain-capable blockchain platform, based on the Bitcoin codebase (
- It is its own blockchain, without an independent utility token. It uses Liquid Bitcoin (LBTC ; pegged to BTC) as crypto currency to operate. As such, it interacts with the Bitcoin blockchain via Peg-In and Peg-Out. This involves the transfer of Bitcoin on the Bitcoin blockchain to a designated Peg-In address. When the Bitcoin is received at the Peg-In address and confirmed, Liquid Bitcoin will be credited to the user's Liquid wallet. Liquid Bitcoin transferred to the Peg-Out address will then transfer Bitcoin to the user's Bitcoin wallet. <https://docs.liquid.net/docs/technical-overview#peg-in-bitcoin-to-liquid>
- It consists of a federation of entities that are involved in various blockchain-related activities. These entities support the network by running validators and other software that enable transactions to be recorded on the Liquid Network. Fees to record transactions on the Liquid Network are paid in Liquid Bitcoin to Block Signers.
- It uses an approach to consensus called Strong Federations. A Strong Federation removes the need for costly Proof of Work mechanisms and replaces it with the collective actions of a group of mutually distrusting participants called functionaries.
- Innovation with Blockstream AMP: Liquid Network, utilizing the infrastructure of Elements and incorporating innovation through low-level Bitcoin-based code extensions called opcodes, employs a tailored solution known as Blockstream AMP (Asset Management Platform). Blockstream AMP facilitates the management of digital assets by adapting codes and instructions into focused functions for issuers efficiently. This solution enhances asset management capabilities and ensures compliance with regulatory standards, thanks to the native support of multisignatures, just as the Bitcoin protocol.

12.2 The purpose of the Liquid Network

The Liquid Network aims to build a new financial system harvesting the benefits of blockchain technology and which allows us to ensure compliance with current and future regulations. Creating a safer, faster way to transfer and exchange value throughout the world.

The Liquid Network, which shares more than 80% of the Bitcoin codebase, benefits from the same features while adding enhanced functionalities for high-value financial applications. This allows distrusting entities to issue, transfer, and custody digital assets while enforcing the laws and regulations of their local jurisdictions, all without the need for a centralized authority or the need to custody the assets to enforce these regulatory rules.



12.3 Governance of the Liquid Network

12.3.1 The liquid federation

The Liquid Network is governed by a federation of over 80 independent, geographically distributed entities, ensuring that control is not concentrated among a few. As the membership grows, the network becomes increasingly secure and resilient. This federated model closely mirrors the federated consensus model used in traditional financial systems, such as national stock exchanges, clearing houses, central securities depositories, and central banks. It represents an evolution of traditional stock exchange operations, applying similar mechanisms where consensus is democratically formed by financial institutions and qualified participants, thereby providing enhanced security.

12.3.2 New members

New members undergo a strict approval process to ensure only trustworthy and reliable participants join the federation. This process helps maintain decentralization.

12.3.3 Aligned interest

The Liquid Network has no native independent cryptocurrency. Members are dedicated solely to the network's purpose of building high value financial applications on the blockchain, including the issuance of Digital Assets.

12.3.4 Decision making

Governance is divided into three boards, each with five members elected annually by the federation:

- *Membership Board*: oversees the approval of new participants.
- *Oversight Board*: makes decisions about protocol rules.
- *Technology Board*: decides on the technology roadmap.

Decisions require a majority vote from the respective board, preventing any single entity from unilateral control. This structure distributes power and reduces centralization risks.

12.4 How it works

12.4.1 Derived from Bitcoin code (Layer 2)

The Liquid Network is a layer-2 solution built on top of the Bitcoin blockchain. It uses the **Elements platform**, allowing the creation of sidechains with the **same structure, code, and security as Bitcoin**. This makes the Liquid Network a technical extension of Bitcoin, maintaining high security standards through Bitcoin's proven track record. The cryptography and security models are identical to Bitcoin, with the only optimization being the consensus mechanism. Unlike Bitcoin's traditional proof of work (PoW), which is energy-intensive and slow, Liquid uses a federated consensus mechanism involving over 80 qualified and certified participants, similar to traditional stock exchanges.



The Liquid Network has enhanced blocks and transactions capacities compared to Bitcoin:

<i>As of the date of the issuance</i>	Bitcoin	Liquid Network
Block Weight	4vMB	4vMB
Block Interval	10 minutes (on average)	1 minute (fixed)
Blocks Per Hour	6	60
Transaction Finality	Cumulative	Two blocks
Typical Transaction Weight	250-450 vbytes	1'625-2'500 vbytes
Transactions per Block	2'000-4'000	400-600
Transactions per Hour	12'000-24'000 (assuming 6 blocks per hour)	24'000-36'000 (assuming 60 blocks per hour)

Source: <https://help.blockstream.com/hc/en-us/articles/900001390903-What-is-the-transaction-capacity-of-Liquid>

12.4.2 Relation with Bitcoin

- **Peg-In:** Users send Bitcoin to a multi-signature address controlled by the Liquid Federation. Once confirmed, Liquid Bitcoin (L-BTC) is issued on the Liquid Network.
- **Peg-Out:** Users can convert L-BTC back to Bitcoin by sending L-BTC to a specific address on Liquid. The federation then releases the equivalent amount of Bitcoin to the user's address on the Bitcoin blockchain.

The Liquid Network operates through an extension of Bitcoin's code that upholds Bitcoin's security standards and grants transaction approval consensus to the federated network. Additionally, AMP offers other verifiable code extensions online that optimize digital assets management for issuers.

12.4.3 Elements Project Software (ledger, cryptography and transactions)

The Liquid Network consists of a federation of entities that run the Elements Project software and support the blockchain. Even though the operation of the network is done by third parties, the Tokens are under the Token Holders' control using cryptography. All wallets maintain public and private cryptographic keys that are used to sign (and thus approve of) transactions. Because Tokens are issued on the Liquid Network, all transactions occurring on the Liquid Network are encrypted; the transactions do not, by default, make publicly visible the asset being transferred or the amount of the transfer. The transaction details can be viewed by use of an unblinding key provided by the Liquid Network wallet owner.

12.4.4 Native multi signature

Liquid uses Bitcoin's native multi-signature structure to secure participation in its federated consensus, ensuring robust security backed by Bitcoin's proven infrastructure.

12.4.5 Federated Consensus

Liquid employs a federated consensus mechanism similar to that of traditional stock exchanges. This involves qualified federated members and financial institutions ensuring consensus and transaction approval. Decisions require a majority vote from the respective board members mentioned earlier in this document, ensuring that no single entity can unilaterally control the network.

The same federated consensus applies to how the Liquid Network operates. The members of the Liquid Federation that maintain nodes of the Liquid Network, also called "Functionaries," contribute to the network's decentralization, performance, and security.

Functionaries are a subset of the federation members, all geographically distributed across different jurisdictions. They have two main roles:

- **Blocksigners:** Propose and sign new blocks, ensuring validity, ordering and finality of



transactions.

- **Watchmen:** Manage Bitcoins pegged into Liquid using a multi-signature system to ensure no single entity controls the funds, and its Peg-in/Peg-out functionalities with Bitcoin.

Together, they enable:

- **Decentralized Control:** Like stock exchanges with multiple members ensuring market integrity, Liquid's functionaries collectively maintain the network.
- **Approval and Oversight:** Just as exchanges need multiple approvals for significant changes, Liquid requires consensus from functionaries, with at least two-thirds needed to approve a block.
- **Security and Compliance:** Both use robust systems to prevent fraud and ensure secure transactions. Liquid employs multi-signature systems and collective decision-making for high security and reliability. The Liquid Network has never been compromised in its 6 years of operation.

12.4.6 Blockstream Asset Management Platform system (AMP)

Developed by Blockstream, AMP provides white-label solutions that allow issuers to administrate tokens in compliance with regulation.

Blockstream AMP supports the tokenization and management of digital assets, offering highly granular automation of rules. For instance, it enables the whitelisting of wallets that have passed KYC and AML checks, thereby facilitating authorized trading in the secondary market. This feature enhances the security and compliance of digital asset trading.

12.4.7 Tokens on the Liquid Network

Tokens on a distributed blockchain are simply record entries of a distributed ledger. They are transfer-restricted digital assets registered using the Blockstream AMP.

12.5 Conclusion

Using a federated consensus approach, the Liquid Network facilitates the issue of digital assets with increased security. The block validation and signing processes in this architecture are handled by a network of functionaries, or members of the Strong Federation, who guarantee a high level of integrity and reliability throughout the transaction process.

It is strongly advised to review the official documentation on the features and technical overview of the Liquid Network for further information:

[Liquid technical overview](#)

[Liquid features](#)

<https://blockstream.com/liquid/>

<https://blockstream.com/amp/>

<https://docs.liquid.net/docs/swaps-and-smart-contracts>

<https://blog.blockstream.com/covenants-in-production-on-liquid/>



13. ASSOCIATED RISKS AND RISK MANAGEMENT

The risks outlined below are intended to disclose the potential risks associated with the USTBL public issuance. The mitigation strategies described have been implemented by the issuer to reduce these inherent risks to acceptable levels. These strategies are applicable as of the date of the RID issuance and may evolve over the life of the USTBL to enhance their effectiveness as needed, as part of the issuer's continuous operational improvements.

It is important to note that this risk assessment and the issuer's mitigation strategies should not override the investors' own risk assessment and investment strategy, which should be based on their individual risk profile.

13.1 Risks Associated with the Issuer

13.1.1 Financial risk

Financial risk encompasses the potential for financial losses and failures to meet payment obligations, which can lead to the cessation of the issuer's activities.

Risk mitigation strategy and factors

Periodic financial reporting and planning procedures (including budgeting and forecasting) play a critical role in the ability of the issuer to monitor its financial health, predicting future trends and making informed decisions.

The issuer's financial reporting and planning procedures comprehensively cover all aspects of its financial health, including income, costs, assets, liabilities, equity, and cash flows. Before the end of each year, the issuer prepares its budget for the upcoming year, basing the budgeting process on a thorough data collection that includes past performance, market conditions, and macroeconomic factors. This process leverages the company's knowledge and expertise along with operational objectives to accurately compute the budget for the forthcoming year.

Additionally, at the end of the first half of the year, the budget is reassessed in light of actual performance to date, allowing adjustments to be made to ensure the budget for the second half of the year remains aligned with financial performance assessments.

Every month, at the close of the month, the actual financial data prepared by the accountant is meticulously compared against the budget and forecasts. This comparison serves to identify and explain any deviations, aiming to pinpoint potential risks and opportunities that may impact the organization's financial trajectory.

13.1.2 Market risk

Market risk refers to the uncertainty due to fluctuations in market prices and rates. It is influenced by a variety of factors, including geopolitical events, economic forecasts, and shifts in market sentiment.

Risk mitigation strategy and factors

The issuer only invests in digital assets and financial instruments for the sake of its issuances. The Market risk is supported by the investor of the issuer's digital assets.

13.1.3 Operational risk

The operational risk highlights the potential failure in executing the issuance or complying to its characteristics.

Risk mitigation strategy and factors

The issuer designed and implemented robust risk management strategies and strong internal controls to significantly reduce exposure to operational risks. This process includes



bi-annual risk assessments and ensures that control mechanisms are both in place and effective. These controls consist of:

- **Daily reconciliation** of assets under management with the total supply of tokens, both in terms of quantity and value, to identify and address any significant discrepancies.
- **Daily review** of subscription and redemption transactions to pinpoint and rectify any significant discrepancies.
- **Weekly incident reports** to assess the significance and frequency of errors and to implement improvements when necessary.

13.1.4 Cybersecurity risk

Cybersecurity risk pertains to the potential for harm or loss resulting from vulnerabilities within digital systems and networks. This risk can manifest in various forms, such as data breaches, unauthorized access, malware infections, denial-of-service attacks, and other cyber incidents.

Risk mitigation strategy and factors

- **Monitoring access to its IT infrastructure:** This includes managing user access and preventing external attacks.
- **Data backup:** Ensuring data is backed up both locally and on the cloud.
- **Sensitive data management:** Identifying, classifying, and encrypting sensitive data.
- **Regular employee training:** Conducting regular cybersecurity training for employees.

These procedures are designed to prevent, identify, and respond to security breaches and system failures. They aim to reduce the likelihood and impact of data breaches or failures within the IT system, ensuring that the issuer can always maintain operational effectiveness.

13.1.5 Regulatory compliance risk

Regulatory compliance risk highlights the challenges associated with adhering to regulatory requirements and the impact of potential changes in regulations.

Risk mitigation strategy and factors

The compliance department is responsible for monitoring all regulatory requirements to ensure that the issuer and its digital asset issuances remain in full compliance with all relevant regulations. It conducts regular compliance assessments, business intelligence evaluations, and plans for regulatory training. These activities are designed to ensure that the issuer not only remains compliant but is also well-prepared to adapt to both current and future regulatory changes.

13.1.6 Legal risk

Legal risk encompasses the challenges related to compliance with laws and the potential for legal disputes.

Risk mitigation strategy and factors

The issuer benefits from its own legal team and advisors to ensure it stays ahead of legal risk and complies with applicable laws, as well as benefiting from expert advice in case of dispute.

13.1.7 Conflict of interest risk

Conflict of interest risk reflects the event when the issuer, an employee, member of the board of directors has competing interests against the issuer or investors to its digital assets, that that could influence their judgment, objectivity, or decision-making in fulfilling their duties. These conflicts may involve personal, financial, or professional relationships that could compromise, or appear to compromise, the integrity of actions or decisions.



Risk mitigation strategy and factors

The issuer maintains a Code of Conduct and Ethics and a Conflicts of Interest Policy under the latest which the issuer must identify its conflict of interest, and its employees must declare all potential conflicts.

In addition, all identified conflicts of interests that may have an impact on this issuance are disclosed in the section 8.6 - Conflict of interests of this RID.

Despite policies in place, it is not always possible for the risk of detriment to an investor to its issuances' interests to be entirely mitigated such that, on every transaction when acting for its issuances, a risk of detriment to their interests does not remain.

13.1.8 Fraud risk

Fraud risk refers to the potential occurrence of asset misuse and external fraud.

Risk mitigation strategy and factors

The issuer has implemented robust risk controls and stringent approval procedures to ensure that all key processes and transactions, especially those related to cash and assets, are thoroughly approved, reviewed, and documented before execution. Additionally, employees undergo specific training to identify and respond to instances of external fraud.

13.1.9 Counterparty risk

Counterparty risk underscores the potential for one party in a financial transaction to default on its contractual obligations, which can lead to financial losses for the other party involved. Specifically, for the issuer, counterparty risks pertain to Digital Asset Service Providers (DASPs) and the custody bank managing its financial assets.

Risk mitigation strategy and factors

The issuer performs thorough due diligence to ensure strategic partners will be able to provide the expected services, and only start relationships with regulated entities, ensuring they comply with all requirements.

In addition, the issuer monitors their performance related to the realization of their contractual obligations.

13.1.10 Inflation risk

Inflation risk refers to the potential exposure to loss of purchasing power due to fluctuations in the real-world asset value.

Risk mitigation strategy and factors

Real-world assets inherently serve as inflation risk hedging solutions. By correlating its revenues with the performance of these inflation-hedging assets, the issuer actively monitors and mitigates its exposure to inflation risk.

Moreover, the issuer engages external auditors that provide an independent assessment of financial health and operational integrity. It helps in identifying potential areas of risk and ensuring the accuracy of financial reports.

13.1.11 Governance Risk

Governance risk highlights the potential lack of governance structure leading to unfavorable decisions and poor corporate management.

Risk mitigation strategy and factors

The issuer implements robust governance procedures and bodies, including a the Executive Committee and external auditors. Additionally, the issuer has various internal committees to



address key elements of its business. For more details about the issuer's corporate and organizational structure, please refer to part 7 "issuer description" of this Relevant Information Document.

13.1.12 Business Continuity Risk

Unexpected and unstoppable events such as natural disasters, epidemics, geopolitical conflicts, extended access interruption to technological infrastructure, or any other type of major event can significantly impact the issuer's ability to continue its business.

Risk mitigation strategy and factors

The issuer implements and maintains a business continuity plan and a recovery plan for such events, ensuring its strategic partners for issuance do the same, thus minimizing the impact of such risks.

13.1.13 Reputation Risk

Issues and challenges that the issuer may face might deteriorate its image and reputation, affecting its attractiveness to clients and investors.

Risk mitigation strategy and factors

The issuer's reputation is one of its best assets. Maintaining proactive and transparent communication with our stakeholders is at the core of our values. Additionally, we implement internal procedures to prevent such scenarios and to act accordingly in case of such events.

13.1.14 Innovation Risk

Innovation risk refers to the issuer's capacity to innovate or respond to innovation in the market. A lack of innovation might deteriorate its ability to adapt and its market position.

Risk mitigation strategy and factors

Innovation is at the core of the issuer's mission. The issuer stays ahead of market and technology trends and ensures to study the opportunity of changes to adapt accordingly and quickly to relevant innovations.

13.1.15 Key Employees Risk

The issuer's team is composed of high-level professionals who are experts in their fields. The loss of these talents can hinder its capacity to operate as planned.

Risk mitigation strategy and factors

The issuer maintains a retention plan that includes attractive compensation and perks, continuous training, and other advantages.



13.2 Risks Associated with the Issue on Digital Asset Service Providers platform

13.2.1 Market liquidity risk

Market liquidity risk refers to the possibility of limited trading volume or the absence of market makers on the exchange platform where digital assets are available. A lack of liquidity could negatively affect the market price of the token on the specific Digital Asset Service Provider (DASP) platform.

Risk mitigation strategy and factors

The issuer deploys strategies to increase the number of DASPs where its digital assets are listed, providing investors with multiple trading venues and improving access to liquidity.

Additionally, when compatible with the DASP, the issuer implements dynamic subscription and redemption mechanisms and other structured processes, allowing investors to buy or sell their digital assets more efficiently, significantly reducing potential liquidity shortages.

For more details on redemption and subscription mechanisms, please refer to Section 9 – CHARACTERISTICS OF THE PUBLIC OFFERS of this RID.

A list of DASPs where USTBL are available for trading, along with the redemption and subscription mechanisms they support, can be found on the issuance website.

13.2.2 Operational risk

Operational risk refers to delays in processes, inefficiencies, or unforeseen project management issues that impact the DASP's ability to provide services or maintain service quality.

Risk mitigation strategy and factors

The issuer implements several key strategies towards the DASP platforms supporting its issuances:

- **Thorough Due Diligence:** The issuer rigorously evaluates DASPs to ensure their operational integrity and effective risk management.
- **Selecting Licensed DASP:** The issuer collaborates exclusively with DASPs adhering to regulatory standards.
- **Monitoring Activities:** Ongoing monitoring of DASPs by the issuer ensures continuous compliance and effective management of potential risks.

These measures are designed to ensure the security and compliance of digital asset services, encompassing operational effectiveness, anti-money laundering (AML) and counter financing of terrorism (CFT), risk management, and cybersecurity. This includes the implementation of comprehensive contingency and recovery plans.

13.2.3 Platform security risk

This risk refers to vulnerabilities in DASP platforms to hacking or fraud which may compromise the integrity of their information technology system, adversely impacting their ability to operate, or leading to the partial or total loss of issuers' digital assets.

Risk mitigation strategy and factors

The issuer implements several key strategies towards the DASP platforms supporting its issuances:

- **Thorough Due Diligence:** The issuer assesses DASPs' security protocols and risk controls.
- **Selecting Licensed DASPs:** The issuer collaborates exclusively with DASPs adhering to regulatory standards.
- **Monitoring Activities:** Ongoing monitoring of DASPs by the issuer ensures continuous



compliance and effective management of potential risks.

These measures are designed to ensure the security and compliance of digital asset services, encompassing operational effectiveness, anti-money laundering (AML) and financing of terrorism (LAFT), risk management, and cybersecurity. This includes the implementation of comprehensive contingency and recovery plans.

13.2.4 Custody risk

This risk represents risks from depositing digital assets under the custody of a DASP platform, resulting in the partial or total loss of the digital assets under custody.

Risk mitigation strategy and factors

The issuer implements several key strategies:

- **Thorough Due Diligence:** Ensuring DASPs maintain secure custody solutions.
- **Selecting Licensed DASPs:** The issuer collaborates exclusively with licensed DASPs adhering to regulatory standards.
- **Monitoring Activities:** Ongoing monitoring of DASPs by the issuer ensures continuous compliance and effective management of potential risks.

These measures are designed to ensure the security and compliance of digital asset services, encompassing operational effectiveness, anti-money laundering (AML) and financing of terrorism (LAFT), risk management, and cybersecurity. This includes the implementation of comprehensive contingency and recovery plans.

13.2.5 Conflict of interest of the DASP platform risk

DASPs may have commercial interests that do not align with token holders' interests. Since DASPs generate revenue from trading fees, they may incentivize excessive trading activity, which may not always be in the best interest of investors.

Additionally, DASPs or their affiliates may conduct their own transactions in digital asset markets, potentially creating conflicts of interest.

Risk mitigation strategy and factors

NexBridge ensures that its digital assets are listed on ethical and compliant DASPs.

As part of its due diligence procedures, the issuer verifies that DASPs comply with conflict-of-interest regulations in relevant jurisdictions.

However, conflicts of interest cannot be entirely eliminated, and the degree of risk may vary across different DASPs.

13.2.6 Fees and commissions risk

DASPs may update their fees and commissions. All applicable costs and fees will impact on the profits generated when using their services.

Risk mitigation strategy and factors

The issuer does not implement measures to mitigate DASP fee or commission risks. Investors should be aware that transaction costs may impact investment returns.

13.2.7 Regulatory Compliance Risk of the DASP Platform

This risk refers to DASP compliance with local and international regulatory requirements, as well as potential changes in regulations that could impact their operations.

Risk mitigation strategy and factors

The issuer implements several key strategies:



- **Thorough Due Diligence:** Evaluating DASP compliance with regulations.
- **Selecting Licensed DASPs:** The issuer collaborates exclusively with licensed DASPs adhering to regulatory standards.
- **Monitoring Activities:** Ongoing monitoring of DASPs by the issuer ensures continuous compliance and effective management of potential risks.

In addition, in accordance with the issuer's commitment to regulatory integrity and international standards on Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT), our digital products are listed exclusively on exchanges that:

- Operate under a recognized legal framework within their jurisdiction.
- Are subject to AML/CFT supervision by competent national authorities.
- Adhere to the core principles established by the Financial Action Task Force (FATF), either directly or via participation in FATF-style regional bodies such as GAFILAT or MONEYVAL.
- Maintain cooperation with national Financial Intelligence Units (FIUs) that are part of the Egmont Group;
- Implement effective Know-Your-Customer (KYC), transaction monitoring, and suspicious activity reporting mechanisms.

NexBridge reserves the right to approve only those exchanges that provide sufficient documentation and evidence of compliance with international regulatory norms. This framework ensures interoperability, security, and legal equivalence across jurisdictions, thus enhancing investor protection and systemic trust.

These measures are designed to ensure the security and compliance of digital asset services, encompassing operational effectiveness, anti-money laundering (AML) and financing of terrorism (LAFT), risk management, and cybersecurity. This includes the implementation of comprehensive contingency and recovery plans.

13.3 Risks Associated with Digital Assets

13.3.1 Regulatory compliance risk

Regulatory compliance risk involves the challenge of adhering to regulatory requirements and the potential impact of changes in regulations.

Risk mitigation strategy and factors

The compliance department is tasked with monitoring all regulatory requirements to ensure that the issuer and its digital asset issuances remain compliant with all relevant regulations. It conducts regular compliance assessments, compliance business intelligence assessments, and plans for regulatory training to ensure the issuer's ongoing compliance and adaptability to current and future regulations. Additionally, for each public issuance of digital assets, the issuer engages with trusted participants through thorough due diligence. Furthermore, in accordance with El Salvador's laws and regulations, public issuances of digital assets must be certified by licensed certifiers who are responsible for reviewing the viability of the project and its compliance with El Salvador's laws and regulations.

13.3.2 Market risk

Market risk refers to the uncertainty caused by changes in market prices and rates, influenced by factors such as geopolitical events, economic forecasts, and changes in market sentiment.

Risk mitigation strategy and factors

USTBL's underlying assets are low-risk financial assets to mitigate the effects of market volatility.



13.3.3 Liquidity risk

Liquidity risk pertains to the challenges associated with executing transactions without significantly affecting the asset's market price. In the nascent Real World Asset Digital Assets market, access to liquidity is limited, which can adversely affect the price of the USTBL.

Risk mitigation strategy and factors

To mitigate liquidity risk associated with its USTBL issuance, the issuer will initially serve as a liquidity provider. Furthermore, a dynamic subscription and redemption mechanisms will ensure that token owners always have the opportunity to liquidate or acquire new tokens, subject to the limits of the issuance. Additionally, the issuer reserves the right to engage market makers at a later stage.

13.3.4 Interest rate risk

Interest rate risk is the potential for fluctuations in interest rates to impact the value of investments, especially fixed-income securities like bonds. This risk originates from the inverse relationship between the market value of fixed-income securities and changes in interest rates. Specifically, when interest rates rise, the value of existing bonds with lower interest rates tends to decrease, and conversely, when rates fall, the value of these bonds increases. The USTBL issuance is exposed to interest rate risk through its underlying assets, which consist of shares in an ETF that includes U.S. Treasury bonds with maturities ranging from 0 to 12 months.

Risk mitigation strategy and factors

The composition of the USTBL's underlying assets is dynamic and directly influenced by the U.S. government's interest rate decisions, primarily dictated by the Federal Reserve (FED) interest rates, which fluctuate based on when the bonds are issued. As such, the performance of the ETF shares, and consequently of the USTBL tokens, are expected to vary in alignment with the changes in interest rates associated with the renewal of U.S. Treasury bonds with 0 to 12 months maturity that comprise the ETF's underlying assets.

The impact of these changes can be relatively anticipated since the FED's interest rate decisions are public. Furthermore, the characteristics of the open U.S. Treasury bonds available on the market are also public, allowing for a degree of predictability in managing this risk.

13.3.5 Investor Protection risk

Investor protection risk refers to the possibility of an investor's rights over digital assets being denied, disputed, or challenged, potentially affecting ownership and usage.

Risk mitigation strategy and factors

The issuance fully complies with Salvadoran laws and is duly approved by the CNAD. The rights of investors in publicly issued Digital Assets in El Salvador are established within the country's legal and regulatory framework.

In addition, the use of Blockstream AMP whitelists ensures only authorized investors have access to the Digital Assets.

13.3.6 Currency exchange risk

Currency exchange risk is the risk that changes in exchange rates between two currencies will affect the investment value. The valuation currency of our digital assets is chosen to match the base currency of its respective underlying asset. To investors that do not use the same base currency, fluctuations between their local currency and the digital asset valuation currency can impact their returns.

Risk mitigation strategy and factors



The issuer does not plan to implement measures to prevent adverse currency exchange events.

13.3.7 Passive investment risk

Passive investment risk refers to the risk that funds are not actively managed, and market price declines may impact the USTBL's Assets under Management (AuMs).

Risk mitigation strategy and factors

The issuer does not plan to implement measures and procedures to protect against any market condition.

13.3.8 Technological dependence risk

The technological dependence risk represents the risk arising from the dependence on the Liquid Network for token issuance and management. Network disruptions or inefficiencies could affect tokens integrity, transactions, and investors trust.

Risk mitigation strategy and factors

The issuer does not plan to implement mitigation strategies. Please refer to the Section 12 – UNDERLYING TECHNOLOGY AND STANDARDS USED of this RID for more information about the Liquid Network, and Section 13.5 - Risks Associated with Technology Used for risk associated to the use of this technology.

13.3.9 Underlying Asset risks

Due to its nature, the USTBL tokens are exposed to risks related to their underlying assets. As a publicly traded fund, its risk factors are disclosed under the section "RISK FACTORS" of its prospectus (publicly available under the following link: [iShares \\$ Treasury Bond 0-1yr UCITS ETF](#)) For more details, please refer to **Appendix IV – Prospectus Risk Factors- iShares \$ Treasury Bond 0-1yr UCITS ETF**).

The issuer will communicate to USTBL investors any risk-related information communicated by the issuer of the iShares \$ Treasury Bond 0-1yr UCITS ETF. Additionally, the issuer is not involved in the management of the iShares \$ Treasury Bond 0-1yr UCITS ETF and does not plan any additional measures to mitigate risks from the underlying assets.

13.4 Risks Associated with the Execution of the Project

13.4.1 Operational risk

Operational risk refers to delays or inefficiencies in project management or unforeseen challenges, leading to increased costs, potential failure in executing the issuance or complying with its characteristics, or reduced investor confidence.

Risk mitigation strategy and factors

The issuer designed and implemented robust risk management strategies and strong internal controls to significantly reduce exposure to operational risks. This process includes bi-annual risk assessments and ensures that control mechanisms are both in place and effective. Controls related to the execution of the issuance consist of:

- **Daily reconciliation** of assets under management with the total supply of tokens, both in terms of quantity and value, to identify and address any significant discrepancies.
- **Daily review** of subscription and redemption transactions to pinpoint and rectify any significant discrepancies.
- **Weekly incident reports** to assess the significance and frequency of errors and to implement improvements when necessary.



13.4.2 Adverse market conditions risk

Adverse market conditions risk refers to the uncertainty in demand for digital assets due to macroeconomic or market-specific factors. Economic downturns, regulatory changes, or shifts in investor sentiment could impact market liquidity, asset valuation, and overall subscriptions, potentially leading to increased volatility and reduced confidence in digital asset markets.

Risk mitigation strategy and factors

Macroeconomic and market-specific factors are beyond the issuer's control.

13.4.3 Stakeholder risk

Stakeholder risk refers to misalignment between issuer and investor expectations, which may result in disputes, reputational damage, and reduced subscription rates.

Risk mitigation strategy and factors

The issuer implements and maintains a Code of Conduct and Ethics to ensure compliance with regulations and best practices. In addition, the issuer is committed to transparency ensuring investors have all the necessary information to take a well-informed decision.

13.4.4 Scalability risk

Scalability risk highlights the challenges arising from project operations as scale increases with growing subscriptions or additional issuances, translated into operational bottlenecks or inability to meet investors and market demand.

Risk mitigation strategy and factors

The issuer implements risk management and planning procedures to establish appropriate measures, including resource allocation and process automation, while monitoring the expansion of operations.

13.4.5 Counterparty risk

Counterparty risk underscores the potential for one party in a financial transaction to default on its contractual obligations, which can lead to financial losses for the other party involved. Specifically, for the issuer, counterparty risks pertain to Digital Asset Service Providers (DASPs) and the custody bank managing its financial assets.

Risk mitigation strategy and factors

The issuer performs thorough due diligence to ensure strategic partners will be able to provide the expected services, and only start relationships with regulated entities, ensuring they comply with all requirements.

In addition, the issuer monitors their performance related to the realization of their contractual obligations.

13.4.6 Regulatory compliance risk

Regulatory compliance risk involves challenges in adhering to regulatory requirements and the potential impact of regulatory changes on digital asset issuances.

Risk mitigation strategy and factors

The compliance department is tasked with monitoring all regulatory requirements to ensure that the issuer and its digital asset issuances remain compliant with all relevant regulations. It conducts regular compliance assessments, compliance business intelligence assessments, and plans for regulatory training to ensure the issuer's ongoing compliance and adaptability to current and future regulations. Additionally, for each public issuance of digital assets, the issuer engages with trusted participants through thorough due diligence. Furthermore, in



accordance with El Salvador's laws and regulations, public issuances of digital assets must be certified by licensed certifiers who are responsible for reviewing the viability of the project and its compliance with El Salvador's laws and regulations.

13.5 Risks Associated with the Technology used

The USTBL public offer of digital assets will be issued on the Liquid Network.

The issuer does not implement additional strategies to mitigate the risks related to the use of this technology and relies on mitigation factors and strategies implemented by the Liquid Federation.

The use of the Liquid Network technology incurs the following risks:

13.5.1 Centralization and Misaligned Incentive Risk

The centralization and misaligned incentive risk highlights the fact that the Liquid Network is not fully permissionless like Bitcoin and is instead maintained by a federation of nearly 80 globally distributed participating companies. While this makes Liquid more decentralized than many private and public blockchains, the potential for control to become overly concentrated among a few dominant members could theoretically compromise the network and transactions. This could potentially lead to trust issues, which undermine the decentralized nature of the network.

Risk mitigation strategy and factors

Federation Membership

- The Liquid Network is governed by a federation of nearly 80 independent, geographically distributed entities. This broad membership base helps prevent control from being concentrated in the hands of a few entities. As membership grows and as more members opt to participate in the network, it will become more secure and resilient.
- New members are admitted through a strict approval process, which ensures that only trustworthy and reliable participants with aligned incentives are part of the federation.

Aligned Interests

In Bitcoin, the chain is genuinely decentralized, given that there was no ICO or pre-mine, and proof-of-work enables a fairer distribution method. This same incentive structure exists for its second layers, like Liquid, given its native token is pegged to BTC (also called Liquid Bitcoin/LBTC). The Liquid Network and the members of its federation focus on enabling high-value, advanced financial applications that build upon and extend Bitcoin's use cases. Typically, combining a separate native token with financial applications (like many altcoin chains and their sidechains) invariably leads to a conflict of interest among participants who wish to maximize the value of the native token. The issuer joined the Liquid Federation to contribute to its decentralization and participate in the prevention of its centralization.

13.5.2 Governance and Decision-making risk

Governance and decision-making risks refer to potential issues arising from the way decisions are made within the Liquid Network. These risks include disagreements among members, such as diverging opinions on protocol upgrades, fee structures, and policy changes, which could lead to conflicts and delays in implementing necessary changes. This risk can affect the efficiency, effectiveness, and fairness of the governance process within the Liquid Network, potentially impacting its overall performance and reliability.

Risk mitigation strategy and factors

Distributed Decision-Making

- The Liquid Federation aims to increase its user base, with new members added every



month. In the ever-changing and innovative digital asset market, fast and accurate decision-making is key for the network's development. It is in the best interest of all members to ensure an efficient governance and decision-making process.

- The governance of the Liquid Network is divided into three separate boards comprising five different members, each responsible for different aspects of network governance and decision making:
 - **Membership:** Oversees the approval of new participants.
 - **Oversight:** Makes decisions regarding the rules of the protocol.
 - **Technology:** Decides on the technology roadmap.
- Decisions require a majority of three votes from the members of these boards, ensuring that no single entity can unilaterally control the network. This multi-layered governance structure distributes power and further reduces the risk of centralization.
- NexBridge's membership in the Liquid Federation marks a significant contribution to this decision-making process, ensuring its interests are effectively represented within the network.
- Boards are elected every year.

13.5.3 Security and Technology Vulnerability Risks

Security and technology vulnerability risks relate to anything that could undermine the network's integrity, reliability, and trustworthiness, which could, in turn, impact the security of digital asset transactions. These include the risk of member nodes being hacked or compromised, collusion among functionary operators to launch attacks such as double-spending or network disruption, and potential external cyber-attacks targeting the network's infrastructure.

Risk mitigation strategy and factors

Battle-tested Codebase

Liquid is based on Elements, a fork of the Bitcoin codebase that leverages 80% of Bitcoin's robust, battle-tested code, reducing the risk of vulnerabilities and potential security bugs. The Liquid codebase continues to be a mirror image of Bitcoin's with every new Elements release, inheriting bug fixes and performance optimizations upstream from Bitcoin Core. The technology provider of the Federation, Blockstream, works diligently to keep the Elements (Liquid) codebase updated in line with that of Bitcoin.

Strict Member Approval

Members of the Liquid Network, including those who run functionaries, must pass through a strict approval process via the membership board, ensuring their trustworthiness and accountability. This minimizes the risk of collusion and ensures that only reliable entities with a vested interest in Liquid's success participate in the network. Members are required to either create a product/service that requires integration with the Liquid codebase, conduct actual issuances, or be a company/entity that members deem to add notable value to the Federation and thus the network.

High Cybersecurity Standards and Resiliency

Functionary operators play a crucial role in securing the network via block signing. Their dedication to applying the highest cybersecurity standards, including implementing tamper-resistant HSMs, advanced security measures, and regular audits, is integral to protecting their nodes from external attacks and maintaining high uptime of the Liquid sidechain.

In 2022, Liquid deployed DynaFed, a new systems protocol that allows functionary operators to seamlessly join or leave without disrupting network operations. This flexibility enhances the network's resiliency, ensuring smooth operations during operational changes.



Multisignature Protocols

The Liquid Network, like Bitcoin, supports native multisignature (multisig), requiring multiple private keys to authorize a transaction. This means that a single party cannot unilaterally move funds or access confidential data, significantly reducing the risk of unauthorized access and ensuring that multiple parties must collaborate to complete sensitive operations. Multisignatures have a clear advantage over MPCs or smart contracts that require trusted escrows for trades. In fact, MPCs and smart contracts of EVM chains, for example, are arguably a consequence of the lack of native multisignature, making them a less preferred option if security is prioritized.

Simplified Smart Contracts

Covenants of the liquid Network are the equivalent of traditional smart contracts with a minimum of variables entries. Therefore, the absence of overly expressive smart contracts within the Liquid Network due to its use of Bitcoin Script (with additional opcodes) and reliance on simple RPCs reduces the attack surface for potential exploits. This minimizes the risk of code vulnerabilities that can be targeted by hackers. Unlike unrestricted smart contracts, covenants are designed to be more secure and less prone to bugs and exploits, thereby reducing potential vulnerabilities and ensuring safer execution of financial operations.

AMP Server

The AMP (Asset Management Platform) server in the Liquid Network provides the necessary logic and infrastructure to manage the entire lifecycle of regulated digital assets, including issuance, distribution, transaction, reporting, burning, dividend and coupon distribution, whitelisting, and blacklisting. The AMP server helps ensure compliance with regulations, even with third-party logic, and provides additional layers of security and operational efficiency for asset management. This enables businesses to utilize complex financial instruments in a controlled and secure environment. The AMP server provides more granularity to the logic of a transaction without the risks of overly expressive smart contracts found on other chains, thanks to the aforementioned native multisignature support.

Advantages of the UTXO Model

- Liquid also uses the UTXO model of Bitcoin, which has several advantages, such as enabling the creation of a low-level smart contracting language that can be formally verifiable. This ensures that you can be 100% sure of the output of a computation, removing the need for audits of smart contracts necessary on other chains.
- Reordering transactions is impossible using the UTXO model (versus the account model of many altcoins), making MEV (Miner Extractable Value) very difficult.
- The UTXO model's ability to disaggregate information is a key advantage, making the implementation of transaction confidentiality easier than with the account model.
- Trades with counterparties do not require trusted escrows or fragile smart contracts, as assets are native to the network.
- Granular regulatory logic without the single points of failure of overly expressive smart contracts.
- Interoperability with the Lightning Network, a layer-2 solution focused on instant, cheap payments, can exponentially multiply throughput and leverage the strengths of both Liquid and Lightning protocols together.

Federation Member-Only Withdrawals

Withdrawals of bitcoin from the Liquid Network back to the Bitcoin mainchain are only allowed from members of the Liquid Federation, limiting the probability of external threats and rehypothecation. Members of the Liquid Network must pass through a strict approval



process, ensuring their trustworthiness and accountability. They are required to apply the highest standards of cybersecurity to protect their nodes from external attacks. Additionally, the Liquid Network's covenants lower the risk of code exploits, and its strong security features offer further protection against cyber threats.

13.5.4 Privacy Risks

Privacy risk refers to the potential exposure or misuse of users' confidential data within the Liquid Network. These risks include privacy breaches, unauthorized access to or disclosure of transaction details, sandwich attacks, investor front-running, and the improper use of confidential data by malicious actors or network participants.

Risk mitigation strategy and factors

Regulatory Compliance

Participants in the Liquid Network, including Digital Asset Service Providers (DASP) and issuers, are required to implement strict procedures to safeguard clients' and investors' private information in compliance with El Salvador's laws and regulations. This ensures that privacy standards are upheld.

Despite transaction confidentiality, Liquid enables issuers to selectively share the content of a transaction by using an unblinding key. This means that whenever a regulator or auditor needs to review the content of a transaction, Liquid makes this possible while keeping the content confidential for everyone else.

Federation Member Standards and Advanced Encryption

Federation members must adhere to high privacy standards, including the secure handling and storage of confidential data. This minimizes the risk of data being misused or improperly accessed by network participants.

The network employs advanced encryption techniques to protect transaction data and confidential information. This ensures that data is secure both in transit and at rest, reducing the risk of unauthorized access.

Regular Audits and Monitoring

The Liquid Network is subject to regular audits and continuous monitoring to detect and address potential privacy vulnerabilities. This proactive approach helps to identify and mitigate privacy risks before malicious actors can exploit them.

The Blockstream engineering team, the technology provider of Liquid, spearheads this initiative and is widely considered one of the most prolific contributors to the Bitcoin space and to the Bitcoin Core protocol itself. Blockstream has helped develop technology upgrades to Bitcoin, such as SegWit, Taproot, Schnorr Signatures, and much more. Today, they continue to be at the forefront of cryptography and security.

13.5.5 Technological operational risk

Technological operational risk refers to any technological failures, software bugs, or operational disruptions within the Liquid Federation that could temporarily or permanently impact the network's functionality and trustworthiness.

Risk mitigation strategy and factors

Liquid maintenance operations

Maintenance of the Liquid Network involves several procedures to ensure its stability, security, and efficiency. Here are some key aspects of its maintenance procedures:

Functionary Nodes

Functionary nodes are special nodes in the Liquid Network responsible for the network's



security and operation. These nodes are run by members of the Liquid Federation, which consists of various entities within the cryptocurrency space.

Monitoring

The network is continuously monitored to ensure it is operating correctly. Monitoring includes checking the status of the functionary nodes, block production, transaction processing, and overall network health. Automated tools generate metrics and alerts if any issues arise.

The Liquid Network is monitored in two different ways:

- Through log messages received from the functionaries, which are parsed (and in some cases, graphed) in real-time.
- From the client side, by observing and analysing block production.

Automated tools generate metrics regarding the overall state of the network, as well as for each functionary individually.

The monitoring team operates 24/7, with someone always analysing the status.

Upgrades and Updates

Regular updates and upgrades are performed to improve the network's functionality and security. This includes updating the software on functionary nodes and other network components. Each update is signed with digital signatures known by the functionaries to prevent unauthorized software installations.

For each update, the new versions are stored on a web server. All operators are contacted individually, and each one manually executes the update. There are no automated procedures in place to prevent abuse of control.

All updates contain digital signatures that are recognized by the functionaries, ensuring that they do not install unknown software.

Issue Resolution

If an issue arises, such as a functionary node failing or the network experiencing degraded performance, the following actions are taken:

1. Detection: Automated monitoring tools and the 24/7 monitoring team detect the issue.
2. Assessment: The team assesses the severity and scope by analysing logs and metrics.
3. Communication: Operators and stakeholders are informed, and the affected node's operator is contacted.
4. Response: Troubleshooting steps are provided, and a coordinated effort is initiated if necessary.
5. Temporary Measures: Given that the network operates on an 11/15 basis, if a functionary temporarily stops functioning, the network operates in a degraded mode if needed (skipping one block every 15 minutes). The network is designed to handle temporary failures by operating in a degraded mode without affecting its overall security or functionality.
6. Resolution: The root cause is identified and fixed, with manual updates performed under oversight.
7. Review: A post-incident review is conducted to prevent future issues.
8. Update: Operators and stakeholders are informed of the resolution and preventive measures.

Security Procedures

The security of the Liquid Network is paramount. This includes ensuring that only authorized entities can perform critical operations, and that all data transmitted and stored within the network is protected against unauthorized access and tampering.



Community and Operator Communication

Communication with the network's community and operators is crucial. This involves informing them about upcoming updates, maintenance schedules, and any potential issues that could affect their operations.

Outages

An outage is considered the loss of 5 blocks in a row (6 minutes without blocks). The last event of this nature occurred in June of 2022, and was related to a problem with the tor network. Ever since, a backup connection has been activated, avoiding these types of problems in the future.

These procedures ensure that the Liquid Network remains a reliable and secure platform for its users. Regular maintenance, monitoring, and updates are essential to maintaining the network's integrity and performance.

13.5.6 Loss of private keys or means to access the digital assets risk

This risk refers to the loss of investors' private keys or means to access their digital assets, and potentially loss their investment.

Risk mitigation strategy and factors

The issuer authorizes only those DASPs that are responsible for the custody of investors' USTBLs. These authorized DASPs have procedures in place to allow investors to verify ownership of their USTBLs and to regain access in case they lose their credentials.

However, if investors choose to use a self-custody solution, they must assume full responsibility and risk for potentially losing the means to access their USTBLs.

13.5.7 Liquid Network scalability risk

Liquid Network scalability risk refers to the challenges associated with managing increased transaction volumes as the project expands or as the Liquid Network integrates additional projects. This may lead to transaction delays, higher operational costs, network congestion, and reduced user satisfaction, ultimately affecting the platform's efficiency and reliability.

Mitigation strategy and factors

The Liquid Network is designed to manage significant transaction volumes. In addition, the Liquid Federation is committed to enhance its scalability through continuous improvements and optimizations. For further details on the Liquid Network's scalability efforts, please refer to Section 12 - UNDERLYING TECHNOLOGY AND STANDARDS of this RID.

13.5.8 System interoperability risk

Liquid Network interoperability risk refers to the challenges and potential failures in ensuring seamless integration between the Liquid Network and external blockchain ecosystems, financial institutions, or third-party applications. These risks may lead to transaction failures, inconsistencies in asset transfers, security vulnerabilities, or reduced operational efficiency, impacting overall user trust and adoption.

Risk mitigation strategy and factors

As a Bitcoin Layer 2 solution, the Liquid Network is natively integrated with the most secure and decentralized blockchain. Additionally, collaborative efforts among Liquid Federation members continuously enhance interoperability with financial institutions, DASPs, and third-party applications, ensuring seamless integrations and reducing operational risks.

13.5.9 Technology obsolescence risk

Technology obsolescence risk refers to the potential for the Liquid Network's underlying



infrastructure, protocols, or security mechanisms to become outdated or less effective over time. As newer blockchain technologies, consensus mechanisms, and cryptographic standards emerge, the network may face reduced efficiency, security vulnerabilities, integration challenges, and diminish competitiveness in the digital asset ecosystem.

Mitigation strategy and factors

The Technology Board of the Liquid Federation oversees the technological roadmap of the Liquid Network, ensuring its continuous evolution and competitiveness. Regular updates and upgrades are implemented to enhance the network's functionality and security. This includes software updates on functionary nodes and improvements to key network components to maintain resilience and adaptability in the evolving digital asset landscape.



14. DISPUTE RESOLUTION

14.1 Dispute Resolution

Arbitration shall serve as the primary mechanism for resolving any disputes arising under this agreement.

In the event that the parties do not designate a specific jurisdiction for arbitration, the default jurisdiction shall be the Republic of El Salvador.

14.2 Default Jurisdiction For Dispute Resolution

If no specific dispute resolution mechanism is explicitly agreed upon by the parties, it shall be deemed that they agree to submit to the jurisdiction of the courts of justice of the Republic of El Salvador, providing a clear and enforceable legal recourse for dispute resolution.

14.3 Additional Information

This provision clearly establishes that all digital assets, represented by tokens issued by the issuer and backed by tangible underlying assets in segregated accounts, remain unequivocally the property of the token holders, even in the event of the issuer's financial insolvency or during liquidation scenarios. The proprietary interests and rights associated with the tokens are recognized and maintained as exclusively belonging to the token holders, regardless of the issuer's financial status.

In the event of an issuer's insolvency or bankruptcy, the liquidation process should be managed by appointed and qualified agents who are adept at handling the complexities of asset liquidation and distribution, in line with the applicable laws and regulations of the jurisdiction.



15. TAX REGIME

15.1 Tax Regime

This issuance benefits from Article 36 of the Digital Asset Issuance Law.

In accordance with Article 36 of the Digital Asset Issuance Law, our issuance benefits from significant fiscal advantages that enhance the attractiveness of our digital asset offerings.

These benefits include:

15.1.1 Tax Exemptions

Both the nominal value and any returns or income derived from digital assets are exempt from all forms of taxes, levies, fees, and contributions. This includes exemptions from Transfer Tax on Movable Goods and the Provision of Services, Income Tax, and Municipal Taxes, as well as all other forms of taxes, regardless of their nature. Furthermore, capital gains or ordinary income from the sale or transfer of digital assets, including debt forgiveness, are also exempt from taxation.

15.1.2 General Fiscal Advantages

Issuers, certifiers, and registered service providers of digital assets benefit from all aforementioned fiscal advantages, fostering a favorable environment for digital asset operations.

15.1.3 Disclaimer on Tax Advice

While we outline the fiscal benefits associated with our digital assets as per Article 36 of the Digital Asset Issuance Law, it is important for participants to understand that the company does not provide tax advice. Participants are advised to consult their own tax professionals to fully understand the tax implications of purchasing, holding, or disposing of digital assets in accordance with their personal tax circumstances and the laws applicable to them. The company assumes no responsibility for the tax advice provided to participants by third parties or for participants' compliance with tax laws.



16. DISCLAIMER - IMPORTANT, PLEASE READ

This Relevant Information Document (RID) as published by the Issuer, is intended solely for informational purposes and is not an offer or solicitation for the purchase or sale of any digital assets or related investment products ("Investment Products"). It does not constitute investment, legal, accounting, or tax advice, nor a representation that any Investment Product is suitable or appropriate for your investment objectives, financial situation, and particular needs. It is not a personal recommendation. This Relevant Information Document does not claim to identify or suggest all the risks or material considerations which may be associated with Investment Products. If you are uncertain about any information regarding any Investment Product, you should consult your own financial, legal, and/or tax advisers.

Any assumptions, data, projections, forecasts, or estimates are forward-looking statements based on information provided to the Issuer or publicly available information. They reflect subjective estimates and assumptions about events that have not yet occurred. Therefore, there can be no assurance or guarantee that any projected or forecasted results will be achieved. Actual results may vary from these projections and forecasts, and such variations may be material. Past performance is not necessarily indicative of future performance.

The information in this Relevant Information Document is believed to be reliable but is provided on an "as is" basis. The Issuer makes no representation or warranty as to the accuracy or completeness of the information herein.

This Relevant Information Document may only be distributed in countries where its distribution is legally permitted. It is not directed to any person in any jurisdiction where, due to that person's nationality, residence, or otherwise, its distribution would be prohibited.



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SEMI-ANNUAL REPORT
PUBLIC OFFERING OF DIGITAL ASSETS

Digital Asset:

USTBL

Issuer: NexBridge

Digital Asset Service Provider: Bitfinex Securities

Certified by:

TR Capital

Public Offering Issuance Certifier

MARCH 2025

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Identification of the Certifier and registration number.

This Semi-Annual Certification Report was prepared by the company TR Capital, S.A. de C.V., which is a Salvadoran company, incorporated on May 13, 2017, registered in the Companies Registry of the Registry of Commerce at number 21 of Book 3736, with Registration number 2017088178, and Tax Identification Number 0614-130517-102-0. This Company was authorized as a Digital Asset Issuance Certifier by means of resolution reference CNAD-044-2023/04 duly registered under entry number CERT-0003.

The Certifier's Documentation and its accreditations have been submitted to the National Digital Asset Commission (CNAD).

Background and Legal Basis

This report is issued in order to comply with articles 21 (b), (f), (i), 22 (e), and 25 (a), (b), (e), of the Digital Asset Issuance Law; as well as articles 5 (a) final part and 14 final paragraph of the Regulations on the Registration of Issuers and Public and Private Issuances, which establish the obligation of the Certifier to submit semi-annual reports regarding public issuances of digital assets that have been previously certified.

This certification corresponds to the public issuance of the digital asset called USTBL, authorized by the National Digital Assets Commission (CNAD) on September 12, 2024, through the granting of the public issuance registry number AD-00004.

The issuer of this issue is NexBridge Digital Financial Solutions, S.A. de C.V., a company registered with the CNAD with registration number EAD-0005. The Digital Asset Service Provider (DSP) acting as the arranger and responsible for the issuance is Bitfinex Securities El Salvador, S.A. de C.V., registered under number PSAD-0001.

The issuance of the USTBL token has as its underlying asset shares in U.S. Treasury bonds, represented by the exchange-traded fund (ETF) identified as iShares \$ Treasury Bond 0-1yr UCITS ETF, with the ISIN code IE00BGSFIX88, which is publicly traded on international markets.

Revision of the Fundamentals as of December 31, 2024

In compliance with the provisions of the final paragraph of Article 14 of the Regulations for the Registry of Public and Private Issuers and Issuances, this section is intended to present the semi-annual review of the fundamentals related to the certification of the issuance of the USTBL digital asset, corresponding to the reference date of December 31, 2024.

In accordance with the applicable regulations, this review must be carried out based on information at the end of the months of June and December of each year, and be submitted to the National Digital Assets Commission (CNAD) within a period of no more than three (3) months from the cut-off date. In this case, this report is prepared at the end of the second half of calendar year 2024, within the framework of the continuous monitoring regime to which the issue is subject.

The evaluation has been developed based on a mixed verification methodology, which includes:

- The analysis of available public information relevant to the project, the issuer, the PSAD and the underlying market of the digital asset;

- The review of confidential information provided directly by the issuer and its management team, related to internal operations, organizational structure, regulatory compliance, operational performance and other elements necessary to support the foundations of the current certification.

This review allows the Certifier to confirm the validity and sufficiency of the fundamentals that originally supported the public issuance of the USTBL token, verifying that there have been no material alterations that compromise its structure, operability or applicable regulatory compliance.

Revised Documentation

For the purposes of this semi-annual review with a reference date of December 31, 2024, the Certifier has examined the current and relevant documentation at the time of the cut-off, in order to verify the validity, consistency and sufficiency of the foundations that supported the public issuance of the USTBL digital asset. The information reviewed includes both regulatory documents and technical and operational evidence, being the following:

- **Relevant Information Document (DIR):** Approved by the National Digital Assets Commission (CNAD) in August 2024, it constitutes the base document that describes the legal and technical structure of the USTBL token, the characteristics of the public offering, the underlying asset, the associated risks, and the initial subscription conditions.
- **Certification Report issued by TR Capital:** Technical document that validated the issuance in its initial phase, evaluating the compliance of the issuer, the PSAD and the structure of the digital asset with the Digital Asset Issuance Law and its secondary regulations. This report provides the foundational analysis on which the regulatory approval of the offering was based.
- **External Auditor GT Reports:** Include certifications issued in November and December 2024, which verify the balances of assets under management, as well as current obligations related to the issuance of the USTBL token. These reports constitute independent and objective evidence that the correspondence between the outstanding tokens and the underlying financial instruments, in particular the iShares \$ Treasury Bond 0-1yr UCITS ETF, is maintained.
- **Public information available on USTBL:** Includes data published by the issuer and by Bitfinex Securities El Salvador, S.A. de C.V., as well as institutional sources and trading platforms. This information allows us to analyze the evolution of the token in the market, the transparency of the project, and the coherence between what has been declared and what has been executed.
- **Public information available on the underlying asset:** Includes financial reports, market data and publications from BlackRock (administrator of the iShares \$ Treasury Bond ETF 0-1yr UCITS), which allows confirming the validity, performance and liquidity of the financial instrument that supports the USTBL token.

The consolidated analysis of these documents provides the Certifier with an objective and verifiable basis to confirm that, as of December 31, 2024, the technical, financial and legal fundamentals of the issuance remain solid and aligned with what was originally approved.

Reference Information

For the purposes of this semi-annual review, all the information and documentation corresponding to the period between August 28, 2024 – the date on which the Relevant Information Document (DIR) was

authorized and the Certification Report issued – and December 31, 2024, which constitutes the official cut-off date established by Article 14 of the Regulations for the Registry of Public and Private Issuers and Issuances, has been considered.

In addition, in order to guarantee a complete, timely and aligned evaluation with the operational reality of the issuance, relevant information after December 31, 2024 has also been considered, provided that it has been verifiable, objective, and directly related to the facts, operations, risks, or obligations in force during the second half of calendar year 2024.

This approach allows the analysis not only to reflect the formal situation at the end of the year, but also to incorporate subsequent validation elements, such as balance certifications issued on close dates, institutional communications from the issuer or the PSAD, and any other relevant element that provides greater clarity and certainty to the semi-annual review process.

Reasonableness of the financial assumptions of the Issuance

As part of the semi-annual review for the period from August 28, 2024 to December 31, 2024, the reasonableness of the financial assumptions and projections underpinning the issuance of the USTBL token has been assessed, with particular attention to the performance of the underlying asset: the iShares \$ Treasury Bond 0-1yr UCITS ETF (ISIN IE00BGSFIX88).

In addition, and in accordance with the reports issued by the external auditors, it has been verified that, as of December 31, 2024, a total of 30,094,120 USTBL tokens are in circulation, a figure that exceeds the minimum required for the initial execution of the issuance, as provided in the Relevant Information Document (30,000,000 tokens). This data supports the effective execution of the planned model and demonstrates an adequate level of placement and adoption of the issue in the primary market.

During the period analyzed, the financial performance of the ETF was verified through reliable public sources, including BlackRock's reports, market data, and financial tracking tools. This performance has been stable and consistent with the low-risk profile that characterizes this type of instrument, backed by U.S. Treasury bonds with short-term maturities.

Given that the financial projections of the USTBL project are directly related to the behavior of said ETF, its performance serves as a valid and sufficient indicator to assess the reasonableness of the economic assumptions formulated in the Relevant Information Document and in the original Certification Report.

After the analysis carried out, no new material risk or economic, financial or technical event has been identified that could significantly affect the reasonableness of the initial assumptions or financial projections of the project. The stability, liquidity and predictability indicators associated with the underlying remain current and aligned with what was originally projected.

Consequently, the financial estimates and fundamentals are considered to continue to be reasonable and valid as of December 31, 2024, in accordance with the regulatory and technical framework applicable to the certification of digital asset issuances.

Conclusions

Based on the reviewed documentation, the analysis of the behavior of the underlying asset, the evaluation of the issuer and the PSAD, as well as the verification of the risks and fundamentals that support the issuance, it is concluded that:

As of December 31, 2024, no relevant events, structural changes or factors have been identified that significantly affect the identified risks, nor the technical or financial feasibility of the issuance of the USTBL digital asset.

The performance of the iShares \$ Treasury Bond 0-1yr UCITS ETF — the token's underlying asset — has remained within normal parameters, and there have been no deviations that compromise the reasonableness of the project's economic projections.

Likewise, the issuer has continued to operate in accordance with the provisions of the Relevant Information Document, without substantial alterations in its structure or in the fulfillment of its obligations. External audit reports and available documentation support operational continuity and correspondence between issued tokens and backing assets.

Consequently, the validity of the grounds that support the current certification is ratified, and it is concluded that the issuance retains its integrity, its risk profile and its general viability in accordance with the applicable regulatory framework.

Review of the Relevant Information Document Update Project as of March 2025

The objective of this section is to identify the significant changes introduced in the updated version of the Relevant Information Document (DIR) corresponding to the public offering of the digital asset USTBL, as well as to analyze the potential impact of these changes on the risks associated with the issuance and its general viability.

This Semi-Annual Report specifically details the changes made to the Relevant Information Document, clarifying that the issuance maintains its essence, structure and coherence with the legal, financial and technological nature of the issuance, in accordance with the conditions approved by the CNAD.

Updates

a. Characteristics of the public offering – Valuation currency. (Section 9 of DIR V2.0 March 2025)

In section 9 of the Relevant Information Document (DIR), corresponding to the characteristics of the public offering, an adjustment was made in terms of the valuation currency of the issue. In the original version of the DIR (v.1.0, August 2024), the valuation currency was set as USDT (Tether). In the updated version of the document (v.2.0, March 2025), this currency was changed to USD (US dollar).

This change implies that the reference values for issuance and financial calculations related to the USTBL token are expressed directly in legal tender fiat currency, rather than in a stablecoin.

- **Associated risks:** This amendment introduces an exchange rate risk for investors who wish to participate in digital assets, especially if they hold or convert funds into USDT or other cryptocurrencies before participating in the issuance. Currency exchange risk has been identified and expressly addressed in section 13.3.6 of the DIR.
- **Impact on feasibility:** From the Certifier's perspective, the modification does not affect the technical or financial viability of the issuance, as the new USD denomination remains consistent with the nature of the underlying asset (U.S. Treasury bonds in U.S. dollars), maintaining the stability, liquidity, and predictability of the financial structure of the USTBL token.

b. Characteristics of the public offering – Total number of tokens available (section 9.10 of the DIR v2.0 March 2025).

In section 9.10 of the Relevant Information Document (DIR), an amendment was made regarding the total number of USTBL tokens available for issuance. In the original version of the DIR (v.1.0, August 2024), a maximum limit of 200,000,000 tokens was set. In the updated version (v.2.0, March 2025), this ceiling was removed, leaving the issuance without a predetermined cap on available tokens. However, the established minimum of 30,000,000 tokens, required for the initial execution of the issuance, as set from the original version of the DIR, is maintained.

This modification responds to the need to provide greater flexibility to the token placement process, allowing the total volume of the issue to be dynamically adjusted according to market demand and the operating conditions of the issuer and the PSAD. This preserves the proportional support and acquisition structure of the underlying asset, while maintaining the original design of the issue.

- Associated risks: The change introduces a scalability risk, related to the technical and operational challenges that may arise in the event of an issuance without a maximum limit. This risk has been identified and addressed in section 13.4.4 of DIR v.2.0, which details mitigation measures and management controls.
- Impact on feasibility: From the perspective of the Certifier, the change does not negatively impact the technical or financial viability of the issuance. The technology platform and backing operational structure allow for proper management of the total volume of tokens issued, as long as correlation with the underlying assets is maintained.

c. Description of the issuer (Section 8 of the DIR v2.0 March 2025).

This section identifies the changes made to the "Issuer Description" section of the Relevant Information Document (DIR), in its version 2.0 of March 2025, compared to the original version v.1.0 of August 2024. The analysis focuses on organizational, management and potential conflicts of interest aspects, in order to assess their impact on the issuance and their alignment with the principles of transparency and governance established in the applicable regulations.

i. Organizational Chart and Committees (section 8.1 of the DIR v2.0 March 2025).

In section 8.1 of the DIR, the organizational structure of the issuer was modified. In v.1.0, the organizational chart included the Board of Directors as the main instance. In version v.2.0, it is established that the maximum operational authority corresponds to the Legal Representative of the entity.

- Associated risks: This modification poses an exchange governance risk, related to the degree of supervision and decision-making in the issuer's corporate governance. This risk is recognized and addressed in section 13.1.11 of DIR v.2.0, which establishes guidelines and controls to ensure operational integrity and adequate management supervision.
- Impact on feasibility: No material impact on the financial or technical viability of the issuance is identified. The change is considered structural-administrative, without alteration of the substantive functions linked to the operation of the USTBL token.

ii. Management team (section 8.2 of the DIR v2.0 March 2025).

In section 8.2 of the DIR, modifications are presented to the issuer's executive team. In the original version of the document (v.1.0), the positions were held by: CEO: Nicolás Daniel Cane, COO: Michele Crivelli, CCO: Jacques Michael Couwels Aguilar, and DCO: Ingrid Stefany Cornejo Lindo.

In the updated version (v.2.0), the composition of the team is as follows: CEO: Michele Crivelli, COO: James Murillo Longas, CCO: Carlos Eduardo Vigil Salinas, and DCO: Jacques Michael Couwels Aguilar.

- **Associated risks:** These changes entail governance and key employee risks, arising from changes in the issuer's strategic and operational managers. These risks have been recognized in sections 13.1.11 and 13.1.15 of the DIR, which detail the mitigation mechanisms implemented, such as selection criteria, evaluation of competencies and operational continuity schemes.
- **Impact on feasibility:** These changes are not considered to negatively affect the viability of the issuance. The modifications are part of the logic of updating the executive bodies, maintaining the functional structure of the management team and its alignment with the issuer's strategy.

iii. Conflict of interest with PSAD (section 8.6.3 of DIR v2.0 March 2025)

In section 8.6.3 of the DIR, the information regarding the existence of business links between the issuer and other participants in the issuance, particularly in relation to the Digital Asset Service Provider (DSP), was updated. In the original version of the DIR (v.1.0, August 2024), it was expressly stated that there was no conflict of interest with the PSAD.

In the updated version (v.2.0, March 2025), it is indicated that the issuer and Nexplace S.A. de C.V. are part of the same business group, with both parties providing services and lines of credit. It is relevant to note that with this relationship, the Issuer's business group also operates as one of the exchange platforms enabled for the placement and negotiation of USTBL tokens, and that the initial subscription modality has not been modified with respect to what was originally authorized.

- **Associated risks:** This modification introduces a risk of conflict of interest, mainly due to the corporate relationship between the issuer and another PSAD of the group. This risk has been duly identified and addressed in section 13.1.7 of DIR v.2.0, through mechanisms such as full disclosure of the relationship, functional separation of roles and the existence of internal controls aimed at avoiding biased decisions.
- **Impact on feasibility:** From the perspective of the Certifier, the existence of the link does not represent an adverse impact on the technical or financial viability of the issuance, provided that effective risk management is maintained, as established in the DIR. The transparency with which the relationship has been documented contributes to preserving the integrity of the issuance process.

d. Risks associated with the issuance and management of risks (Section 13 of the DIR v2.0 March 2025).

This section examines the updates made to Section 13 of the Relevant Information Document (DIR v.2.0, March 2025), corresponding to the risk analysis linked to the issuance of the USTBL digital asset. The

amendments included the inclusion of new specific risks, the thematic reorganisation of the sections and the improvement in the description of potential impacts, compared to the original version of the DIR (v.1.0, August 2024).

The changes show a greater level of depth in the identification, categorization and treatment of the risks inherent to the issuer's operation, trading platforms, underlying technology and regulatory environment, in line with international risk management best practices.

i. Risks associated with the issuer (section 13.1 of the DIR v2.0 March 2025).

In the original version of the DIR, the risk of conflict of interest associated with the issuer was not included. In version 2.0, this was incorporated into section 13.1.7, addressing more explicitly the possible conflicts that could arise within the issuer's organizational structure or due to its links with other entities of the economic group.

- Risk review: The risk of conflict of interest is configured when the issuer, its executives or members of its management body have personal, professional or financial interests that could compromise their objectivity and lead to decisions that favor their own interests or those of related third parties, to the detriment of the general interest of investors or the market.
 - This risk becomes especially relevant in structures where the issuer is part of a business group with other entities that are directly involved in the structuring, negotiation or custody of the digital asset. The absence of adequate disclosure and control mechanisms could lead to biased decisions, unfair competition, or unfavorable contractual terms for token holders.
- Financial and technical feasibility: The inclusion of this risk does not negatively affect the structure or execution of the project, as it has been transparently identified and measures for its mitigation have been documented, such as the disclosure of links between related parties and the implementation of internal conflict management policies.

ii. Risks associated with the issuance of Digital Asset Service Providers on the platforms (section 13.2 of the DIR v2.0 March 2025).

In version 1.0 of the DIR, the description of risks related to issuance on platforms operated by Digital Asset Service Providers (PSADs) was general. In version 2.0, seven specific risk categories were introduced, detailed in sections 13.2.1 to 13.2.7.

- Risk Review: This review provides a better understanding of the operational, market, technical, and regulatory vulnerabilities that may arise during the token lifecycle. Among the highlights:
 - Market liquidity risk considers scenarios where low trading activity or the absence of market makers prevents holders from being able to sell or trade their tokens at reasonable prices or in desired quantities.
 - Operational risk refers to potential failures, delays, or errors in the management of the PSAD, which could affect the investor experience or even service continuity.
 - Platform security risk refers to exposure to cyberattacks, fraud, or technical vulnerabilities that may affect user funds.

- Custody risk is related to the possibility of partial or total loss of digital assets held in custody by the PSAD or its associated providers.
- The risk of conflict of interest with the PSAD highlights that, as there are business or strategic relationships between the issuer and the PSAD, decisions could be made that do not prioritize the interests of investors.
- The risk of fees and commissions indicates that unforeseen increases in operating costs imposed by the PSAD may negatively impact the return on investment.
- Finally, regulatory compliance risk considers the effects of eventual legal non-compliance or regulatory changes in applicable jurisdictions, which could lead to restrictions, sanctions or suspension of the operation of the platform.
- Financial and technical feasibility: These risks do not introduce a change in the viability of the project, since they are adequately identified and documented, and monitoring, disclosure and response mechanisms are contemplated for each of them.

iii. Risk associated with digital assets (section 13.3 of the DIR v2.0 March 2025).

In version 2.0 of the DIR, the risk of technological dependence, addressed in section 13.3.8, was included for the first time. This aspect was not previously considered.

- Risk Review: This risk recognizes that the issuance of the USTBL token is based exclusively on the Liquid Network, a technological infrastructure whose operability is critical to the existence, transmission, and validation of tokens. Any failure, congestion, vulnerability, or structural change in the network could affect the integrity of the system.
 - For example, a prolonged network outage or fork that alters its protocol could lead to uncertainty about the validity of transactions made, as well as distrust on the part of holders.
- Financial and technical feasibility: No direct impact on the viability of the issuance is identified, given that the Liquid Network has demonstrated stability and reliability. However, the express mention of risk allows for better preparation for contingency scenarios.

iv. Risks associated with the execution of the project (section 13.4 of the DIR v2.0 March 2025)

In version 2.0 of the DIR, Section 13.4 incorporates a more precise categorisation of the risks arising from the operational execution of the issuance and the behaviour of the environment.

- Risk Review:
 - Operational risk includes delays, logistical deficiencies or administrative limitations that may affect the fulfillment of critical project milestones.
 - The risk of adverse market conditions considers macroeconomic factors such as inflation, interest rates, or deregulation in digital asset markets, which could negatively impact demand for the token.

- Stakeholder risk signals the potential for misalignment between the issuer and investors in terms of expectations, timelines, or governance policies, which may affect participation or confidence in the project.
- Scalability risk warns about the issuer's ability to respond efficiently to an accelerated expansion of trading or investor volume.
- Counterparty risk refers to the possibility that key entities such as custodians, banks or PSADs will fail to comply with their contractual obligations.
- The risk of regulatory compliance refers to the need to continuously update in the face of new national or international regulations that could modify the conditions under which the project operates.
- Financial and technical feasibility: All risks have been properly recognised and do not generate a direct negative impact, provided that the planned mitigation measures remain active and are regularly reviewed.

v. Risks associated with the technology used (section 13.5 of the DIR v2.0 March 2025).

Finally, version 2.0 of the DIR incorporated three relevant technological risks that were not present in the previous version: Liquid Network scalability risk (section 13.5.7); System interoperability risk (section 13.5.8); Risk of technological obsolescence (section 13.5.9).

- Risk Review:
 - Scalability risk considers the technical capacity of the network to process a growing volume of transactions without degrading its performance, which is critical in open issuances or with continuous expansion.
 - The risk of system interoperability raises the possibility of incompatibilities between the Liquid Network, trading platforms, custody providers, and other systems in the token ecosystem, which could hinder the user experience or smooth trading.
 - The risk of technological obsolescence recognizes that given the speed of technological advancement in the blockchain sector, it is possible that the current infrastructure will lag behind new, more efficient or secure solutions, which would require costly migrations or restructuring of the operating model.
- Financial and technical feasibility: These risks are inherent in any solution based on emerging technology. The fact that they are explicitly documented contributes to proactive management and does not negatively affect the structure of the broadcast.

Conclusion

Based on the review of the Relevant Information Document (DIR v.2.0, March 2025), the documentation provided by the issuer, and the publicly available information on the issuance of the USTBL digital asset, the issuer and the underlying asset, the following is concluded:

- The updates made to the DIR adequately reflect the structural and organizational changes in the issuer, as well as the adjustments to the technical and commercial characteristics of the public offering. In particular, the modifications in the valuation currency, the total number of tokens available, the composition of the management team and the links with other entities of the group have been incorporated in a transparent and structured way.
- With regard to the risks associated with issuance, version 2.0 of the DIR demonstrates significant progress in the identification, classification and description of risks, incorporating new categories, expanding the thematic scope and aligning its content with international risk management standards in the field of digital assets.
- The identification of additional risks – such as conflicts of interest, technological dependence, network scalability, interoperability, among others – responds to a greater maturity in the project's risk management, and no material omissions are identified in its treatment.
- From a technical and financial perspective, the updates made do not compromise the overall viability of the project. The initial underwriting conditions, backing with stable underlying assets (U.S. Treasuries through the iShares ETF), and the operating capacity of the issuer and the PSAD remain consistent with what was originally approved.

By virtue of the above, it is considered that the USTBL issuance continues to be consistent with its original structure, complying with the criteria of transparency, stability and predictability required by the applicable regulations and the principles that govern the certification of digital assets in the jurisdiction.

Final Conclusion of the Semi-Annual Report

Based on the analysis carried out and in accordance with the revised documentation, the Certifier concludes that the public issuance of the digital asset USTBL, authorized by the National Digital Assets Commission (CNAD) through registration AD-00004, maintains the integrity, soundness and reasonableness of its technical, financial, legal and operational foundations as of December 31, 2024, in accordance with the provisions of Article 14 of the Regulations for the Registry of Public and Private Issuers and Issues.

During the period from August 28 to December 31, 2024, no events, structural changes or external factors have been identified that compromise the overall viability of the project, or substantially alter its risk profile. Financial projections, the stability of the underlying asset, the issuer's operational continuity and compliance by the PSAD remain aligned with the criteria established by the applicable regulations.

Likewise, in the Draft Update of the Relevant Information Document to March 2025, reflected in its version 2.0, it introduces improvements in the accuracy and coverage of the risk analysis, without modifying the structural essence of the issuance. From the Certifier's perspective, the implemented modifications do not negatively affect the technical or financial viability of the offer, but rather strengthen its transparency and governance.

By virtue of the above, it is ratified that the issuance of the USTBL token continues to be compatible with the principles of transparency, stability, security and predictability required by the Digital Asset Issuance Law and its secondary regulations.

San Salvador, El Salvador, March 31, 2025.


F. _____
Héctor Ramón Torres Córdova

Legal Representative
TR Capital S.A. de C.V.

CERTIFICATION REPORT
PUBLIC OFFER OF DIGITAL ASSETS

Digital Asset:

USTBL

Issuer: NexBridge

Digital Asset Service Provider: Bitfinex Securities

Certified by:

TR Capital

Public Offer Issuance Certifier

August 28th, 2024

VIABILITY OF THE PUBLIC OFFER: FAVORABLE

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Article I. Identification of the certifier and registration number.

This certification report was prepared by the company TR Capital, S. A. de C. V., which is a Salvadoran company, incorporated on May 13, 2017, registered in the Companies Registry of the Commerce Registry at number 21 of Book 3736, with Registration number 2017088178, and Tax Identification Number 0614-130517-102-0. Said Company was authorized as a Certifier of Digital Asset Issuances by means of resolution reference CNAD-044-2023/04 duly registered under entry number CERT-0003.

The **Documentation of the Certifier** and its accreditations have been presented to the National Commission for Digital Assets (CNAD).

Article II. Sworn declaration in accordance with article 10 of the Regulations for the Registration of Public and Private Issuers and Issuances.

The undersigned who sign this document declares under oath that the documentation contained in the Relevant Information Document of the issuance of the USTBL Digital Asset is impartial, clear and not misleading and complies with the legal requirements in accordance with national legislation and complies with the requirements established in Annex A of the Regulations for the Registration of Public and Private Issuers and Issuances. Likewise, it is declared under oath that the English and Spanish versions have been seen in accordance with national regulations. ANNEX I.

Article III. Solvency of payment of the registration fee.

In accordance with the provisions of the Regulations for the Registry of Public and Private Issuances, the issuer must make the payment to the National Digital Assets Commission, based on the amount of the issuance. Amount corresponding to the registration fee for the Issuance of the USTBL Digital Asset.

Article IV. Description and risk analysis of the issuance.**Section 4.01 Description of the risks associated with the issuer of digital assets.****1. Financial risk**

Description: This risk encompasses the possibility of financial losses and the inability to meet payment obligations, which could lead to the issuer's cessation of operations.

Mitigation Measure: Periodic financial reporting and planning procedures, including the preparation of budgets and forecasts. NexBridge performs a comprehensive assessment of your financial health, including revenues, costs, assets, liabilities, capital, and cash flows. Additionally, the budget is reevaluated mid-year and adjusted based on actual performance.



2. Market Risk

Description: This risk refers to uncertainty due to fluctuations in market prices and rates. It is influenced by several factors, including geopolitical events, economic forecasts, and changes in market sentiment.

Mitigation Measure: NexBridge invests only in digital assets and financial instruments for its issuances. Market risk is supported by investors of NexBridge digital assets.

3. Operational risk

Description: This risk highlights the possibility of failures in the execution of the issuance or in compliance with its characteristics.

Mitigation Measure: NexBridge has designed and implemented robust risk management strategies and internal controls, including semi-annual risk assessments, daily reconciliations of assets under management, daily review of subscription and redemption transactions, and weekly incident reports.

4. Cybersecurity risk

Description: This risk relates to the potential for damage or loss due to vulnerabilities within digital systems and networks. It can manifest in forms such as data breaches, unauthorized access, malware infections, denial of service attacks, and other cyber incidents.

Mitigation Measure: NexBridge implements measures such as IT infrastructure access monitoring, local and cloud data backup, classification and encryption of sensitive data, and regular cybersecurity training for employees.

5. Regulatory Compliance Risk

Description: This risk highlights the challenges associated with meeting regulatory requirements and the impact of potential changes to regulations.

Mitigation Measure: NexBridge's compliance department monitors all regulatory requirements and conducts regular compliance assessments, business intelligence assessments and regulatory training plans to ensure that NexBridge and its digital asset issuances remain in full compliance.

6. Legal Risk

Description: This risk encompasses challenges related to compliance with laws and the possibility of legal disputes.

Mitigation Measure: NexBridge has its own legal team and advisors to ensure compliance with applicable laws and to provide expert advice in the event of disputes.

7. Fraud risk

Description: This risk refers to the possible occurrence of misuse of assets and external fraud.

Mitigation Measure: NexBridge has implemented robust risk controls and strict approval procedures to ensure that all key processes and transactions are reviewed and documented prior to execution. Employees receive specific training to identify and respond to cases of external fraud.

8. Counterparty risk

Description: This risk highlights the possibility that one party to a financial transaction will fail to meet its contractual obligations, which can lead to financial losses for the other party involved. In the case of NexBridge, counterparty risks refer to the Digital Asset Service Providers (DASPs) and the custodian bank that manages its financial assets.

Mitigation Measure: NexBridge conducts extensive due diligence to ensure that strategic partners can provide the expected services and only collaborates with regulated entities. Additionally, it continually monitors the performance of these counterparties.

9. Inflation risk

Description: This risk refers to the possible exposure to loss of purchasing power due to fluctuations in the value of real-world assets.

Mitigation Measure: NexBridge actively monitors and mitigates its exposure to inflation risk by correlating its income with the performance of assets that serve as an inflation hedge. Additionally, NexBridge engages third-party auditors to provide an independent assessment of financial health and operational integrity.

10. Corporate Governance Risk

Description: This risk relates to the appropriate governance structure, without which it can lead to unfavorable decisions and poor corporate management.

Mitigation Measure: The issuer states that it has robust governance policies, that it has a Board of Directors with independent members and maintains audit services independently.

11. Business Continuity Risk

Description: Unexpected events such as natural disasters, pandemics or significant interruptions in technological infrastructure may impact the issuer's operations.

Mitigation Measure: The issuer maintains a business continuity and disaster recovery plan.

12. Reputation Risk

Description: Operational, compliance or financial problems can damage the issuer's reputation, affecting its ability to attract and retain customers and investors.

Mitigation Measure: The issuer has committed to maintaining internal processes to maintain initiative-taking and transparent communication with stakeholders and manage crises that may or may not arise effectively.

13. Innovation and Competition Risk

Description: Lack of ability to innovate or respond to competition can lead to a loss of market share and relevance.

Mitigation Measure: Invest in research and development (R&D) and continually monitor the market to quickly adapt to changes.

14. Risk of Dependency on Key Personnel

Description: The loss of key personnel can significantly affect the operation and management of the issuer.

Mitigation Measure: The issuer has mitigated the risk with retention strategies that include ongoing compensation and benefits.

Section 4.02 Simulation and models to analyze market risk.

In relation to the risks associated with the issuance, this certifier wishes to specifically include the measurement of market risk using Value at Risk (VaR). The Var is a technique widely used in financial risk management. VaR quantifies the maximum expected loss in an investment portfolio, which in this case is the USTBL, during a specific period of 10 days, under normal market conditions, with a given confidence level.

Section 4.03 Methodologies used to calculate market risk and their results.

- **Historical Simulation:** Uses actual historical returns to calculate VaR. It does not assume any specific distribution for returns. In accordance with the following procedure:
 - a. Sort historical returns from lowest to highest.
 - b. Select the percentile corresponding to the confidence level (for example, the fifth percentile for a 95% confidence level).
- **Variance-Covariance (Parametric):** It assumes that asset returns follow a normal distribution. The mean and standard deviation of historical returns are calculated.

$$VaR = V \times (z_{\alpha} \times \sigma - \mu)$$

where z_{α} is the critical value of the standard normal distribution corresponding to the confidence level, σ is the standard deviation of the returns and μ is the average of the returns.

- **Monte Carlo simulation:** Generates a large number of potential future asset price scenarios using statistical models to calculate VaR. In accordance with the following procedure:
 - a. Simulate multiple future price paths using, for example, a random walk model or a GARCH model.
 - b. Calculate the corresponding losses in each scenario and determine the percentile corresponding to the confidence level.

Section 4.04 Description of the risks associated with the offer of digital assets.

1. Operational Risks

Description: This risk refers to the possibility of operational failures during the issuance of digital assets, which may affect the integrity and functionality of the services offered.

Mitigation Measure: NexBridge conducts rigorous due diligence to evaluate the operational integrity and effective risk management of DASPs. This process ensures that we only collaborate with suppliers who maintain high operational standards.

2. Regulatory Risks

Description: This risk involves the challenges and changes in regulations that may affect the issuance and management of digital assets.

Mitigation Measure: NexBridge collaborates exclusively with licensed DASPs that meet regulatory standards. This ensures that all digital asset issuance operations are in full compliance with current regulations.

3. Risk on Service Availability

Description: This risk refers to the possible interruption or unavailability of the services provided by DASPs, which may negatively affect the issuance and management of digital assets.

Mitigation Measure: NexBridge implements continuous monitoring of DASPs' activities to ensure ongoing compliance and effective management of potential risks. This initiative-taking monitoring helps identify and mitigate issuances before they significantly impact Issuances.

4. Credit Risks Related to Asset Custody

Description: This risk highlights the possibility that DASPs may not be able to meet their contractual obligations related to the secure custody of digital assets.

Mitigation Measure: NexBridge conducts extensive due diligence to ensure that strategic DASPs can provide the expected services and comply with all regulatory requirements. Additionally, NexBridge continually monitors the performance of these DASPs to ensure compliance with their obligations.

General Mitigation Measures Implemented by NexBridge

- **Thorough Due Diligence:** NexBridge thoroughly evaluates DASPs to ensure their operational integrity and effective risk management.
- **Selection of Licensed DASPs:** NexBridge collaborates exclusively with DASPs that are licensed and meet regulatory standards.
- **Continuous Monitoring of Activities:** NexBridge conducts continuous monitoring of the activities of DASPs to ensure continuous compliance and effective management of potential risks.

These measures are designed to ensure the security and compliance of digital asset services, encompassing operational effectiveness, anti-money laundering (AML), financing of terrorism (LAFT), risk management and cybersecurity. This includes the implementation of comprehensive contingency and recovery plans.

Section 4.05 Description of the risks associated with the USTBL digital asset.**1. Regulatory Compliance Risk**

Description: Involves the challenge of meeting regulatory requirements and the potential impact of changes in regulations.

Mitigation Measure: NexBridge's compliance department is responsible for monitoring all regulatory requirements to ensure that NexBridge and its digital asset issuances remain in compliance with all relevant regulations. Conducts regular compliance assessments, business intelligence assessments, and regulatory training plans to ensure ongoing compliance and adaptability to current and future regulations. Additionally, for each public issuance of digital assets, NexBridge engages with trusted participants through extensive due diligence. Public issuances of digital assets must be certified by licensed certifiers responsible for reviewing the feasibility of the project and its compliance with the laws and regulations of El Salvador.

2. Market risk

Description: Refers to the uncertainty caused by changes in market prices and rates, influenced by factors such as geopolitical events, economic forecasts, and changes in market sentiment.

Mitigation Measure: The underlying assets of USTBL are low-risk financial assets to mitigate the effects of market volatility.

3. Settlement risk.

Description: Pertains to the challenges associated with executing transactions without significantly affecting the market price of the asset. In the nascent Real World Asset Digital Asset market, access to liquidity is limited, which may adversely affect the price of USTBL.

Mitigation Measure: To mitigate the liquidity risk associated with its issuance of USTBL, NexBridge will initially function as a liquidity provider. Additionally, a dynamic subscription and redemption mechanism will ensure that token holders always could liquidate or acquire new tokens, subject to issuance limits. Furthermore, the issuer reserves the right to involve market makers at a later stage.

4. Interest rate risk

Description: The potential for fluctuations in interest rates to impact the value of investments, especially fixed income securities such as bonds. This risk arises from the inverse relationship between the market value of fixed income securities and changes in interest rates.

Mitigation Measure: The composition of USTBL's underlying assets is dynamic and is directly influenced by the US government's interest rate decisions, primarily dictated by the Federal Reserve (FED) interest rates. The performance of ETF shares, and consequently USTBL tokens, is expected to vary in alignment with changes in interest rates associated with the rollover of US Treasury bonds with maturities from 0 to 12 months that make up the underlying assets of the ETF. These changes can be anticipated since the FED's interest rate decisions are public. Additionally, the characteristics of U.S. Treasury bonds available in the market are also public, allowing for a degree of predictability in the management of this risk.

5. Risk related to the acquirer of the token.

Description: Refers to the potential for an investor's rights to digital assets to be denied or disputed, impacting their ownership and use.

Mitigation Measure: The issuance complies with Salvadoran laws and is duly approved by the CNAD. The rights of investors of publicly issued digital assets in El Salvador are established in the legal and regulatory framework of El Salvador. Additionally, the use of Blockstream AMP whitelists ensures that authorized investors have access to digital assets.

Section 4.06 Description of the risks associated with the execution of the project.

1. Counterparty Risk

Description: This risk refers to the possibility that any of the parties involved in the execution of the project will not fulfill their contractual obligations, which may lead to defaults in the purchase of the underlying assets and the distribution of tokens.

Mitigation Measure: NexBridge is committed to engaging high-quality, licensed digital asset service providers as well as regulated banks. These strategic partners are chosen for their ability to meet the expectations and requirements of the project, ensuring reliability and security in the management of assets and transactions.

2. Challenges in Purchasing Underlying Assets

Description: This risk involves difficulties in acquiring the underlying assets needed to back USTBL tokens, which could affect the integrity and stability of the project.

Mitigation Measure: NexBridge selects underlying assets that are widely available and publicly listed. This strategy ensures that the assets needed to back USTBL tokens can be acquired without significant complications, thus reducing the risk of unavailability or problems in the acquisition.

3. Token Distribution

Description: This risk refers to possible difficulties in the distribution of USTBL tokens to investors, which could affect accessibility and trust in the project.

Mitigation Measure: NexBridge implements continuous monitoring activities to monitor project execution and address any emerging issuances in a timely manner. This initiative-taking monitoring allows any challenges related to token distribution to be quickly identified and resolved, ensuring efficient and reliable distribution.

Section 4.07 Description of risks and mitigation measures associated with the technology used.

Technology used:

The issuance of USTBL is based on the Liquid network, a Bitcoin sidechain designed to provide a secure and efficient infrastructure for the creation, transfer, and redemption of digital assets. Liquid is known for its ability to handle fast and private transactions, making it an ideal choice for real-world-backed assets such as U.S. Treasuries. The network uses a covenant mechanism, which, while not a smart contract in the traditional sense, establishes immutable rules that dictate how and when digital assets can be spent. This simplified structure significantly reduces the risk of vulnerabilities and errors, ensuring that all operations follow a predefined and secure protocol.

Liquid operates through a federation of trusted entities that manage the nodes and maintain the network's integrity. This federation ensures transactions are processed efficiently and securely, minimizing the risk of centralization and ensuring that digital assets are managed with the highest level of security.

Risks Related to the Technology Used and Mitigation Measures

1. Cybersecurity Risk

Risk Description: Despite the robustness of the Liquid network, there is a risk that cyber-attacks such as hacking, malware or DDoS attacks could compromise the security of data and digital assets.

Mitigation Measure: Strengthen cybersecurity infrastructure by implementing advanced encryption technologies, firewalls, and intrusion detection and response systems. Conduct regular security audits and penetration tests to identify and fix vulnerabilities. Additionally, establish an incident response plan to act quickly in the event of a cyber-attack.

2. Liquid Federation Dependency Risk

Risk Description: The security and efficiency of the Liquid network depend on the federation of entities that manage the nodes. If one or more members of the federation are compromised, it could affect the integrity of the network and the security of transactions.

Mitigation Measure: Ensure that all federation members are highly trustworthy entities with a solid history in node management. Implement additional controls, such as continuous monitoring and regular audits of federated nodes, to maintain network integrity.

3. Centralization Risk

Risk Description: Although the Liquid network seeks to maintain decentralization, control of the federation by a limited number of entities could create a centralization risk.

Mitigation Measure: Diversify the selection of federation members, ensuring they come from diverse jurisdictions and sectors, to reduce the possibility of systematic failure. Promote the inclusion of new entities in the federation to maintain a balance of power and minimize the risk of centralization.

4. Risk of Technological Failure

Risk Description: The underlying technology in the Liquid network could fail due to software bugs, hardware issues, or external attacks, which could disrupt operations.

Mitigation Measure: Conduct regular stress tests and technology audits to identify potential failures before they occur. Additionally, implement a solid contingency plan that includes disaster recovery procedures and a backup system to maintain system operability.

5. Risk of Network Interruptions

Risk Description: The Liquid network could experience disruptions, resulting in delays or failures in USTBL transactions.

Mitigation Measure: Develop a robust incident management and disaster recovery system to minimize downtime and maintain service continuity. Conduct regular drills to assess and improve emergency response. In addition, it is recommended to diversify the technological infrastructure and consider backup options to ensure continued operation in critical situations.

6. Custody Risk and Digital Asset Management

Risk Description: Backup digital assets are subject to custody risks, including physical or digital theft, as well as inappropriate management.

Mitigation Measure: Use reputable custodians to manage physical collateral, ensuring that assets are secure and correctly accounted for. Additionally, purchase insurance policies to cover collateral assets against losses in extreme events, providing an additional layer of financial security. Implement regular audits and reviews of custody processes to ensure compliance with best practices.

Conclusion

NexBridge has taken a comprehensive approach to mitigate the risks associated with the technology used in the issuance of USTBL, focusing on the implementation of regular security audits, the adoption of advanced technologies and continuous monitoring of the Liquid network. However, it is important to highlight that the mitigation of certain risks inherent to Liquid technology, due to its very nature as a Bitcoin sidechain managed by a federation, does not depend directly on NexBridge or the Digital Asset Service Providers (DASP) involved in the broadcast.

Risks associated with Liquid network infrastructure, such as centralization risks, technological failures, and federation dependency, are inherent to the network design and therefore mitigation requires a network-level approach. Network and the community that maintains it. While NexBridge and the PASDs do not directly control these aspects, it is crucial that these risks are highlighted in this report to provide a full assessment of the potential challenges and vulnerabilities that investors may face.

On the other hand, the direct responsibility of NexBridge and the PASD in risk mitigation focuses on the appropriate configuration of the "covenants". Through meticulous and secure design of these "covenants," NexBridge can ensure that USTBL tokens operate within a predefined framework that protects the interests of investors. This includes the implementation of clear and strict rules for the issuance, transfer, and redemption of tokens, as well as the integration of security measures that minimize the impact of vulnerabilities.

In summary, while NexBridge and the PASDs cannot control all aspects of the Liquid technology, they play a critical role in safely and effectively configuring covenants to mitigate specific risks that could impact investors. By pointing out these inherent risks in the report, it provides a clear and comprehensive view of

the technological challenges, while highlighting the specific measures that NexBridge has implemented to ensure the security and stability of USTBL in the market. This reinforces confidence in the issuance, while recognizing the limitations and shared responsibilities in managing technological risks.

Section 4.08 On the characteristics of “Covenants” (Smart Contracts).

Characteristics of the USTBL “Covenants”

The USTBL smart contract is designed to manage the issuance, transfer, and redemption of USTBL tokens, which are backed by real-world assets, specifically US Treasury bonds. This smart contract is based on the Liquid network, a sidechain of Bitcoin known for its reliability and security.

- **Issuance and Transfer:** The smart contract enables the initial issuance of USTBL tokens and facilitates their transfer between users, ensuring that all transactions are transparent and verifiable on the blockchain.
- **Redemption:** USTBL token holders can redeem their tokens for the underlying assets through the smart contract, ensuring that USTBL tokens maintain their value and functionality as digital assets backed by Treasury bonds.
- **Security and Audit:** The smart contract undergoes regular security audits to identify and fix vulnerabilities before they can be exploited. Independent and recognized firms conduct these audits.

Risks Related to Covenants (Smart Contracts) and Mitigation Measures

1. Cybersecurity Risk

Risk Description: Exposure to cyber-attacks, such as hacking, malware, or DDoS attacks, which may result in the loss of data or digital assets.

Mitigation Measure:

Covenants on the Liquid Network are an extension of the bitcoin codebase, so they extend the security of Bitcoin, taking advantage of its robust codebase. Liquid Network integrates multi-signature and a federated consensus system, requiring the authorization of 11 of 15 members to validate transactions, which prevents unauthorized access. The federation is made up of global entities that meet strict cybersecurity standards and are a fundamental part of the bitcoin industry. In addition, third parties have audited the covenants, guaranteeing the security of smart contracts on the network.

2. Risk of Technological Dependency

Risk Description: Dependence on the Liquid network infrastructure, which could face overload, failures or attacks that affect the speed and efficiency of transactions.

Mitigation Measure:

Liquid Network is a decentralized ledger network, meaning that federates jointly and independently maintain network operations. Thus, while the federation accepts new members, the network becomes stronger. In addition, the federation is made up of different governance bodies:

- Affiliation: is responsible for the evaluation and approval of new members.
- Monitoring: Choose the protocol rules.
- Technology: defines and plans the development of the network.

These governance bodies are elected each year by the members of the Liquid Federation and ensure the viability, operability, and strength of the network.

Additionally, advanced security mechanisms are implemented, such as the use of multisig signatures and specialized security hardware (HSMs) that protect critical network transactions. In the event of serious failures, the network can continue operating thanks to the flexibility provided by dynamic federations, allowing the entry and exit of new federates without affecting the operational stability of the network..

3. Integration and Compatibility Risk

Risk Description: Challenges associated with integrating USTBL into other systems and platforms, which could lead to incompatibilities and interoperability issuances.

Mitigation Measure:

USTBL tokens are issued on the Liquid Network, so they are naturally compatible with all platforms and wallets that use this technology. Additionally, Liquid Network's architecture facilitates interoperability with exchanges and other financial solutions that support Bitcoin and compatible sidechains, significantly reducing potential compatibility issues. Liquid's system also allows for fast and secure transfers between platforms. Finally, before allowing the distribution of USTBL tokens on other platforms or wallets, the issuer performs due diligence and monitoring procedures to ensure the quality of the prospect's service.

4. Risk of Network Interruptions

Risk Description: Disruptions in the Liquid blockchain could stop or delay USTBL transactions, affecting the availability and reliability of the service.

Mitigation Measure:

The decentralization of the Liquid Network, with the affiliation of new members in the Liquid Federation, strengthens its resistance to disruptions. The network uses a robust consensus system that allows transactions to continue even if some nodes go down, thus ensuring operational continuity. Additionally, the Liquid Federation implements error and operational failure monitoring, resolution, and reporting mechanisms to respond to such events. In the event of failures, the

network has a node quorum system that ensures that operations can continue to be conducted safely.

It also has continuous improvement procedures to prevent interruptions. Liquid Network considers the loss of 5 blocks, or the equivalent of 6 minutes, as interruptions. Security infrastructure, based on specialized hardware (HSMs), adds an additional layer of protection, minimizing the risk of serious outages. The last outage that occurred was in June 2022, demonstrating the strength of its operations.

5. Custody Risk and Digital Asset Management

Risk Description: Backup digital assets are subject to custody risks, including physical or digital theft, as well as inappropriate asset management.

Mitigation Measure:

The issuer only authorizes the distribution of USTBL tokens with Digital Asset Service Providers (DASPs) who are responsible for the custody of investors' digital assets. These DASPs operate under high security standards, using advanced technologies such as Multi-Party Computing (MPC) to protect assets and reduce single points of failure.. Additionally, they have procedures in place to allow investors to verify their ownership of USTBL tokens and recover means of access if they have been lost or compromised.

If investors choose a self-custody solution to safeguard their USTBL digital assets, they must take full responsibility for custody. It is essential that such investors adopt robust security measures and consider disaster recovery plans, thus ensuring that their access to assets does not depend exclusively on third parties.

Conclusion

NexBridge has implemented robust mitigation measures to address the risks associated with the USTBL smart contract. Regular security audits, implementation of advanced technologies, and continuous monitoring are key components to maintaining smart contract integrity and security. Ensuring a robust infrastructure, with incident response capabilities and effective asset management, is essential for the continued stability of USTBL issuance.

Section 4.09 Comments on the audit of programming criteria.

NexBridge has implemented a rigorous technical strategy in programming the smart contract used for the issuance of USTBL, a digital asset backed by US Treasury bonds. The use of the Liquid network and its focus on covenants reflects a calculated decision to ensure security, efficiency, and transparency in transactions. Below are comments on the programming criteria adopted by NexBridge in this broadcast.

First, it is important to understand that "covenants" on the Liquid network differ from traditional smart contracts. Unlike contracts on networks like Ethereum, which allow for a wide variety of functions and

complex logic, covenants are more specific and limited in scope. This significantly reduces the attack surface, minimizing potential vulnerabilities that could be exploited by malicious actors. Covenants function as immutable rules that dictate how and when transactions can occur, providing a robust security framework that protects both the issuer and users.

From a risk analysis approach, one of the key elements in USTBL programming is the implementation of clear and precise rules for the issue, transfer, and redemption of tokens. The rules, encoded in the "covenants" of the Liquid Network smart contracts, are immutable once implemented, so we can conclude that the risk of manipulation or improper alteration is minimized. This level of control reduces the possibility of operational errors and vulnerabilities since all transactions with USTBL must follow a strict and verifiable protocol. It is crucial to distinguish that covenants are limited to the conditions codified in contracts and should not be confused with subscription and redemption rules, which may be subject to specific operational dynamics, such as time windows. This approach, due to its clarity and simplicity, not only increases security, but also facilitates auditing and continuous monitoring, thus mitigating the risks associated with transparency and consistency in the execution of operations.

Code security is another fundamental pillar in the programming criteria used by NexBridge. The audit of the covenants' source code has been an exhaustive process designed to identify any potential vulnerabilities. Rigorous testing has been performed to ensure that the code does not contain logical errors or weaknesses that could be exploited. Additionally, additional security measures, such as permission management and strict access controls, have been implemented to ensure that only authorized entities can interact with critical system functions. This includes the ability to issue new tokens, authorize transfers, and process redemptions, functions that are critical to maintaining system integrity.

In terms of interaction with other components of the Liquid ecosystem, the "covenants" have been designed to integrate seamlessly with existing functionalities. This includes the ability to interact with user interfaces and logging systems without compromising security or efficiency. Although the RID does not mention the use of oracles, it is important to highlight that the programming of the "covenants" implies that they do not depend on external data sources, which eliminates a potential point of failure or vulnerability. This independence from oracles reinforces the security of the system, ensuring that all transactions are executed under predefined conditions without external intervention.

Transparency and accountability are also key factors in USTBL's programming criteria. NexBridge has taken an initiative-taking approach to ensure that all stakeholders, including investors and regulators, have access to relevant information about the functioning of the smart contract. This includes publishing the results of security audits and any code reviews performed. This transparency not only builds trust, but also ensures that any issues identified can be addressed in a timely and effective manner.

In terms of risk mitigation, NexBridge has implemented a number of recommendations derived from initial code audits. This includes additional testing before any major smart contract deployment, as well as regular reviews to ensure the system remains secure from new threats. Continuous audits are essential to identify and correct any vulnerabilities that may arise as technologies and attack methods evolve. Additionally, NexBridge is committed to maintaining an open dialogue with security experts and the broader community to ensure that best practices are always followed.

Finally, it is essential to underline NexBridge's commitment to continuous system improvement. Although covenants on the Liquid network offer a prominent level of security and reliability, NexBridge recognizes the

importance of staying ahead of emerging threats. This includes not only implementing current security best practices, but also exploring innovative technologies and methods to further strengthen the infrastructure. NexBridge continues to evaluate and adapt its practices to ensure that USTBL remains a secure and reliable digital asset, capable of operating efficiently in an increasingly complex digital environment.

In conclusion, the scheduling criteria used by NexBridge in the issuance of USTBL reflect a meticulous and strategic approach to ensuring the security and functionality of the digital asset. The choice of covenants on the Liquid network demonstrates a commitment to simplicity and security, providing a robust system that minimizes risks and maximizes investor confidence. This initiative-taking approach, combined with continuous transparency and constant improvement, positions USTBL as a trusted and well-managed digital asset in the global market.

Section 4.10 How the issuer will manage risks

NexBridge has put forward a comprehensive and well-structured approach to managing the risks associated with the issuance of USTBL, ensuring the security and stability of the digital asset and investor confidence. Below are key aspects of how NexBridge has justified and developed its risk management strategy.

Financial Risks

NexBridge recognizes the importance of managing financial risks that could affect the solvency and stability of the USTBL issuance. To mitigate these risks, the company has implemented rigorous financial reporting and planning procedures. These include preparing annual budgets based on a detailed analysis of past performance and market conditions, as well as semi-annual re-evaluation of the budget based on current performance. This strategy allows NexBridge to anticipate and react quickly to financial deviations, ensuring prudent financial management.

Market Risk

Market risk, which refers to the uncertainty caused by changes in market prices and rates, is managed by NexBridge by investing in underlying low-risk assets, specifically US Treasury bonds. These assets are known to its stability and low volatility, which helps mitigate the impact of market fluctuations on the value of USTBL. Additionally, NexBridge is committed to continually monitoring market conditions and adjusting its investment strategy, as necessary.

Liquidity Risk

To address liquidity risk, which involves the ability to execute transactions without significantly affecting the asset price, NexBridge has designed a dynamic subscription and redemption mechanism. This mechanism ensures that USTBL token holders can liquidate or acquire new tokens as needed, maintaining market liquidity. Initially, NexBridge will function as a liquidity provider and, as the market matures, reserves the right to involve additional market makers to maintain liquidity.

Regulatory Compliance Risk

NexBridge has demonstrated a strong commitment to regulatory compliance, ensuring that all its activities and digital asset issuances comply with relevant laws and regulations. The company has a dedicated

compliance department that conducts regular compliance assessments, business intelligence and regulatory training plans. Additionally, NexBridge ensures that each public issuance of digital assets is certified by licensed certifiers, providing an additional layer of verification and confidence in regulatory compliance.

Operational Risk

Operational risks, which include failures in the execution of the issuance or in compliance with its characteristics, are mitigated by NexBridge through the implementation of robust risk management strategies and internal controls. These include daily reconciliation of assets under management, daily review of subscription and redemption transactions, and weekly incident reporting. These practices ensure that any discrepancies or operational errors are quickly identified and rectified, minimizing the impact on the issuance of USTBL.

Cybersecurity Risk

NexBridge recognizes the significant threat posed by cyber-attacks and has implemented advanced measures to protect its technological infrastructure. These measures include encryption technologies, firewalls, intrusion detection and response systems, and regular cybersecurity audits. Additionally, the company conducts penetration testing to identify and fix potential vulnerabilities before they can be exploited. An incident response plan ensures that NexBridge can act quickly in the event of a cyber-attack, minimizing damage and disruption.

Risk of Technological Dependency

The dependence on the Liquid network for the issuance and transfer of USTBL is a risk that NexBridge mitigates by continuously monitoring network performance and exploring alternative solutions such as second layer solutions or sidechains. This ensures that the USTBL issuance can remain operational even in the event of failures or overloads on the main network. Additionally, NexBridge has agreements with alternative technology providers to ensure continuity of service.

Conclusion

NexBridge has demonstrated a comprehensive and initiative-taking approach to managing the risks associated with the issuance of USTBL. The combination of prudent financial strategies, investment in low-risk assets, dynamic liquidity mechanisms, rigorous regulatory compliance, robust operational controls, advanced cybersecurity measures and business continuity planning ensure that the issuance of USTBL is managed safely and efficiently. This approach not only protects the interests of investors but also reinforces confidence in USTBL as a stable and secure digital asset.

Article V. Reasonableness of the financial assumptions relevant to the issuance.**Section 5.01 Financial reasonableness of the issuance.**

To evaluate the financial reasonableness of the issuance of USTBL tokens, below we present an analysis of these aspects:

The issuance of USTBL is designed to offer investors exposure to short-term US Treasuries through a digital token. This analysis reviews the underlying financial assumptions and their impact on the viability and stability of the USTBL token. Key financial assumptions include the underlying asset structure, risk mitigation strategies, and asset and liability management policy.

1. Underlying Asset Structure

Description of Underlying Assets:

USTBL is backed by the iShares \$Treasury Bond 0-1yr UCITS ETF, which contains US Treasury bonds with maturities ranging from zero to one year. This backing provides a solid and stable foundation for the token's value, as US Treasury bonds are considered one of the safest financial assets.

Calculation of Net Asset Value (NAV):

The price of the USTBL token is determined by calculating its Net Asset Value (NAV), which represents the assets held in the segregated bank account of the issuance custodian divided by the number of USTBL tokens in circulation. NAV is calculated daily by subtracting accumulated fees from total Assets Under Management (AUM).

Advantages:

- **Stability and Security:** US Treasury bonds are low-risk assets, which ensures high stability for USTBL.
- **Transparency:** The NAV calculation methodology is transparent and publicly available, which strengthens investor confidence.

Challenges:

- **ETF Liquidity:** The liquidity of the underlying ETF may vary, affecting USTBL's ability to manage large redemptions or market adjustments.
- **Interest Rate Volatility:** Fluctuations in interest rates may affect the value of Treasury bonds and, therefore, the NAV of USTBL.

2. Risk Mitigation Strategies

Liquidity Risk:

1. **Risk Description:** Lack of liquidity in the secondary market could make it difficult to buy or sell USTBL without significantly affecting its price.
2. **Mitigation Measures:** NexBridge will initially function as a liquidity provider, ensuring the continued availability of USTBL for transactions. Additionally, a dynamic subscription and redemption mechanism will be implemented to allow token holders to liquidate or acquire new tokens efficiently. The issuer may also involve market makers to further strengthen liquidity.

Underlying Volatility Risk:

1. **Risk Description:** Volatility in the value of US Treasury bonds may affect the stability and perceived value of USTBL.
2. **Mitigation Measures:** NexBridge will diversify the underlying assets and use hedging strategies to minimize the impact of volatility. Dynamic adjustments will be made to the composition of the underlying assets based on market conditions.

Interest Rate Risk:

1. Risk Description: Fluctuations in interest rates may affect the value of the U.S. Treasury bonds backing USTBL.
2. Mitigation Measures: The composition of USTBL's underlying assets will adjust dynamically based on the US government's interest rate decisions, primarily dictated by the Federal Reserve (FED). This strategy allows you to anticipate and manage changes in interest rates effectively.

3. Asset and Liability Management**Asset Management Policy:**

- a. Investing in Low-Risk Assets: NexBridge invests in short-term US Treasury bonds, which are considered low risk. This ensures that the assets under management are stable and secure.
- b. Diversification and Hedging: Diversification of underlying assets and the use of hedging strategies minimize the risks associated with market volatility.

Liability Management Policy:

- a. Dynamic Subscription and Redemption: The ability to dynamically subscribe and redeem tokens allows NexBridge to adjust the supply of USTBL based on market demand. This ensures that there is always sufficient liquidity available.
- b. Commission and Cost Control: Operating commissions and other costs are calculated and subtracted from AUM daily, ensuring transparent and efficient management of associated costs.

4. Projections and Expected Performance**Expected Performance:**

USTBL's expected return is based on the performance of the underlying ETF, which reflects the performance of Treasury bonds. This provides a clear guide to the returns investors can expect, based on the historical performance of Treasury bonds.

Performance Scenarios:

Various scenarios have been modeled to project USTBL's performance under different market conditions. These include stressful, unfavorable, moderate, and favorable scenarios. These scenarios help investors understand the possible outcomes and risks associated with investing in USTBL.

Section 5.02 Key Factors of the financial reasonableness review:

To draft Section V of the certification report, it is essential to address the "Key Factors of the Financial Reasonability Review." This section should outline the main points analyzed in the evaluation of the USTBL issuance and explain how they impact its financial reasonableness.

The review of the financial reasonableness of the USTBL issuance is based on a detailed assessment of several critical factors that affect the token's viability and stability. The key factors considered in this review are outlined below.

1. Underlying Asset Structure

One of the main factors determining the financial reasonableness of USTBL is the quality and nature of the underlying assets. Backing the token with US Treasuries through the iShares \$ Treasury Bond 0-1yr UCITS ETF provides a solid foundation, given the recognized security and stability of these assets. Treasury bonds are traditionally considered one of the safest financial instruments, significantly reducing the risk associated with investing in USTBL. Furthermore, the transparent methodology used to calculate the Net Asset Value (NAV), and its daily availability strengthen confidence in the fair valuation of the token.

The analysis of the underlying asset structure also considers the liquidity of the ETF. Although Treasuries are low risk, ETF liquidity in the secondary market could vary, which could impact USTBL's ability to manage large redemptions or significant fluctuations in demand. However, mitigation measures, such as the liquidity support provided by NexBridge and the ability to involve market makers, help counter this challenge, ensuring the token maintains its stability.

2. Risk Mitigation Strategies

The financial reasonableness presented by NexBridge for the USTBL uses strategies implemented to mitigate the risks inherent to its issuance. NexBridge prioritizes token stability through a passive approach to managing the underlying, concentrating on a single asset. This method, like certain financial products that are structured to replicate the behavior of a specific asset, avoids the need to monitor volatility and interest rate fluctuations. By adopting this approach, NexBridge seeks to ensure the stability and predictability of the USTBL, allowing its asset composition to remain consistent and aligned with the behavior of the underlying, without requiring dynamic adjustments to market conditions.

The focus on risk management ensures that USTBL can maintain its value and attractiveness to investors even in adverse market scenarios. These strategies not only protect investors, but also reinforce confidence in the strength and reliability of the token as a viable and stable investment.

3. Asset and Liability Management

The asset and liability management policy are another key factor in the review of financial reasonableness of USTBL. NexBridge invests in low-risk assets, such as short-term Treasury bonds, which offer security and stability. Additionally, dynamic subscription and redemption capability allows NexBridge to adjust the supply of USTBL in response to market fluctuations, ensuring that there is always enough liquidity available to meet demand.

Tight control of operating fees and other costs associated with managing USTBL is also a key factor. Transparency in the calculation and daily deduction of these costs from AUM ensures efficient and fair management, which protects the interests of investors and contributes to the long-term sustainability of the issuance.

4. Projections and Expected Performance

Performance projections are critical to assessing the financial reasonableness of USTBL. Based on the historical performance of the ETF backing the token, a competitive performance is estimated, reflecting the stability and security of the investment. Additionally, NexBridge has modeled various performance scenarios—unfavorable and stressed—under different market conditions, allowing investors to better understand the potential outcomes and risks associated with USTBL. These models provide a clear and



comprehensive view of how the token could behave in adverse situations, helping to evaluate both potential investment opportunities and risks.

Article VI. Issuer Information.

NexBridge is an active entity in the field of digital assets, focusing on the issuance of tokens backed by real assets. Its technological infrastructure is supported, for this issuance, by a Digital Asset Service Provider (DASP) that hosts the issuance on the Bitcoin Liquid network, recognized for its security in transactions. Implement advanced security measures and regular audits to ensure system protection.

Regarding its financial strategy, NexBridge diversifies its underlying assets and uses hedging strategies to reduce market volatility. It adjusts the composition of assets in response to government interest rate decisions, thereby managing the associated risk.

It complies with applicable laws and regulations, especially in El Salvador, where the issuance of USTBL has been approved by the National Digital Assets Commission. It has a dedicated compliance department and participates in international regulatory forums to adapt to regulatory changes. Additionally, it implements marketing and education strategies to promote the adoption of USTBL.

In summary, NexBridge takes an initiative-taking approach in managing risks associated with the issuance of USTBL, seeking to ensure its security and efficiency, which contributes to strengthening confidence in this digital asset.

Article VII. Comprehensive analysis of the viability of the issuance of USTBL as a Digital Asset.

The issuance of USTBL, backed by US Treasury bonds, represents an innovative integration of traditional assets with blockchain technology. This comprehensive analysis addresses the viability of USTBL from multiple perspectives, including support structure, risk management, regulatory environment, market adoption, and financial projections.

1. Support Structure

a. Underlying Assets:

USTBL is backed by the iShares \$Treasury Bond 0-1yr UCITS ETF, which contains US Treasury bonds with short-term maturities (zero to one year). US Treasuries are considered one of the safest and most liquid assets, providing a solid and reliable foundation for the USTBL token.

b. Calculation of Net Asset Value (NAV):

The value of USTBL is determined daily by calculating the Net Asset Value (NAV), which represents the assets held in the custodian's segregated bank account, less accrued fees, divided by the number of tokens in circulation. This transparent methodology ensures that investors can verify and trust the value of the token.

2. Risk Management

a. Liquidity Risk:

NexBridge, the issuer, initially secures liquidity by acting as primary provider. Additionally, a dynamic subscription and redemption mechanism is implemented that allows token holders to liquidate or acquire new tokens efficiently. The option to involve additional market makers also strengthens USTBL's liquidity.

b. Underlying Volatility Risk:

Volatility in the value of Treasury bonds may impact the value of USTBL. To mitigate this risk, NexBridge ensures the stability and predictability of USTBL through a passive approach that replicates the behavior of a single underlying asset, avoiding the need to monitor volatility or interest rate fluctuations.

c. Interest Rate Risk:

Fluctuations in interest rates affect the value of Treasury bonds, which in turn indirectly impacts the ETF that serves as USTBL's sole underlying. However, the composition of the ETF does not adjust dynamically in response to interest rate decisions made by the US Federal Reserve, meaning that any effect on USTBL is a result of the indirect impact of these changes on the ETF.

d. Regulatory Risk:

NexBridge maintains continuous monitoring of regulatory requirements and ensures compliance with all applicable laws and regulations. Regular compliance assessments and ongoing training ensure adaptability to any regulatory changes.

e. Fraud and Cybersecurity Risk:

Robust risk controls, regular security audits, and intrusion detection and response systems are implemented. Blockstream AMP's advanced encryption technology and authorizing policy protect against fraud and cyber threats.

3. Regulatory Environment

- a. The issuance of USTBL complies with the laws of El Salvador and will be supervised by the National Commission for Digital Assets (CNAD). This regulatory compliance ensures that USTBL operates within a robust legal framework, providing confidence to both investors and regulators. NexBridge also actively participates in international regulatory discussions and forums to anticipate and adapt to any policy changes.

4. Market Adoption

b. Marketing and Education Strategies:

NexBridge implements marketing and education strategies to encourage USTBL adoption. This includes strategic collaborations with exchange platforms and financial services providers to increase the visibility and utility of the token. Additionally, initial incentives are offered to attract inexperienced users and encourage market adoption.

c. Incentives and Collaborations:

Partnerships with financial and technology institutions ensure that USTBL is widely accepted and used. These strategic collaborations not only increase the liquidity of the token but also promote its widespread adoption.

5. Financial Projections

a. Expected Performance:

USTBL's expected return is based on the performance of the underlying ETF, which reflects the performance of Treasury bonds. This projected return is attractive to investors looking for a safe and stable investment option.

b. Performance Scenarios:

Various scenarios, including stress, unfavorable, moderate, and favorable scenarios, have been modeled to project the performance of USTBL under different market conditions. These scenarios help investors understand the possible outcomes and risks associated with investing in USTBL.

6. Technology and Security

a. Red Liquid:

USTBL uses the Liquid network, a Bitcoin sidechain known for its robustness and security. The Liquid network provides fast and secure transactions as well as greater privacy for users. The absence of smart contracts on the Liquid network minimizes the risks of code exploitation.

b. Security Audits and Tests:

USTBL Covenants (smart contracts) undergo regular security audits and penetration tests to identify and fix vulnerabilities before they can be exploited. These audits are conducted independently, ensuring the integrity and security of the system.

7. About technical infrastructure and security

USTBL's technical infrastructure is based on the Liquid network, a Bitcoin sidechain known for its robustness and security. This choice provides a secure environment for the issuance, transfer, and redemption of USTBL tokens. The Liquid network offers fast and secure transactions as well as greater privacy for users, which is essential to maintain the integrity of the system. NexBridge has implemented advanced encryption and firewall technologies to protect against cyber-attacks, along with intrusion detection and response systems to identify and mitigate potential threats. Additionally, USTBL's smart contract covenants undergo regular security audits and penetration tests conducted by independent and recognized firms in the industry. These audits ensure that any vulnerabilities are identified and fixed before they can be exploited, thus ensuring the continued security of the system. The absence of smart contracts, as traditionally conceptualized, on the Liquid network minimizes the risks of code exploitation, providing an additional layer of security for transactions and investor data. In summary, the technical infrastructure and security measures implemented by NexBridge provide a solid and reliable foundation for the issuance of USTBL, ensuring the protection of digital assets and investor confidence.

8. Financial analysis and risk mitigation strategies

The financial analysis of USTBL is based on a detailed and comprehensive approach covering several critical aspects to ensure its viability as a digital asset. The expected performance of USTBL is based on the performance of the underlying ETF, which reflects the performance of Treasury bonds. This projected performance is attractive for investors looking for a safe and stable investment option. NexBridge has modeled various scenarios to evaluate the performance of USTBL under different market conditions, including stressed, unfavorable, moderate, and favorable scenarios. These projections help investors understand the possible outcomes and associated risks, providing a comprehensive assessment of expected performance. In terms of risk mitigation, NexBridge has implemented several effective strategies. For liquidity risk, they initially function as a liquidity provider and use a dynamic subscription and redemption mechanism to adjust supply according to market demand. Diversification of underlying assets and hedging strategies help mitigate volatility in the value of Treasury bonds. Additionally, NexBridge dynamically adjusts the composition of underlying assets in response to US government interest rate decisions, effectively managing interest rate risk. These measures demonstrate an initiative-taking and well-structured approach to ensuring the financial stability and viability of USTBL.

9. On regulation, compliance, and market management

Regulatory compliance is a fundamental pillar for the viability of USTBL as a digital asset. NexBridge ensures that all its activities and digital asset issuances comply with applicable laws and regulations, especially those of El Salvador. The National Commission for Digital Assets (CNAD) has approved the issuance of USTBL, providing an additional layer of trust and legitimacy. NexBridge has a dedicated compliance department that conducts regular compliance assessments, business intelligence and regulatory training plans. These practices guarantee adaptability to any change in the regulatory environment, minimizing the risk of sanctions or legal restrictions. Additionally, NexBridge actively participates in international regulatory forums to anticipate and adapt to future policies. In terms of market management, NexBridge implements marketing and education strategies to ensure broad and sustainable adoption of USTBL. They collaborate with exchange platforms and financial service providers to increase the visibility and utility of the token, offering initial incentives to attract new users. Strategic partnerships with financial and technology institutions also promote widespread adoption and create a durable base of engaged users. These actions ensure that USTBL not only meets regulatory requirements but also maintains a strong and reliable presence in the market.

Article VIII. Opinion and conclusion on the certification of the USTBL issuance.

The issuance of USTBL, backed by U.S. Treasury bonds, represents a significant advancement in the integration of traditional assets with blockchain technology. Certification of this issuance requires a thorough analysis of multiple factors, including the underlying assets, risk management, regulatory environment, market adoption, and financial projections. This opinion and conclusion provide a comprehensive assessment of the viability and security of the issuance of USTBL, with a focus on how these characteristics align with regulatory requirements and market expectations.

Support Structure

Underlying Assets:

USTBL is backed by the iShares \$Treasury Bond 0-1yr UCITS ETF, which includes short-duration US Treasuries. Treasury bonds are considered one of the safest and most liquid assets available in the global financial market. This support structure provides a solid and reliable foundation for USTBL, assuring investors that its value is supported by high-quality, low-risk assets.

Calculation of Net Asset Value (NAV):

USTBL's NAV is calculated daily, ensuring a transparent and accurate assessment of the token's value. This approach allows investors to continually verify the true value of their investments and make informed decisions. The methodology used to calculate NAV includes the deduction of operating fees and other associated costs, providing a clear and realistic picture of the token's performance.

Risk Management

NexBridge has developed a comprehensive approach to managing the risks associated with the issuance of USTBL, ensuring stability and confidence in the digital asset. One of the primary risks is liquidity. NexBridge addresses this risk by initially acting as a liquidity provider, ensuring that there are always enough tokens available for transactions. Furthermore, the dynamic subscription and redemption mechanism allows the supply of USTBL to be adjusted according to market demand, always ensuring adequate liquidity. The

option to involve additional market makers also reinforces the ability to manage large transaction volumes without significantly affecting the price of the token.

Volatility in the value of Treasury bonds can indirectly influence the value of USTBL, since its only underlying is an ETF that reflects this type of asset. However, it is possible to conclude that NexBridge does not resort to diversification of the underlying assets or dynamic adjustments in the composition of the ETF to mitigate this risk, given that the ETF follows a passive approach. Rather than adjusting in response to market conditions or Federal Reserve (FED) interest rate decisions, USTBL remains stable by relying on the ETF's passive structure, which replicates the behavior of its single underlying asset without active intervention.

Regulatory compliance is essential for any digital asset issuance. NexBridge maintains continuous monitoring of regulatory requirements and ensures compliance with all applicable laws and regulations. Regular compliance assessments and ongoing training ensure adaptability to any regulatory changes, thereby minimizing the risk of sanctions or legal restrictions that could affect USTBL's operation. In the digital realm, fraud and cybersecurity risks are always a concern. NexBridge implements robust risk controls and regular security audits to identify and fix vulnerabilities before they can be exploited. Blockstream AMP's advanced encryption technology and whitelisting policy protect against fraud and cyber threats, ensuring investors' transactions and data are always secure.

Regulatory Environment and Market Adoption

The issuance of USTBL strictly complies with the laws of El Salvador and must be approved by the National Commission for Digital Assets (CNAD). This regulatory compliance not only ensures that USTBL operates within a robust legal framework but also provides confidence to both investors and regulators. NexBridge actively participates in international regulatory discussions and forums to anticipate and adapt to any policy changes, further strengthening the viability and sustainability of USTBL. To ensure broad and sustainable adoption, NexBridge implements marketing and education strategies aimed at investors and the public. These strategies include strategic collaborations with exchange platforms and financial service providers to increase the visibility and usefulness of USTBL. Partnerships with financial and technology institutions ensure that USTBL is widely accepted and used. These strategic collaborations not only increase the token's liquidity but also promote its widespread adoption, creating a strong base of engaged users and robust supporting infrastructure.

Financial Projections and Technology

USTBL's expected return is based directly on the return of the underlying ETF, which reflects the performance of Treasury bonds. This yield is attractive for investors looking for a safe and stable investment, compared to other options on the market. NexBridge has modeled various scenarios—stressed, unfavorable, moderate, and favorable—to project USTBL's performance under different market conditions, allowing investors to better understand the possible outcomes and associated risks.

USTBL operates on the Liquid network, a Bitcoin sidechain recognized for its robustness and security, offering fast and secure transactions with greater privacy for users. The Liquid network does not use smart contracts, which minimizes the risks of code exploitation, ensuring the integrity and security of transactions.

Furthermore, the smart contract managed by USTBL undergoes regular security audits and penetration tests conducted by independent and industry-recognized firms, ensuring the integrity of the system. Fluctuation risks are delegated to the ETF itself, meaning that USTBL tracks the performance of the underlying ETF without the need for active adjustments by NexBridge.

Conclusion

USTBL issuance certification reveals a well-designed structure and a robust strategy to manage and mitigate associated risks. The strong US Treasury bond-based support structure, robust risk management policies, strict regulatory compliance, and effective market adoption and marketing strategies ensure the stability and viability of USTBL. With these measures, NexBridge is well positioned to offer safe and stable investment through USTBL, meeting the expectations of investors and regulators.

Final Evaluation:

Based on the comprehensive analysis of the financial, regulatory, technological and market aspects, it is concluded that the issuance of USTBL is viable and safe, under reasonable criteria of each risk profile of an investor. The dedicated support structure, effective risk management strategies and robust regulatory compliance ensure that USTBL can offer a stable and reliable investment. Market adoption, supported by well-designed marketing strategies and strategic collaborations, ensures widespread acceptance and usage of the token.

In summary, USTBL certification is favorable, and issuance is recommended with confidence that it meets the necessary standards of security, stability, and regulatory compliance. NexBridge has demonstrated a clear and effective commitment to managing and mitigating risks, providing investors with a safe and viable investment option in the digital asset market.

Article IX. Assumptions and final considerations:

Assumptions:

In the preparation and delivery of this certification report, all documents other than Salvadoran legislation are presumed:

- (a) The authenticity of all signatures and legal capacities of the persons who have signed the reviewed documents.
- (b) That all copies presented are a true and exact copy of the document it reproduces, as well as the authenticity of the original document it reproduces.
- (c) That the documents and/or contracts granted abroad are valid in accordance with the legislation of the country of their granting, have been signed by persons with sufficient capacity and bind the grantor in accordance with their terms; and,
- (d) Each of the intervening parties is duly empowered and authorized to bind them in accordance with the report documents.
- (e) The signing, execution and fulfillment of the obligations established in the issuance documents by each of the parties (i) does not violate any of the organizational documents or any applicable law; and (ii) will not result in a breach of any resolution, decree, or order of any judicial or governmental authority.

- (f) For the signing and execution of the issuance documents, the parties did not need approvals, authorizations, declarations, or presentations by or before any government authority.
- (g) Each of the signatories of the representatives of the parties to the issuance documents has legal capacity.
- (h) Each document submitted to our review (including the issuance documents) is accurate and complete, each original document submitted is authentic, each document copy is a faithful copy of the original document and that all signatures and seals on the documents They are genuine.
- (i) The parties to the issuance documents will fulfill their obligations.
- (j) There has been no error, force or fraud in the negotiation, preparation, execution or signing of any of the issuance documents.
- (k) There is no agreement or understanding, written or verbal, or custom between the parties, which could define, modify, supplement, revoke, waive the terms and obligations of the issuance documents.

Considerations:

This certification report and its respective analysis deals with the documents and comments mentioned in it. Likewise, the legal analysis is based on the legislation in force in the Republic of El Salvador, including its technical and prudential regulation. Therefore, the analyzes and conclusions regarding it may vary given that, by their very nature, laws and regulations are subject to changes, modifications, reforms, or repeals by the competent authorities. Any modification in current regulations and legislation may affect the validity of the opinions expressed.

This report provides an evaluation based on the documentation provided and the conditions known to date. NexBridge's favorable certification of USTBL issuance is granted under the commitment that the issuer continues to implement and improve risk management measures, maintain technological stability, and comply with all applicable regulations.

It is important to note that this certification does not guarantee the future success of the issuance, nor does it exempt the issuer from its obligation to comply with future laws and regulations that may affect its operation. Additionally, as the digital asset market and relevant regulations are constantly evolving, the associated risks and market conditions may change, which could impact the validity of this certification. Investors and market participants should therefore continue to conduct their own due diligence and risk assessment.

This certification does not imply a purchase recommendation or an investment guarantee. Investors should be aware that all investments in digital assets carry risks, including complete loss of invested

capital. Investors and interested parties are advised to consult their financial and legal advisors before making investment decisions based on this certification.

San Salvador, August 28, 2024.

F. 
Hector Ramon Torres Cordova

Legal Representative
TR Capital SA de CV

Appendix II – PRIIP KID - iShares \$ Treasury Bond 0-1yr UCITS ETF

The PRIIP KID of the iShares \$ Treasury Bond 0-1yr UCITS ETF with the ISIN IE00BGSF1X88 is publicly available on the iShares website at the following link: [iShares \\$ Treasury Bond 0-1yr UCITS ETF - PRIIP KID](#)



Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

iShares \$ Treasury Bond 0-1yr UCITS ETF (the "Fund"), **USD Accu** (the "Share Class"), ISIN: **IE00BGSF1X88**, is authorised in Ireland and manufactured by BlackRock Asset Management Ireland Limited (the "Manager") which is part of the BlackRock, Inc group.

The Manager is authorised in Ireland and regulated by the Central Bank of Ireland (the "CBI") and the CBI is responsible for supervising the Manager in relation to this Key Information Document.

More information is available at **www.blackrock.com** or by calling **+49 (0) 89 42729 5858**. This document is dated 15 April 2024.

What is this product?

Type: The Fund is a sub-fund of iShares plc, an umbrella company incorporated in Ireland, authorised by the Central Bank of Ireland as a Undertaking for Collective Investment in Transferable Securities ("UCITS"). The Fund is a UCITS exchange-traded fund, a UCITS ETF.

Term: The Fund does not have a fixed term of existence or maturity period but in certain circumstances, as described in the Fund prospectus, the Fund may be unilaterally terminated following written notice to unitholders subject to compliance with the Fund prospectus and applicable regulation.

Objectives

- The Share Class is a share class of a Fund which aims to achieve a return on your investment, through a combination of capital growth and income on the Fund's assets, which reflects the return of the ICE U.S. Treasury Short Bond Index, the Fund's benchmark index ("Index").
- The Share Class, via the Fund, is passively managed and aims to invest so far as possible and practicable in the fixed income (FI) securities (such as bonds) that make up the Index.
- The Index offers exposure to US government bonds with a remaining maturity (i.e. the time from issue until they become due for repayment) of greater than or equal to one month and less than one year and a minimum amount outstanding of \$300 million at the Index rebalance date. The bonds will pay income according to a fixed rate of interest. The Index does not apply a credit rating requirement, but the bonds will have a creditworthiness matching that of the US Treasury.
- The Fund uses optimising techniques to achieve a similar return to the Index. These techniques may include the strategic selection of certain securities that make up the Index or other securities which provide similar performance to certain constituent securities. These may also include the use of financial derivative instruments (FDIs) (i.e. investments the prices of which are based on one or more underlying assets). FDIs may be used for direct investment purposes.
- The Fund may also engage in short-term secured lending of its investments to certain eligible third parties to generate additional income to off-set the costs of the Fund.
- The price of fixed income securities may be affected by changing interest rates which in turn may affect the value of your investment. Fixed income securities prices move inversely to interest rates. Therefore, the market value of fixed income securities may decrease as interest rates increase. The credit rating of an issuing entity will generally affect the yield that can be earned on fixed income securities; the better the credit rating the smaller the yield.
- The relationship between the return on your investment, how it is impacted and the period for which you hold your investment is considered below (see "How long should I hold it and can I take my money out early?").
- The depositary of the Fund is The Bank of New York Mellon SA/NV, Dublin Branch.
- Further information about the Fund can be obtained from the latest annual report and half-yearly reports of the iShares plc. These documents are available free of charge in English and certain other languages. These can be found, along with other (practical) information, including prices of units, on the iShares website at: www.ishares.com or by calling +44 (0)845 357 7000 or from your broker.
- Your shares will be accumulating shares (i.e. income will be included in their value).
- Your shares will be denominated in US Dollar, the Fund's base currency.
- The shares are listed and traded on various stock exchanges. In normal circumstances, only authorised participants may buy and sell shares directly with the Fund. Investors who are not authorised participants (e.g. select financial institutions) can generally only buy or sell the shares on the secondary market (e.g. via a broker on a stock exchange) at the then prevailing market price. The value of the shares are related to the value of the underlying assets of the Fund, less costs (see "What are the costs?" below). The prevailing market price at which the shares trade on the secondary market may deviate from the value of the Shares. Indicative net asset value is published on relevant stock exchanges websites.

Intended retail investor: The Fund is intended for retail investors with the ability to bear losses up to the amount invested in the Fund (see "How long should I hold it and can I take my money out early?").

Insurance benefits: The Fund does not offer any insurance benefits.




What are the risks and what could I get in return?

Risk Indicator

Lower risk

Higher risk

1	2	3	4	5	6	7
 The risk indicator assumes you keep the product for 3 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less.						

- The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.
- We have classified this product as 1 out of 7, which is the lowest risk class. This classification rates the potential losses from future performance at a very low level, and poor market conditions could affect the value of your investment. This classification is not guaranteed and may change over time and may not be a reliable indication of the future risk profile of the Fund. The lowest category does not mean risk free.
- Be aware of currency risk.** If you receive payments in a currency that is different to the product's base currency, the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.
- Please refer to the product's Prospectus for details of other materially relevant risks that may apply to this product.
- This product does not include any protection from future market performance so you could lose some or all of your investment.
- If the product is not able to pay you what is owed, you could lose your entire investment.

Performance Scenarios

The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back. What you will get from this product depends on future market performance. Market developments in the future are uncertain and cannot be accurately predicted. The unfavourable, moderate, and favourable scenarios shown are illustrations using the worst, average, and best performance of the product, which may include input from benchmark(s) / proxy, over the last ten years. Markets could develop very differently in the future.

Recommended holding period : 3 years		Example Investment : USD 10,000	
Scenarios		If you exit after 1 year	If you exit after 3 years
Minimum	There is no minimum guaranteed return. You could lose some or all of your investment.		
Stress*	What you might get back after costs	9,930 USD	9,840 USD
	Average return each year	-0.7%	-0.5%
Unfavourable**	What you might get back after costs	9,930 USD	9,930 USD
	Average return each year	-0.7%	-0.2%
Moderate***	What you might get back after costs	10,070 USD	10,330 USD
	Average return each year	0.7%	1.1%
Favourable****	What you might get back after costs	10,500 USD	10,610 USD
	Average return each year	5.0%	2.0%

* The stress scenario shows what you might get back in extreme market circumstances.

** This type of scenario occurred for an investment in the product and/or benchmark(s) or proxy between December 2013 - December 2016.

*** This type of scenario occurred for an investment in the product and/or benchmark(s) or proxy between June 2020 - June 2023.

**** This type of scenario occurred for an investment in the product and/or benchmark(s) or proxy between December 2020 - December 2023.

What happens if BlackRock Asset Management Ireland Limited is unable to pay out?

The assets of the Fund are held in safekeeping by its depositary, The Bank of New York Mellon SA/NV, Dublin Branch (the "Depositary"). In the event of the insolvency of the Manager, the Fund's assets in the safekeeping of the Depositary will not be affected. However, in the event of the Depositary's insolvency, or someone acting on its behalf, the Fund may suffer a financial loss. However, this risk is mitigated to a certain extent by the fact the Depositary is required by law and regulation to segregate its own assets from the assets of the Fund. The Depositary will also be liable to the Fund and the investors for any loss arising from, among other things, its negligence, fraud or intentional failure properly to fulfil its obligations (subject to certain limitations). As a shareholder of the Fund you would not be able to make a claim to the UK Financial Services Compensation Scheme or any other scheme about the Fund in the event that the Fund is unable to pay out.



What are the costs?

The person advising on or selling you this product may charge you other costs. If so, this person will provide you with information about these costs and how they affect your investment.

Costs over time: The tables show the amounts that are taken from your investment to cover different types of costs. These amounts depend on how much you invest, how long you hold the product and how well the product does. The amounts shown here are illustrations based on an example investment amount and different possible investment periods.

We have assumed:

- In the first year you would get back the amount that you invested (0 % annual return).
- For the other holding periods we have assumed the product performs as shown in the moderate scenario.
- USD 10,000 is invested.

	If you exit after 1 year	If you exit after 3 years
Total costs	9 USD	28 USD
Annual cost Impact (*)	0.1%	0.1%

(*) This illustrates how costs reduce your return each year over the holding period. For example it shows that if you exit at the recommended holding period your average return per year is projected to be 1.2 % before costs and 1.1 % after costs.

We may share part of the costs with the person selling you the product to cover the services they provide to you. They will inform you of the amount.

Composition of Costs

One-off costs upon entry or exit	If you exit after 1 year
----------------------------------	--------------------------

Entry costs	We do not charge an entry fee. ¹	-
Exit costs	We do not charge an exit fee. ¹	-

Ongoing costs taken each year

Management fees and other administrative or operating costs	0.07% of the value of your investment per year. This is based on a combination of estimated and actual costs data over the last year. Any underlying product costs are included here with the exception of transaction costs which would be included below under 'Transaction costs'.	7 USD
Transaction costs	0.02% of the value of your investment per year. This is an estimate of the costs incurred when we buy and sell the underlying investments for the product. The actual amount will vary depending on how much we buy and sell.	2 USD

Incidental costs taken under specific conditions

Performance fees	There is no performance fee for this product.	-
------------------	---	---

¹Not applicable to secondary market investors. Investors dealing via stock exchanges will pay fees charged by stock brokers. Such charges can be obtained on exchanges where the shares are listed and traded, or from stock brokers. Authorised participants dealing directly with the Fund or the Management Company will pay related transaction costs.

How long should I hold it and can I take money out early? Recommended Holding Period: 3 years

The recommended holding period (RHP) has been calculated in line with the investment strategy of the Fund and the time frame in which it is expected that it will be possible to achieve the investment objective of the Fund. Any investment should be considered against your specific investment needs and appetite for risk. BlackRock has not considered the suitability or appropriateness of this investment for your personal circumstances. If you are in any doubt about the suitability of the Fund to your needs you should seek appropriate professional advice. Details of dealing frequency can be found under "What is this product?". You may receive less than expected if you cash in earlier than the RHP. The RHP is an estimate and must not be taken as a guarantee or an indication of future performance, return or risk levels. Please see the "What are the costs?" section for details of any exit fees.

How can I complain?

If you are not entirely satisfied with any aspect of the service you have received and you wish to complain, details of our complaints handling process are available at www.blackrock.com/uk/individual/about-blackrock/contact-us. Additionally, you can also write to the Investor Services Team, at BlackRock's UK Registered Office, 12 Throgmorton Avenue, London, EC2N 2DL or e-mail them at enquiry@ukclientservices.blackrock.com.

Other relevant information

The latest version of this document, 4 year(s) of past performance of the Fund, previous performance scenario of the Fund, the latest annual report and half-yearly report and any additional information issued to shareholders can be obtained free of charge, in English, from www.blackrock.com or by calling the Investor Services Team on +353 1 612 3394 or from your broker, financial adviser or distributor.

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The Remuneration Policy of the Management Company, which describes how remuneration and benefits are determined and awarded, and the associated governance arrangements, is available at www.blackrock.com/Remunerationpolicy or on request from the registered office of the Manager.

The Swiss representative of the fund is BlackRock Asset Management Schweiz AG, Bahnhofstrasse 39, 8001 Zurich. The Fund's Swiss paying agent is State Street Bank International GmbH, Munich, Zurich Branch, Beethovenstrasse 19, 8027 Zurich. The prospectus, this document, the Articles of Incorporation of the Fund are available free of charge from the Swiss representative.



Appendix III – Fact sheet- iShares \$ Treasury Bond 0-1yr UCITS ETF

The Factsheet of the iShares \$ Treasury Bond 0-1yr UCITS ETF with the ISIN IE00BGSF1X88 is publicly available on the iShares website at the following link: [iShares \\$ Treasury Bond 0-1yr UCITS ETF - Fact Sheet](#)



iShares \$ Treasury Bond 0-1yr UCITS ETF
U.S. Dollar (Accumulating)
iShares plc

July 2024

Unless otherwise stated, Performance, Portfolio Breakdowns and Net Assets information as at: 31-Jul-2024. All other data as at 16-Aug-2024.

This document is marketing material. For Investors in Switzerland. Investors should read the KIID/PRIPs document and prospectus prior to investing, and should refer to the prospectus for the funds full list of risks.

FUND OVERVIEW The iShares \$ Treasury Bond 0-1 yr UCITS ETF seeks to track the investment results of an index composed of US Dollar denominated government bonds issued by the US Treasury, with remaining maturities between zero and one year.	PRODUCT INFORMATION ISIN : IE00BGSF1X88 Share Class Launch Date : 20-Feb-2019 Share Class Currency : USD Total Expense Ratio : 0.07% Use of Income : Accumulating Net Assets of Share Class (M) : 11,027.63 USD
KEY BENEFITS <div><div>1. Exposure to US Dollar denominated short term government bonds issued by the US Treasury</div><div>2. Target US government bonds with remaining maturities between zero and one year</div><div>3. Can be used to put cash to work</div></div>	KEY FACTS Asset Class : Fixed Income Benchmark : ICE U.S. Treasury Short Bond Index (USD) Fund Launch Date : 20-Feb-2019 Net Assets of Fund (M) : 17,568.54 USD SFDR Classification : Other Domicile : Ireland Methodology : Sampled Issuing Company : iShares plc Product Structure : Physical
RISK INDICATOR <div><div>Lower Risk</div><div>Potentially Lower Rewards</div><div>Potentially Higher Rewards</div><div>Higher Risk</div></div> <div><div>←</div><div>1</div><div>2</div><div>3</div><div>4</div><div>5</div><div>6</div><div>7</div><div>→</div></div>	PORTFOLIO CHARACTERISTICS Effective Duration : 0.34 yrs Average Weighted Maturity : 0.35 yrs Standard Deviation (3y) : 0.72% Yield To Maturity : 5.08 3y Beta : 1.01 Number of Holdings : 43
CAPITAL AT RISK: The value of investments and the income from them can fall as well as rise and are not guaranteed. Investors may not get back the amount originally invested.	
KEY RISKS: <ul style="list-style-type: none">• Credit risk, changes to interest rates and/or issuer defaults will have a significant impact on the performance of fixed income securities. Potential or actual credit rating downgrades may increase the level of risk.• Investment risk is concentrated in specific sectors, countries, currencies or companies. This means the Fund is more sensitive to any localised economic, market, political, sustainability-related or regulatory events.• Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Unit Class to financial loss.• Credit Risk: The issuer of a financial asset held within the Fund may not pay income or repay capital to the Fund when due.• Liquidity Risk: Lower liquidity means there are insufficient buyers or sellers to allow the Fund to sell or buy investments readily.	



iShares \$ Treasury Bond 0-1yr UCITS ETF

U.S. Dollar (Accumulating)

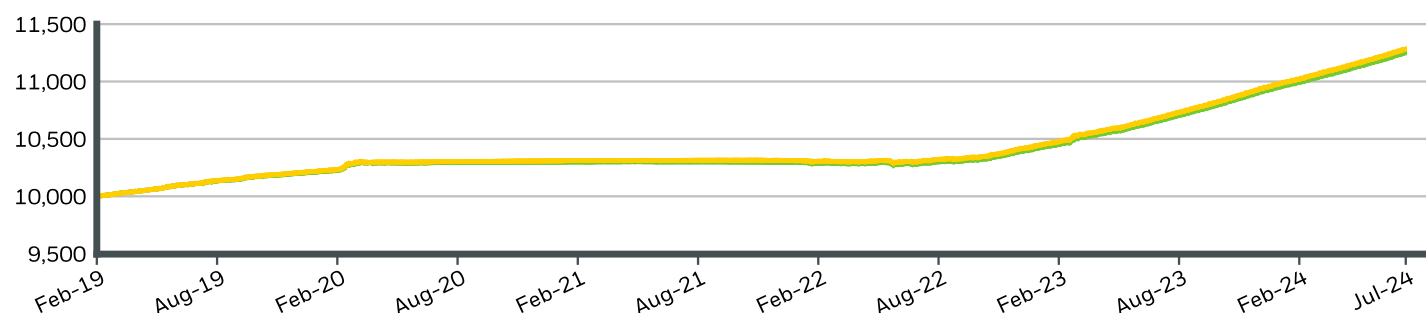
iShares plc

CALENDAR YEAR PERFORMANCE



	2019	2020	2021	2022	2023
Share Class	-	0.93	-0.01	0.98	5.04
Benchmark	-	0.97	0.05	1.04	5.07

GROWTH OF HYPOTHETICAL 10,000 USD SINCE INCEPTION



CUMULATIVE & ANNUALISED PERFORMANCE

	CUMULATIVE (%)					ANNUALISED (% p.a.)		
	1m	3m	6m	YTD	1y	3y	5y	Since Inception
Share Class	0.50	1.39	2.59	3.02	5.44	2.99	2.16	2.19
Benchmark	0.50	1.40	2.61	3.05	5.48	3.04	2.21	2.24

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future performance and should not be the sole factor of consideration when selecting a product or strategy. Share Class and Benchmark performance displayed in USD, hedged share class benchmark performance is displayed in USD. Performance is shown on a Net Asset Value (NAV) basis, with gross income reinvested where applicable. The return of your investment may increase or decrease as a result of currency fluctuations if your investment is made in a currency other than that used in the past performance calculation. **Source:** BlackRock

■ Share Class iShares \$ Treasury Bond 0-1yr UCITS ETF U.S. Dollar (Accumulating)
■ Benchmark ICE U.S. Treasury Short Bond Index (USD)

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U.S. Dollar (Accumulating)

iShares plc

TOP ISSUERS

UNITED STATES TREASURY

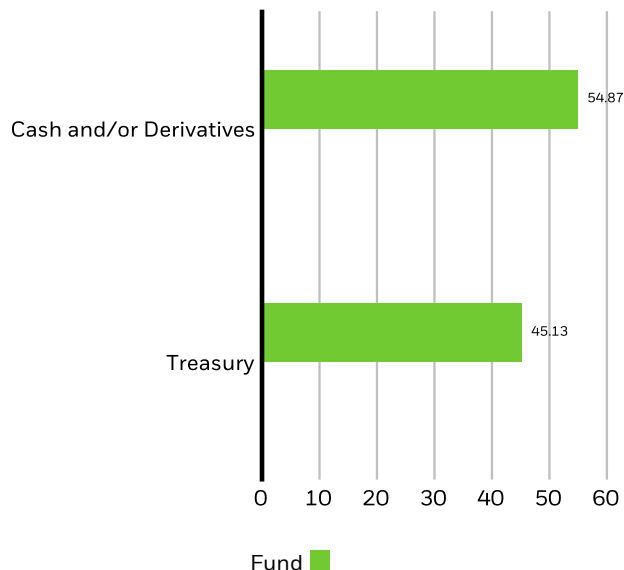
45.13%

Total of Portfolio

45.13%

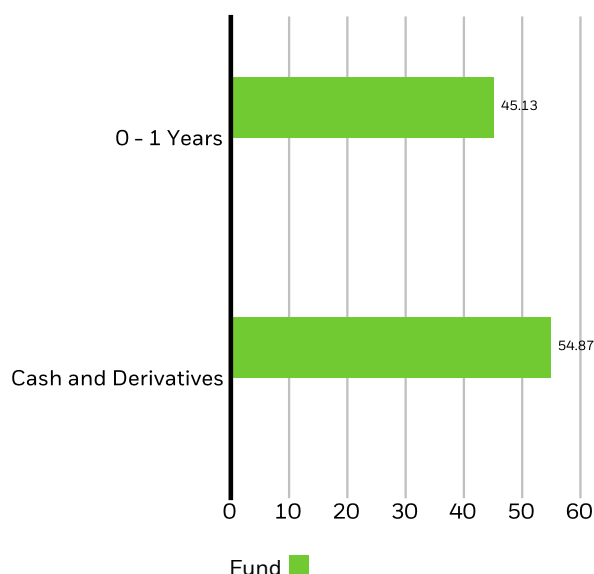
Holdings subject to change

SECTOR BREAKDOWN (%)



Allocations are subject to change. **Source:** BlackRock

MATURITY BREAKDOWN (%)



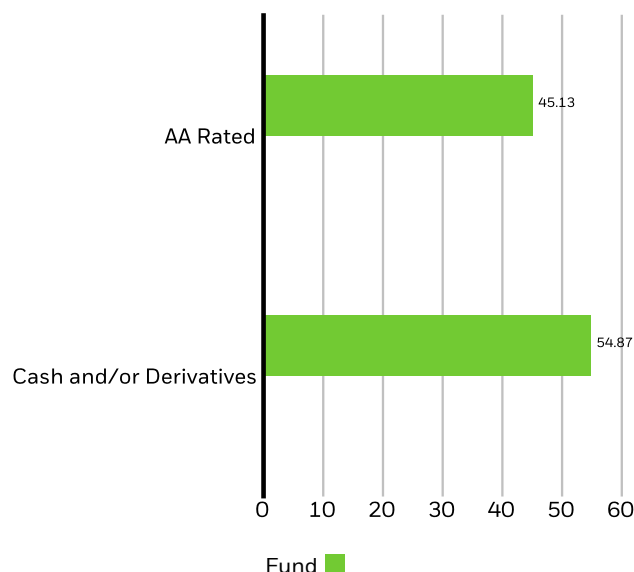
Allocations are subject to change. **Source:** BlackRock

TRADING INFORMATION

Exchange	SIX Swiss Exchange	London Stock Exchange	Bolsa De Valores De Colombia
Ticker	IBO1	IBO1	IBO1
Bloomberg Ticker	IBO1 SE	IBO1 LN	IBO1 CB
RIC	IBO1.S	IBO1.L	-
SEDOL	BJFBH21	BJFT383	BMHVDQ6
VALOR	45827737	45827737	-
Listing Currency	USD	USD	COP

This product is also listed on: Bolsa Mexicana De Valores, Santiago Stock Exchange

CREDIT RATINGS (%)



Credit quality ratings on underlying securities of the fund are received from S&P, Moody's and Fitch and converted to the equivalent S&P major rating category. This breakdown is provided by BlackRock and takes the median rating of the three agencies when all three agencies rate a security the lower of the two ratings if only two agencies rate a security and one rating if that is all that is provided. Unrated securities do not necessarily indicate low quality. Below investment-grade is represented by a rating of BB and below. Ratings and portfolio credit quality may change over time.

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SUSTAINABILITY CHARACTERISTICS

Sustainability Characteristics can help investors integrate non-financial, sustainability considerations into their investment process. These metrics enable investors to evaluate funds based on their environmental, social, and governance (ESG) risks and opportunities. This analysis can provide insight into the effective management and long-term financial prospects of a fund.

The metrics below have been provided for transparency and informational purposes only. The existence of an ESG rating is not indicative of how or whether ESG factors will be integrated into a fund. The metrics are based on MSCI ESG Fund Ratings and, unless otherwise stated in fund documentation and included within a fund's investment objective, do not change a fund's investment objective or constrain the fund's investable universe, and there is no indication that an ESG or Impact focused investment strategy or exclusionary screens will be adopted by a fund. For more information regarding a fund's investment strategy, please see the fund's prospectus.

MSCI ESG % Coverage	99.70%	MSCI ESG Fund Rating (AAA-CCC)	A
MSCI ESG Quality Score - Peer Percentile	62.90%	MSCI ESG Quality Score (0-10)	5.92
Funds in Peer Group	310	Fund Lipper Global Classification	Money Market USD
MSCI Weighted Average Carbon Intensity % Coverage	3.64%	MSCI Weighted Average Carbon Intensity (Tons CO2E/\$M SALES)	3.32

All data is from MSCI ESG Fund Ratings as of **21-Jul-2024**, based on holdings as of **30-Jun-2024**. As such, the fund's sustainable characteristics may differ from MSCI ESG Fund Ratings from time to time.

To be included in MSCI ESG Fund Ratings, 65% (or 50% for bond funds and money market funds) of the fund's gross weight must come from securities with ESG coverage by MSCI ESG Research (certain cash positions and other asset types deemed not relevant for ESG analysis by MSCI are removed prior to calculating a fund's gross weight; the absolute values of short positions are included but treated as uncovered), the fund's holdings date must be less than one year old, and the fund must have at least ten securities.

IMPORTANT INFORMATION:

Certain information contained herein (the "Information") has been provided by MSCI ESG Research LLC, a RIA under the Investment Advisers Act of 1940, and may include data from its affiliates (including MSCI Inc. and its subsidiaries ("MSCI")), or third party suppliers (each an "Information Provider"), and it may not be reproduced or disseminated in whole or in part without prior written permission. The Information has not been submitted to, nor received approval from, the US SEC or any other regulatory body. The Information may not be used to create any derivative works, or in connection with, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between equity index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. Neither MSCI ESG Research nor any Information Party makes any representations or express or implied warranties (which are expressly disclaimed), nor shall they incur liability for any errors or omissions in the Information, or for any damages related thereto. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.

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U.S. Dollar (Accumulating)

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GLOSSARY

SFDR Classification: Article 8: Products that promote environmental or social characteristics and promote good governance practices.

Article 9: Products that have sustainable investments as an objective and follow good governance practices. **Other:** Products that do not meet the criteria to be classified as Article 8 or 9.

Funds in Peer Group: The number of funds from the relevant Lipper Global Classification peer group that are also in ESG coverage.

Fund Lipper Global Classification: The fund peer group as defined by the Lipper Global Classification.

MSCI ESG Quality Score (0-10): The MSCI ESG Quality Score (0 - 10) for funds is calculated using the weighted average of the ESG scores of fund holdings. The Score also considers ESG Rating trend of holdings and the fund exposure to holdings in the laggard category. MSCI rates underlying holdings according to their exposure to industry specific ESG risks and their ability to manage those risks relative to peers.

MSCI Weighted Average Carbon Intensity (Tons CO2E/\$M SALES): Measures a fund's exposure to carbon intensive companies. This figure represents the estimated greenhouse gas emissions per \$1 million in sales across the fund's holdings. This allows for comparisons between funds of different sizes.

Yield to Maturity: Yield to Maturity (YTM) is the discount rate that equates the present value of bond's cash flows with its market price (including accrued interest). The fund YTM is the weighted average of fund's individual bond holding YTMs based upon Net Asset Value ('NAV'). The measure does not include fees and expenses. For callable bonds, YTM is the Yield-to-Worst.

MSCI ESG % Coverage: Percentage of the fund's holdings for which the MSCI ESG ratings data is available. The MSCI ESG Fund Rating, MSCI ESG Quality Score, and MSCI ESG Quality Score - Peer Percentile metrics are displayed for funds with at least 65% coverage.

Effective Duration: Effective duration is a measure of a fund's interest-rate sensitivity. Put simply, the longer a fund's duration, the more sensitive the fund is to shifts in interest rates. So a fund with a duration of 10 years is twice as volatile as a fund with a five-year duration.

MSCI ESG Fund Rating (AAA-CCC): The MSCI ESG Rating is calculated as a direct mapping of ESG Quality Scores to letter rating categories (e.g. AAA = 8.6-10). The ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).

MSCI ESG Quality Score - Peer Percentile: The fund's ESG Percentile compared to its Lipper peer group.

MSCI Weighted Average Carbon Intensity % Coverage: Percentage of the fund's holdings for which MSCI Carbon Intensity data is available. The MSCI Weighted Average Carbon Intensity metric is displayed for funds with any coverage. Funds with low coverage may not fully represent the fund's carbon characteristics given the lack of coverage.

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Further information about the Fund and the Share Class, such as details of the key underlying investments of the Share Class and share prices, is available on the iShares website at www.ishares.com or by calling +44 (0)845 357 7000 or from your broker or financial adviser. The indicative intra-day net asset value of the Share Class is available at <http://deutsche-boerse.com> and/or <http://www.reuters.com>. A UCITS ETF's units / shares that have been acquired on the secondary market cannot usually be sold directly back to the UCITS ETF itself. Investors who are not Authorised Participants must buy and sell shares on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees and additional taxes in doing so. In addition, as the market price at which the Shares are traded on the secondary market may differ from the Net Asset Value per Share, investors may pay more than the then current Net Asset Value per Share when buying shares and may receive less than the current Net Asset Value per Share when selling them.

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Capital at risk: Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time. BlackRock has not considered the suitability of this investment against your individual needs and risk tolerance. The data displayed provides summary information. Investment should be made on the basis of the relevant Prospectus which is available from the manager. The products mentioned in this document are intended for information purposes only and do not constitute investment advice or an offer to sell or a solicitation of an offer to buy the securities described within. This document may not be distributed without authorisation from BlackRock.

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Appendix IV – Prospectus RISK FACTORS - iShares \$ Treasury Bond 0-1yr UCITS ETF

The Prospectus of the iShares \$ Treasury Bond 0-1yr UCITS ETF with the ISIN IE00BGSF1X88 is publicly available on the iShares website at the following link: [iShares \\$ Treasury Bond 0-1yr UCITS ETF - Prospectus](#)



RISK FACTORS

Investors' attention is drawn to the following risk factors in relation to the Funds. This does not purport to be an exhaustive list of the risk factors relating to investing in the Company or its Funds.

General investment risks

Investment Risks

Past performance is not a guide to the future. The prices of Shares and the income from them may fall as well as rise and an investor may not recover the full amount invested. There can be no assurance that any Fund will achieve its investment objective or that an investor will recover the full amount invested in a Fund. The capital return and income of each Fund are based on the capital appreciation and income of the securities it holds, less expenses incurred and any relevant Duties and Charges. Therefore, each Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income.

Market Risk

Market risk is the risk that one or more markets in which a Fund invests will go down in value, including the possibility that the markets will go down sharply and unpredictably. The value of a security or other asset may decline due to changes in general market conditions, economic trends or events that are not specifically related to the issuer of the security or other asset, or factors that affect a particular issuer or issuers, exchange, country, group of countries, region, market, industry, group of industries, sector or asset class. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on a Fund and its investments.

Sustainability Risks – General

Sustainability risk is an inclusive term to designate investment risk (probability or uncertainty of occurrence of material losses relative to the expected return of an investment) that relates to environmental, social or governance issues.

Sustainability risk around environmental issues includes, but is not limited to, climate risk, both physical and transition risk. Physical risk arises from the physical effects of climate change, acute or chronic. For example, frequent and severe climate-related events can impact products and services and supply chains. Transition risk whether policy, technology, market or reputation risk arises from the adjustment to a low-carbon economy in order to mitigate climate change. Risks related to social issues can include but are not limited to labour rights and community relations. Governance related risks can include but are not limited to risks around board independence, ownership & control, or audit & tax management. These risks can impact an issuer's operational effectiveness and resilience as well as its public perception, and reputation affecting its profitability and in turn, its capital growth, and ultimately impacting the value of holdings in a Fund.

These are only examples of sustainability risk factors and sustainability risk factors do not solely determine the risk profile of the investment. The relevance, severity, materiality and time horizon of sustainability risk factors and other risks can differ significantly by Funds.

Sustainability risk can manifest itself through different existing risk types (including, but not limited to, market, liquidity, concentration, credit, asset-liability mismatches etc.). By way of example, a Fund may invest in the equity or debt of an issuer that could face potentially reduced revenues or increased expenditures from physical climate risk (e.g. decreased production capacity due to supply chain perturbations, lower sales due to demand shocks or higher operating or capital costs) or transition risk (e.g. decreased demand for carbon-intensive products and services or increased production costs due to changing input prices). As a result, sustainability risk factors may have a material impact on an investment, may increase the volatility, affect liquidity and may result in a loss to the value of a Fund's Shares.

The impact of those risks may be higher for Funds with particular sectoral or geographic concentrations e.g., Funds with geographical concentration in locations susceptible to adverse weather conditions where the value of the investments in the Funds may be more susceptible to adverse physical climate events or Funds with specific sectoral concentrations such as investing in industries or issuers with high carbon intensity or high switching costs associated with the transition to low carbon alternatives, may be more impacted by climate transition risks.

All or a combination of these factors may have an unpredictable impact on the relevant Fund's investments. Under normal market conditions such events could have a material impact on the value of a Fund's Shares.

Assessments of sustainability risk are specific to the asset class and to a Fund's objective. Different asset classes require different data and tools to assess materiality, and make meaningful differentiation, among issuers and assets. Risks are considered and risk managed concurrently, by prioritising based on materiality and on the Fund's objective.

While index providers of the Benchmark Indices of the Funds provide descriptions of what each Benchmark Index is designed to achieve, index providers do not generally provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of their benchmark indices or in their index methodology documents, nor any guarantee that the published indices will be in line with their described benchmark index methodologies. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, in particular where the indices are less commonly used.



The impacts of sustainability risk are likely to develop over time and new sustainability risks may be identified as further data and information regarding sustainability factors and impacts becomes available.

Risks specific to investing in index-tracking exchange traded funds (ETFs)

Passive Investment Risk

The Funds are not actively managed and may be affected by a general decline in market segments related to their respective Benchmark Indices. The Funds invest in securities included in, or representative of, their respective Benchmark Indices, and the Funds do not attempt to take defensive positions under any market conditions, including declining markets.

Index Tracking Risks

While the Funds, in accordance with their investment objectives, seek to track the performance of their respective Benchmark Indices, whether through a replication or optimising strategy, there is no guarantee that they will achieve perfect tracking and the Funds may potentially be subject to tracking error risk, which is the risk that their returns may not track exactly those of their respective Benchmark Indices, from time to time. This tracking error may result from an inability to hold the exact constituents of the Benchmark Index, (although this is not the expected cause of tracking error for non-replicating Funds), for example where there are local market trading restrictions, small illiquid components, a temporary unavailability or interruption in trading of certain securities comprising the Benchmark Index, or in order to meet a Fund's ESG criteria, categorisations or label and/or where the Regulations or other legal restrictions limit exposure to the constituents of the Benchmark Index. For an Article 8 Fund or a Fund with a country label, tracking error may result from such Fund not being able to hold a security in its Benchmark Index due to having to comply with a restriction applicable to the Fund as a result of its ESG categorisation or country label but not applied by the index provider (whether intentionally or by error) to its Benchmark Index.

Where the Benchmark Index of a Fund is to be rebalanced and the Fund seeks to rebalance its portfolio accordingly, the Fund may nevertheless experience tracking error where the rebalancing of the Fund's portfolio does not maintain an exact or contemporaneous alignment, whether on a replicating or an optimised basis, with the Benchmark Index. For example, a Fund may require time to complete the implementation of its rebalance after the rebalance of its Benchmark Index. In addition, a Fund which tracks a Benchmark Index with ESG objectives or characteristics may experience a deviation from the ESG performance or risk of its Benchmark Index. For liquidity purposes, the Funds may hold a portion of their net assets in cash and such cash holdings will not rise and fall in line with movements in their respective Benchmark Indices. In addition, the Company relies on index licences granted by third party index providers to use and track the Benchmark Indices for its Funds. In the event that an index provider terminates or varies an index licence, it will affect the ability of the impacted Funds to continue to use and track their Benchmark Indices and to meet their investment objectives. In such circumstances, in order to meet its investment objective, a Fund may also gain exposure to its Benchmark Index through investment in other financial instruments including FDI in accordance with its investment policy. Alternatively, the Directors may take such action as described in the section entitled "Benchmark Indices". Regardless of market conditions, the Funds aim to track the performance of their respective Benchmark Indices and do not seek to outperform their respective Benchmark Indices.

Optimising strategy

It may not be practical or cost efficient for certain Funds to replicate their respective Benchmark Indices. Where it is not part of a Fund's investment policy to replicate its Benchmark Index, such Funds may use optimisation techniques to track the performance of their respective Benchmark Indices. Optimisation techniques may include the strategic selection of some (rather than all) of the securities that make up the Benchmark Index, holding securities in proportions that differ from the proportions of the Benchmark Index and/or the use of FDI to track the performance of certain securities that make up the Benchmark Index. The Investment Manager may also select securities which are not underlying constituents of the relevant Benchmark Index where such securities provide similar performance (with matching risk profile) to certain securities that make up the relevant Benchmark Index. Optimising Funds may potentially be subject to tracking error risk, which is the risk that their returns may not track exactly those of their respective Benchmark Indices.

Index-Related Risks

As prescribed by this Prospectus, in order to meet its investment objective, each Fund seeks to achieve a return which corresponds generally to the price and yield performance, before fees and expenses, of the relevant Benchmark Index as published by the index provider. There is no assurance that the index provider will compile the Benchmark Index accurately, or that the Benchmark Index will be determined, composed or calculated accurately. While the index provider does provide descriptions of what the Benchmark Index is designed to achieve, the index provider does not provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of the Benchmark Index, and does not guarantee that the Benchmark Index will be in line with the described index methodology.

The Investment Manager's mandate as described in this Prospectus is to manage the Funds consistently with the relevant Benchmark Index provided to the Investment Manager. Consequently, the Investment Manager does not provide any warranty or guarantee for index provider errors. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, particularly where the indices are less commonly used. The coverage and quality of ESG-related data on issuers and issuances (in particular new issuances) may vary based on asset class, market exposure, sectors or instrument types. Therefore gains, losses or costs associated with index provider errors will be borne by the Funds and their investors. For example, during a period where the Benchmark Index contains incorrect constituents, a



Fund tracking such published Benchmark Index would have market exposure to such constituents and would be underexposed to the constituents that should have been included in the Benchmark Index. As such, errors may result in a negative or positive performance impact to the Funds and their investors. Investors should understand that any gains from index provider errors will be kept by the Funds and their investors and any losses resulting from index provider errors will be borne by the Funds and their investors.

Apart from scheduled rebalances, the index provider may carry out additional ad hoc rebalances to the Benchmark Index in order, for example, to correct an error in the selection of index constituents. Where the Benchmark Index of a Fund is rebalanced and the Fund in turn rebalances its portfolio to bring it in line with its Benchmark Index, any transaction costs (including any capital gains tax and/or transaction taxes) and market exposure arising from such portfolio rebalancing will be borne directly by the Fund and its investors. Unscheduled rebalances to the Benchmark Indices may also expose the Funds to tracking error risk, which is the risk that its returns may not track exactly those of the Benchmark Index. Therefore, errors and additional ad hoc rebalances carried out by the index provider to a Benchmark Index may increase the costs and market exposure risk of the relevant Fund.

In relation to Funds that directly invest into securities of the KSA, the purchase of securities of the KSA requires cash for such trades to settle in the relevant custodian account two business days after the relevant trade date (the "KSA T+2 Cash Settlement Requirement"). The rebalancing of Funds that directly invest into securities of the KSA may not be able to comply with the KSA T+2 Cash Settlement Requirement if they do not have sufficient amounts of cash available and instead will rely on borrowing cash from the relevant custodian to pay for such securities of the KSA.

Where a Fund's Benchmark Index aims to identify securities that meet criteria which have an element of being forward looking (for example, securities that are expected to provide a high yield), there is no guarantee that the Benchmark Index will meet its objective. Many factors can affect the performance of a security and the impact of these factors on a security or its price can be difficult to predict.

Authorised Participant Concentration Risk

Only an Authorised Participant may engage in creation or redemption transactions directly with the Funds. Certain Funds have a limited number of institutions that act as Authorised Participants. To the extent that these institutions exit the business or are unable to proceed with creation and/or redemption orders with respect to the Funds and no other Authorised Participant is able to step forward to make creation and/or redemption orders, the Shares may trade at a discount to the Funds' Net Asset Value and possibly face delisting.

Index Disruption Risk

Disruptions to the calculation and publication of the Benchmark Indices ("Index Disruption Events") include, but are not limited to, situations where: the Benchmark Index level is deemed to be inaccurate or does not reflect actual market developments; it is not possible to obtain a price or value of one or several constituents of the Benchmark Index (such as due to their becoming illiquid or having their quotation suspended on a stock exchange); the index provider fails to calculate and publish the Benchmark Index level; the Benchmark Index is temporarily suspended or permanently discontinued by the index provider. Such Index Disruption Events may have an impact on the accuracy and/or availability of the published price of the Benchmark Index and in some instances also the Net Asset Value of the Fund.

Secondary Trading Risk

The Shares will generally be traded on the main market of the LSE (or SIX) and may be listed or traded on one or more other stock exchanges. There can be no certainty that there will be liquidity in the Shares on any one or more of the stock exchanges or that the market price at which Shares may be traded on a stock exchange will be the same as the Net Asset Value per Share. There can be no guarantee that once the Shares are listed or traded on a stock exchange they will remain listed or traded on that stock exchange.

Suspension risk on local markets

In certain markets (including, without limitation, Taiwan), trading on the local exchange may be carried out by one or a small number of local market account holders. If such account holder(s) fail(s) to deliver securities or monies in relation to a trade, there is a risk of suspension in relation to all Funds which effect their trading on the local market through such account holder(s). This risk may be increased where a Fund participates in a securities lending programme. Suspension in either case may increase the costs of the Fund.

Counterparty and trading risks

Counterparty Risk

The Company will be exposed to the credit risk of the parties with which it transacts and may also bear the risk of settlement default. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. This would include the counterparties to any FDI that is entered into by a Fund. Trading in FDI which have not been collateralised gives rise to direct counterparty exposure. The Company mitigates much of its credit risk to its FDI counterparties by receiving collateral with a value at least equal to the exposure to each counterparty but, to the extent that any FDI is not fully collateralised, a default by the counterparty may result in a reduction in the value of the Fund. Currency forwards used by the Currency Hedged Funds and Currency Hedged Share Classes to hedge their currency risks are not collateralised and the Currency Hedged Funds and Currency Hedged Share Classes have uncollateralised counterparty exposure to such foreign exchange counterparties in respect of such FDI, subject to the investment limits in Schedules II & III and subject to Currency Hedged Share Classes not being permitted to have over-hedged positions in excess of 105% of their Net Asset Value. As at the date of this Prospectus, State Street is the sole counterparty for currency forwards used by any Equity Fund which is also a Currency Hedged Fund and State



Street is also the sole counterparty for currency forwards used by Currency Hedged Share Classes. A formal review of each new counterparty is completed and all approved counterparties are monitored and reviewed on an ongoing basis. The Company maintains an active oversight of counterparty exposure and the collateral management process. Counterparty exposure is subject to the investment restrictions in Schedule III.

Counterparty Risk to the Depositary and other depositaries

The Company will be exposed to the credit risk of the Depositary or any depositary used by the Depositary where cash or other assets are held by the Depositary or other depositaries. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Cash held by the Depositary and other depositaries will not be segregated in practice but will be a debt owing from the Depositary or other depositaries to the Company as a depositor. Such cash will be co-mingled with cash belonging to other clients of the Depositary and/or other depositaries. In the event of the insolvency of the Depositary or other depositaries, the Company will be treated as a general unsecured creditor of the Depositary or other depositaries in relation to cash holdings of the Company. The Company may face difficulties and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the relevant Fund(s) will lose some or all of their cash. The Company's securities are however maintained by the Depositary and sub-custodians used by the Depositary in segregated accounts and should be protected in the event of insolvency of the Depositary or sub-custodians. The Company may enter into additional arrangements (for example placing cash in money market collective investment schemes) in order to mitigate credit exposure for its cash holdings but may be exposed to other risks as a result.

To mitigate the Company's exposure to the Depositary, the Investment Manager employs specific procedures to ensure that the Depositary is a reputable institution and that the credit risk is acceptable to the Company. If there is a change in Depositary then the new depositary will be a regulated entity subject to prudential supervision with a high credit rating assigned by international credit rating agencies.

Liability of the Depositary and Responsibility of the Depositary for Sub-Custodians

The Depositary shall be liable to the Company and its shareholders for the loss by the Depositary or a sub-custodian of financial instruments of the Company held in custody. In the case of such a loss, the Depositary is required, pursuant to the Regulations, to return the financial instrument of an identical type or the corresponding amount to the Company without undue delay, unless the Depositary can prove that the loss arose as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. This standard of liability only applies to assets capable of being registered or held in a securities account in the name of the Depositary or a sub-custodian and assets capable of being physically delivered to the Depositary.

The Depositary shall also be liable to the Company and its shareholders for all other losses suffered by the Company and/or its shareholders as a result of the Depositary's negligent or intentional failure to fully fulfil its obligations pursuant to the Regulations. In the absence of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the Regulations, the Depositary may not be liable to the Company or its shareholders for the loss of an asset of a Fund which is not capable of being registered or held in a securities account in the name of the Depositary or a sub-custodian or being physically delivered to the Depositary.

The liability of the Depositary is not affected by the fact that it has entrusted the custody of the Company's assets to a third party. In the event that custody is delegated to local entities that are not subject to effective prudential regulation, including minimum capital requirements, and supervision in the jurisdiction concerned, prior Shareholder notice will be provided advising of the risks involved in such delegation. As noted above, in the absence of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the Regulations, the Depositary may not be liable to the Company or its shareholders for the loss of an asset of a Fund which is not capable of being registered or held in a securities account in the name of the Depositary or a sub-custodian or being physically delivered to the Depositary. Accordingly, while the liability of the Depositary is not affected by the fact that it has entrusted the custody of the Company's assets to a third party, in markets where custodial and/or settlement systems may not be fully developed, a Fund may be exposed to sub-custodial risk in respect of the loss of such assets in circumstances whereby the Depositary may have no liability.

Counterparty risk to the Paying Agent - dividend monies

The Paying Agent for the Funds is responsible for making dividend payments to Participants on the relevant dividend payment date. Shortly before the dividend payment date, monies for distribution to Participants as dividends will be transferred from the Company's cash accounts with the Depositary to the Paying Agent. During the interim period, dividend monies are held with the Paying Agent (or its associated depositary bank) in the form of cash and the Company will have credit risk exposure, in respect of such cash, to the Paying Agent and its associated depositary bank. Cash held by the Paying Agent will not be segregated in practice but will be a debt owing from the Paying Agent (or its associated depositary bank) to the Company as a depositor. In the event of the insolvency of the Paying Agent (or its associated depositary bank) during the interim period, the Company will be treated as a general unsecured creditor of the Paying Agent (or its associated depositary bank) in relation to the cash. The Company may face difficulties and/or encounter delays in recovering such debt, or may not be able to recover it in full or at all, in which case the Company may lose some or all of the dividend monies being distributed by the Paying Agent resulting in a reduction in the value of a Fund.

On Exchange Trading

Where a counterparty to an on exchange trade in the Fund's underlying securities suffers an Insolvency Event, there are risks associated with the recognised investment exchanges and markets themselves set out in Schedule I. There is a risk that the relevant recognised investment exchange or market on which the trade is being conducted will not apply its rules fairly and consistently and that failed trades will be effected notwithstanding the insolvency



of one of the counterparties. There is also a risk that a failed trade will be pooled with other failed trades, which may make it difficult to identify a failed trade to which the Fund has been a party. Either of these events may have a negative impact on the value of the Fund.

Settlement through an International Central Securities Depository

Inaction by the Common Depositary and/or an International Central Securities Depository

Investors that settle or clear through an International Central Securities Depository will not be a registered Shareholder in the Company, they will hold an indirect beneficial interest in such Shares and the rights of such investors, where Participants, shall be governed by their agreement with the applicable International Central Securities Depository and otherwise by the arrangement with a Participant of the International Central Securities Depository (for example, their nominee, broker or Central Securities Depositories, as appropriate). The Company will issue any notices and associated documentation to the registered holder of the Global Share Certificate, the Common Depositary's Nominee, with such notice as is given by the Company in the ordinary course when convening general meetings. The Common Depositary's Nominee has a contractual obligation to relay any such notices received by the Common Depositary's Nominee to the Common Depositary which, in turn, has a contractual obligation to relay any such notices to the applicable International Central Securities Depository, pursuant to the terms of its appointment by the relevant International Central Securities Depository. The applicable International Central Securities Depository will in turn relay notices received from the Common Depositary to its Participants in accordance with its rules and procedures. The Directors understand that the Common Depositary is contractually bound to collate all votes received from the applicable International Central Securities Depositories (which reflects votes received by the applicable International Central Securities Depository from Participants) and that the Common Depositary's Nominee is obligated to vote in accordance with such instructions. The Company has no power to ensure the Common Depositary relays notices of votes in accordance with their instructions. The Company cannot accept voting instructions from any persons other than the Common Depositary's Nominee.

Payments

With the authorisation of the Common Depositary's Nominee, any dividends declared and any liquidation and mandatory redemption proceeds are paid by the Company or its authorised agent (for example, the Paying Agent) to the applicable International Central Securities Depository. Investors, where they are Participants, must look solely to the applicable International Central Securities Depository for their share of each dividend payment or any liquidation or mandatory redemption proceeds paid by the Company or, where they are not Participants, they must look to their respective nominee, broker or Central Securities Depository (as appropriate, which may be a Participant or have an arrangement with a Participant of the applicable International Central Securities Depository) for any share of each dividend payment or any liquidation or mandatory redemption proceeds paid by the Company that relates to their investment.

Investors shall have no claim directly against the Company in respect of dividend payments and any liquidation and mandatory redemption proceeds due on Shares represented by the Global Share Certificate and the obligations of the Company will be discharged by payment to the applicable International Central Securities Depository with the authorisation of the Common Depositary's Nominee.

Specific investment risks for all Funds

Recent Market Events

Periods of market volatility may occur in response to various political, social and economic events both within and outside of the United States. These conditions have resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many securities remaining illiquid and of uncertain value. Such market conditions may adversely affect the Funds, including by making valuation of some of a Fund's securities uncertain and/or result in sudden and significant valuation increases or declines in the Fund's holdings. If there is a significant decline in the value of a Fund's portfolio, this may impact the asset coverage levels for any outstanding leverage the Fund may have.

Risks resulting from any future debt or other economic crisis could also have a detrimental impact on the global economic recovery, the financial condition of financial institutions and a Fund's business, financial condition and results of operation. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. To the extent uncertainty regarding the U.S. or global economy negatively impacts consumer confidence and consumer credit factors, a Fund's business, financial condition and results of operations could be significantly and adversely affected. Downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. Moreover, Federal Reserve policy, including with respect to certain interest rates, may also adversely affect the value, volatility and liquidity of dividend- and interest-paying securities. Market volatility, rising interest rates and/or unfavourable economic conditions could impair a Fund's ability to achieve its investment objective(s).

Impact of Natural or Man-Made Disasters and Disease Epidemics

Certain regions are at risk of being affected by natural disasters or catastrophic natural events. Considering that the development of infrastructure, disaster management planning agencies, disaster response and relief sources, organized public funding for natural emergencies, and natural disaster early warning technology may be immature and unbalanced in certain countries, the natural disaster toll on an individual portfolio company or the broader local economic market may be significant. Prolonged periods may pass before essential communications, electricity and other power sources are restored and operations of the portfolio company can be resumed. A Fund's investments could also be at risk in the event of such a disaster. The magnitude of future economic repercussions



of natural disasters may also be unknown, may delay a Fund's ability to invest in certain companies, and may ultimately prevent any such investment entirely.

Investments may also be negatively affected by man-made disasters. Publicity of man-made disasters may have a significant negative impact on overall consumer confidence, which in turn may materially and adversely affect the performance of a Fund's Investments, whether or not such investments are involved in such man-made disaster.

Outbreaks of infectious diseases may also have a negative impact on the performance of a Fund. For example, an infectious respiratory disease caused by a novel coronavirus known as COVID-19 detected in December 2019 has given rise to an extended global pandemic. This coronavirus led to borders closing, restrictions on movement of people, quarantines, cancellations of transportation and other services, disruptions to supply chains, businesses and customer activity, as well as general concern and uncertainty. While improvements have been made in managing the impact of COVID-19, including the adoption in many countries of widescale vaccination programmes that have reduced infection and death rates, the impact of COVID-19 continues to adversely affect the economies of many nations across the entire global economy, individual companies and capital markets. It is not yet possible to predict with any accuracy how long this impact will continue to be felt. Other epidemics and pandemics that may arise in the future could also have a similar effect and the extent of the impact cannot be foreseen at the present time. In addition, the impact of infectious diseases in certain emerging developing or emerging market countries may be greater due to less established health care systems, as was the case with COVID-19. Health crises caused by infectious diseases may exacerbate other pre-existing political, social and economic risks in certain countries.

Such events could increase volatility and the risk of loss to the value of your investments.

Governmental Intervention Risk

In response to a recession, economic slowdown or financial market instability, governments and regulators may choose to intervene by implementing austerity measures and reforms, as seen in the 2007-2008 global financial crisis. There is no guarantee that a government or regulatory intervention will work and they may result in social unrest, limit future growth and economic recovery or have unintended consequences. Additionally, government and regulatory intervention have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been detrimental to the efficient functioning of financial markets.

It is impossible to predict with certainty what temporary or permanent governmental restrictions may be imposed on the markets in the future and/or the effect of such restrictions on the Investment Manager's ability to implement the Funds' investment objectives, the European or global economy or the global securities markets. Instability in the global financial markets or government intervention may increase the volatility of the Funds and hence the risk of loss to the value of your investment.

Funds which invest in the European bond market are directly exposed to intervention by the European Central Bank and governments of relevant European countries, particularly in relation to interest rates and the single European currency. For example, the value of the bonds held by a Fund is likely to decrease if interest rates are increased, and bond pricing complications could arise should a country leave the single European currency or that currency be discontinued completely.

Issuer Risk

The performance of a Fund depends on the performance of individual securities to which the Fund has exposure. Any issuer of these securities may perform poorly, causing the value of its securities to decline. Poor performance may be caused by poor management decisions, competitive pressures, changes in technology, expiration of patent protection, disruptions in supply, labour problems or shortages, corporate restructurings, fraudulent disclosures or other factors. Issuers may, in times of distress or at their own discretion, decide to reduce or eliminate dividends, which may also cause their stock prices to decline.

Money Market Risk

The Company, with a view to mitigating credit exposure to depositaries, may arrange for cash holdings of the Company (including pending dividend payments) to be placed into money market collective investment schemes, including other funds of the BlackRock Group. A money market collective investment scheme which invests a significant amount of its assets in money market instruments may be considered as an alternative to investing in a regular deposit account. However, a holding in such a scheme is subject to the risks associated with investing in a collective investment scheme and, while a money market collective investment scheme is designed to be a relatively low risk investment, it is not entirely free of risk. Despite the short maturities and high credit quality of investments of such schemes, increases in interest rates and deteriorations in the credit quality can reduce the scheme's yield and the scheme is still subject to the risk that the value of such scheme's investment can be eroded and the principal sum invested will not be returned in full.

Securities Lending Risk

The Company engages in a securities lending programme through the Investment Manager. In order to mitigate the credit risk exposure to the counterparties to any securities lending contract, the lending of a Fund's securities must be covered by high quality and liquid collateral received by the Fund under a title transfer arrangement with a market value at all times at least equivalent to the market value of the Fund's securities lent plus a premium. A Fund's securities can be lent to counterparties over a period of time. The risks of securities lending include the risk that a borrower may not provide additional collateral when required or may not return the securities when due. A default by the counterparty combined with a fall in the value of the collateral below that of the value of the securities lent may result in a reduction in the value of the Fund. To the extent that any securities lending is not fully



collateralised (for example due to timing issues arising from payment lags), the Company will have a credit risk exposure to the counterparties to the securities lending contracts. To mitigate these risks, the Company benefits from a borrower default indemnity provided by BlackRock, Inc. The indemnity allows for full replacement of the securities lent if the collateral received does not cover the value of the securities loaned in the event of a borrower default.

Investors should note that a limitation of maximum securities lending levels by a Fund, at a time when demand exceeds those maximum levels, may reduce potential income to a Fund that is attributable to securities lending. Please refer to "Efficient Portfolio Management" for further detail.

Currency Risk

The Base Currency of a Fund is usually chosen to match the base currency in which its Benchmark Index is valued and this may differ from the currency of the underlying assets of the Benchmark Index. In addition, a Fund's Benchmark Index may comprise multiple-currency underlying assets. Consequently, the Investments of a Fund may be acquired in currencies which are not the Base Currency of the Fund. In addition, certain Funds may have Share Classes which have different Valuation Currencies from the Base Currency of the Fund. Consequently, the Investments of a Share Class may be acquired in currencies which are not the Valuation Currency of the Share Class.

Unless it is the stated intention of the Company to use hedging or other techniques and instruments in any Funds in order to cover currency risk, the fact that Base Currencies, Valuation Currencies and the currencies of Funds' Investments may differ may cause the cost of purchasing such Investments to be affected favourably or unfavourably by fluctuations in the relative exchange rates of the different currencies. For emerging market countries, volatility in currency markets can be heightened.

Risks specific to Funds focusing on specific markets

Concentration Risk

If the Benchmark Index of a Fund concentrates in a particular country, region, industry, group of industries, sector or specific theme that Fund may be adversely affected by the performance of those securities and may be subject to price volatility. In addition, a Fund that concentrates in a single country, region, industry or group of countries or industries may be more susceptible to any single economic, market, political, sustainability-related or regulatory occurrence affecting that country, region, sector, industry or group of countries or industries. Such a Fund may be more susceptible to greater price volatility when compared to a more diverse fund. This could lead to a greater risk of loss to the value of your investment.

The Funds that are replicating index Funds per the Regulations may invest more than 10% and up to 20% of their Net Asset Value in shares issued by the same body in order to replicate their respective Benchmark Indices. This limit may be raised to 35% for a single issuer, where this is justified by exceptional market conditions, for example, market dominance. Market dominance exists where a particular constituent of the Benchmark Index has a dominant position in the particular market sector in which it operates and as such accounts for a large proportion of the Benchmark Index. This means that such a Fund may have a high concentration of investment in one company, or a relatively small number of companies, and may therefore be more susceptible to any single economic, market, political or regulatory occurrence affecting that company or those companies.

Emerging Markets - General

Emerging markets are subject to special risks associated with investment in an emerging market. The material risks include: generally less liquid and less efficient securities markets; generally greater price volatility; exchange rate fluctuations and exchange control; lack of available currency hedging instruments; abrupt imposition of restrictions on foreign investment; imposition of restrictions on the expatriation of funds or other assets; less publicly available information about issuers; the imposition of taxes; higher transaction and custody costs; settlement delays and risk of loss; difficulties in enforcing contracts; less liquidity and smaller market capitalisations; less well-regulated markets resulting in more volatile stock prices; different accounting and disclosure standards; governmental interference; risk of expropriation, nationalisation or confiscation of assets or property; higher inflation; social, economic and political instability and uncertainties; the risk of expropriation of assets and the risk of war. In the absence of the Depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the Regulations, the Depositary may not be liable to the Company or its shareholders for the loss of an asset of a Fund which is not capable of being registered or held in a securities account in the name of the Depositary or a sub-custodian or being physically delivered to the Depositary. Accordingly, while the liability of the Depositary is not affected by the fact that it has entrusted the custody of the Company's assets to a third party, in markets where custodial and/or settlement systems may not be fully developed, a Fund may be exposed to sub-custodial risk in respect of the loss of such assets in circumstances whereby the Depositary will have no liability. In the event that custody is delegated to local entities that are not subject to effective prudential regulation, including minimum capital requirements and supervision in the jurisdiction concerned, prior Shareholder notice will be provided advising of the risks involved in such delegation. There could be additional impacts on the value of a Fund as a result of sustainability risks, in particular those caused by environmental changes related to climate change, social issues (including relating to labour rights) and governance risk (including but are not limited to risks around board independence, ownership & control, or audit & tax management). Additionally, disclosures or third-party data coverage associated with sustainability risks is generally less available or transparent in these markets.

As a result of the above risks, a Fund's investments can be adversely affected and the value of your investments may go up or down.



Investments in Brazil

On 14 September 2016, the Brazilian tax authorities issued Normative Instruction 1658/16 amending the list of countries considered to be 'low tax jurisdictions' to include Curacao, Saint Martin and Ireland and exclude the Netherlands Antilles and Saint Kitts and Nevis. The changes were effective from 1 October 2016 onwards. As a consequence, Brazilian capital gains tax and increased income withholding tax rates on interest on capital distributions apply to Brazilian securities. Any capital gains tax calculable as a result of portfolio transactions relating to redemptions will be dealt with in accordance with the definition of "Duties and Charges" and may result in an additional spread, which may reduce the net proceeds received for the redemption. Any capital gains tax incurred as a result of portfolio transactions not related to redemptions (e.g. rebalancing) will be borne by the respective Fund.

Investments in the PRC

For Funds that invest in or are exposed to investment in the PRC, potential investors should also consider the following risk warnings which are specific to investing in or exposure to the PRC:

- The PRC is one of the world's largest global emerging markets. The economy in the PRC, which has been in a state of transition from a planned economy to a more market orientated economy, differs from the economies of most developed countries and investing in the PRC may be subject to greater risk of loss than investments in developed markets. This is due to, among other things, greater market volatility, lower trading volume, political and economic instability, greater risk of market shut down, greater control of foreign exchange and more limitations on foreign investment policy than those typically found in a developed market. There may be substantial government intervention in the PRC economy, including restrictions on investment in companies or industries deemed sensitive to relevant national interests. The PRC government and regulators may also intervene in the financial markets, such as by the imposition of trading restrictions, which may affect the trading of Chinese securities. The companies in which a Fund invests may be held to lower disclosure, corporate governance, accounting and reporting standards than companies in more developed markets. In addition, some of the securities held by a Fund may be subject to higher transaction and other costs, foreign ownership limits, the imposition of withholding or other taxes, or may have liquidity issues which make such securities more difficult to sell at reasonable prices. These factors may have an unpredictable impact on a Fund's investments and increase the volatility and hence the risk of a loss to the value of an investment in a Fund. Furthermore, market interventions may have a negative impact on market sentiment which may in turn affect the performance of the Benchmark Index and, by extension, the performance of a Fund.
- The PRC economy has experienced significant and rapid growth in the past 20 years. However, such growth may or may not continue, and may not apply evenly across different geographic locations and sectors of the PRC economy. Economic growth has also been accompanied by periods of high inflation. The PRC government has implemented various measures from time to time to control inflation and restrain the rate of economic growth of the PRC economy. Furthermore, the PRC government has carried out economic reforms to achieve decentralisation and utilisation of market forces to develop the economy of the PRC. These reforms have resulted in significant economic growth and social progress. There can, however, be no assurance that the PRC government will continue to pursue such economic policies or, if it does, that those policies will continue to be successful. Any such adjustment and modification of those economic policies may have an adverse impact on the securities markets in the PRC and therefore on the performance of a Fund. These factors may increase the volatility of any such Fund (depending on its degree of investment in the PRC) and hence the risk of loss to the value of your investment.

India

For Funds that invest in or are exposed to investment in India, potential investors should also consider the following risk warnings which are specific to investing in or exposure to India:

- India is located in a part of the world that has historically been prone to natural disasters such as earthquakes, volcanoes and tsunamis and India is economically sensitive to environmental events. In addition, the agricultural sector is an important component of the Indian economy and adverse weather may have a significant negative effect on the Indian economy.
- India has experienced a process of privatisation of certain entities and industries. If the newly privatised companies are unable to adjust quickly to a competitive environment or to changing regulatory and legal standards, investors in such newly privatised entities could suffer losses and this could adversely affect the performance of the Indian market.
- The Indian economy is dependent on commodity prices, which can be volatile and this poses risk of macro-economic instability. The Indian economy is also dependent on the economies of Asia, mainly Japan and China, and the United States as key trading partners. Reduction in spending on Indian products and services by any of these trading partners or a slowdown or recession in any of these economies could adversely affect the Indian economy.
- India has experienced acts of terrorism and has strained international relations with Pakistan, Bangladesh, China, Sri Lanka and other neighbours due to territorial disputes, historical animosities, terrorism and other defence concerns. These situations may cause uncertainty in the Indian market and may adversely affect performance of the Indian economy.
- Disparities of wealth, the pace of economic liberalisation and ethnic, religious and racial disaffection may lead to social turmoil, violence and labour unrest in India. In addition, India continues to experience religious



and border disputes as well as separatist movements in certain Indian states. Unanticipated political or social developments may result in investment losses.

- The Indian government has experienced chronic structural public sector deficits. High amounts of debt and public spending may stifle Indian economic growth, cause prolonged periods of recession or lower India's sovereign debt rating.
- Indian disclosure and regulatory standards are in many respects less stringent than standards in certain OECD (Organisation for Economic Co-operation and Development) countries. There may be less publicly available information about Indian companies than is regularly published by or about companies in such other countries. The difficulty in obtaining such information may mean that a Fund experiences difficulties in obtaining reliable information regarding any corporate actions and dividends of companies in which such a Fund has directly or indirectly invested. Indian accounting standards and requirements also differ in significant respects from those applicable to companies in many OECD countries.
- A Fund, the market price and the liquidity of the Shares may be affected generally by exchange rates and controls, interest rates, changes in Indian governmental policy, taxation, social and religious instability and other political, economic or other developments in or affecting India.
- Although the Indian primary and secondary equity markets have grown rapidly and the clearing, settlement and registration systems available to effect trades on the Indian stock markets have significantly improved with mandatory dematerialisation of shares, these processes may still not be on a par with those in more mature markets. Problems of settlement in India may impact on the Net Asset Value and the liquidity of a Fund.
- SEBI was created under the resolution of the Government of India in April 1992, and performs the function of "promoting the development of and regulation of the Indian securities market, the protection of the interest of shareholders as well as matters connected therewith and incidental thereto". The Securities and Exchange Board of India Act of 1992 has entrusted the SEBI with much wider powers and duties, which inter alia, include prohibition of fraudulent and unfair trade practices relating to the stock markets including insider trading and regulation of substantial acquisitions of shares and takeovers of companies. The Indian stock exchanges have been subject to broker defaults, failed trades and settlement delays in the past and such events may have adverse impact on the Net Asset Value of a Fund. In addition, in the event of occurrence of any of the above events, or in the event of SEBI having reasonable ground to believe that the transactions in securities are being dealt with in a manner detrimental to the investors or the securities market, SEBI can impose restrictions on trading in certain securities, limitations on price movements and margin requirements, which could adversely impact the liquidity of a Fund.
- A disproportionately large percentage of market capitalisation and trading value in the Indian stock exchanges is represented by a relatively small number of issuers. There is a lower level of regulation and monitoring of the Indian securities market and the activities of investors, brokers and other participants as compared to certain OECD markets. It may, therefore, be difficult to invest a Fund's assets so as to obtain a representative portfolio or to realise the Fund's investments at the places and times that it would wish to do so.
- Indian capital gains tax apply to Indian securities. Any capital gains tax calculable as a result of portfolio transactions relating to redemptions will be dealt with in accordance with the definition of "Duties and Charges" and may result in an additional spread, which may reduce the net proceeds received for the redemption. Any capital gains tax incurred as a result of portfolio transactions not related to redemptions (e.g. rebalancing) will be borne by the respective Fund.

Indian Foreign Portfolio Investors Regulations

In order for a Fund to invest directly in India, it must seek to register as a Category II FPI under the SEBI Regulations or any equivalent applicable regulations at the time.

In January 2014, the SEBI put in place regulations that impact portfolio investments made by FPIs. These include foreign institutional investors, non-resident Indians and other foreign investors. Under the FPI rules, investors cannot transact in securities as FPIs unless they have been granted registration by depository participants acting on behalf of the SEBI. To be eligible for FPI status, applicants must meet certain criteria related to their residence, the status of their securities market regulator, the Financial Action Task Force, and other factors. Once granted, registration is permanent unless suspended by the SEBI or surrendered by the FPI. Any change to the FPI regime generally, including the possibility of a Fund losing its FPI status, may affect such a Fund's ability to invest in securities in India. To the extent that a Fund loses its FPI status or laws and regulations change such that the FPI regime is no longer available to it, it will be more difficult for such a Fund to achieve its investment objective. Accordingly, there is a greater risk of tracking error, which may result in a negative or positive performance impact to such a Fund and holders of its Shares.

General investment restrictions

Investment by FPIs is restricted to primary and secondary market securities (including listed or to be listed shares, debentures and warrants of companies), listed and unlisted domestic mutual funds and collective investment schemes, derivatives traded on a recognised stock exchange, treasury bills, government securities, commercial papers, various types of debt instruments and units in debt funds, depository receipts and other instruments specified by the SEBI. Securities lending is also allowed as per the SEBI Regulations. Further requirements exist in respect of transactions in the secondary market.



There are certain investment conditions and restrictions that an FPI would need to comply with including investment in company shares not exceeding 10% of the company's issued capital per single FPI or investor group. The SEBI may introduce further limitations or restrictions on the foreign ownership of securities in India, which may have adverse effects on the liquidity and the performance of a Fund. Such limitations and restrictions may restrict a Fund's ability to acquire the securities of one or more constituents of its Benchmark Index in accordance with the relevant weightings of the Benchmark and therefore may impact on a Fund's ability to closely track the performance of its Benchmark Index.

Broad based fund regime

In order to be registered as a Category II FPI, under the SEBI Regulations, a Fund will be required to demonstrate that it is an appropriately regulated broad based fund. The Indian broad based fund regime applies to funds established or incorporated outside India, which are eligible on the basis of the fund or its manager(s) being regulated in their respective foreign jurisdiction. A Fund must satisfy the broad based criteria, which include internal review and accessibility of information about underlying investors. These types of funds shall have a minimum of 20 investors including, both, direct investors and underlying investors in pooling vehicles. No investor shall hold over 49% of the fund by unit/share number or value. Institutional investors who hold over 49% of the fund must themselves comply with requirements applicable to broad based funds. Underlying beneficial owners who hold over 25% of the fund are required to provide their consent to the FPI registration, and to that end have their client information disclosed to the depository participant/SEBI. To the extent that a Fund might have underlying beneficial owners who fall into this category, it may not be possible for such a Fund to fulfil its investment objective if such consent is required and not provided.

Licensing in India

In order to invest physically in Indian securities, a Fund is required to be registered as a Category II FPI under the SEBI Regulations. In order to be registered as a Category II FPI, each Fund is required to demonstrate that it satisfies the following broad based criteria: (i) The Fund must have a minimum of 20 investors including, both, direct investors and underlying investors in pooling vehicles. (ii) No investor shall hold over 49% of the Shares or value of the Fund. Institutional investors who hold over 49% of the Shares or value of the Fund must themselves comply with broad based criteria. Underlying beneficial owners who hold over 25% of the Shares or value of the Fund are required to provide their consent to the FPI registration, and to that end have their client information disclosed to the relevant depository participant and Securities and Exchange Board of India. This criteria has been highlighted to investors. To the extent that investors in a Fund do not meet the above criteria or disclosure requirement, the Fund may lose its FPI licence and may no longer be able to invest physically in Indian securities.

Exposures to Russian investments and the Russian invasion of Ukraine

Following Russia's invasion of Ukraine in February 2022, significant sanctions against Russia were instituted by the United States, the United Kingdom, and the European Union, along with the regulatory bodies in a number of countries, including Japan, Australia, and Canada. These include prohibitions on transacting or dealing in new investments in the Russian Federation. Retaliatory measures have been taken by Russia, including the freezing of certain Russian assets and trading restrictions on non-Russian investors.

While Benchmark Index providers subsequently removed Russian securities from the Benchmark Indices, certain Funds continue to hold exposures to Russian securities which cannot be divested at this time.

Compliance with applicable sanctions, laws and regulations will impair the ability of a Fund to buy, sell, hold, receive or deliver securities of such issuers or securities subject to, or otherwise affected by, sanctions (Russian securities). While a Fund may be legally permitted to divest or transfer certain Russian securities if and to the extent authorised by a general license, issued by a recognised sanctions authority, other restrictions and/or impaired trading conditions may mean that it remains impracticable or impossible for a Fund to do so.

Where a Fund is unable to eliminate or reduce its holdings of the affected securities, for example, where compliance with sanctions impairs its ability to sell or deliver such securities, the Fund will continue to hold such securities in its portfolio and will retain residual exposure to the Russian securities until it can trade out of them.

It is anticipated that, even as the local Russian market reopens for Russian investors, sanctions against Russian entities and individuals, trading restrictions on non-Russian investors, and/or restrictions on currency conversion and/or repatriation may continue for some time. The absence of normal market trading conditions and the removal of such Russian securities from the Benchmark Indices at zero value means that such investments held by the Funds are currently fair valued to almost zero.

As and when non-local investors are allowed to trade and settle in the Russian stock market and in compliance with applicable law and regulations, including relevant sanctions laws, and under appropriate market conditions, the Investment Manager will seek to implement an orderly and managed disposal of Russian securities, taking into consideration multiple factors including, but not limited to, liquidity, spreads, international investor access, volume and volatility. Due to political and market uncertainties and the fact that it is not possible to predict the optimal time for selling the Russian securities or whether certain securities can be sold at all, there is no guarantee that optimal value, or any value at all, can be achieved. An assessment will be made on the basis of information available to the Investment Manager at the relevant time.

Additionally, the objective of each Fund is to track the relevant Benchmark Index, with an aim of minimising tracking error by the rebalancing of the Fund's portfolio to align with the constituents of its Benchmark Index. The Russian securities have now been removed from the Funds' Benchmark Indices. Consequently, as and when the Russian securities held by the Funds come to be valued at more than zero, this may result in increased tracking



error risk and potentially significant tracking error between a Fund's performance and the performance of its Benchmark Index. Further, due to liquidity constraints, Russian securities may become ineligible assets for the Funds. These factors mean that the Funds may be required to dispose of these assets as soon as possible once they can be sold and it may therefore be necessary to dispose of the assets at a lower value than that at which they might otherwise be realised.

A Fund also may not be able to pay out redemption proceeds in respect of the assets which are frozen or may need to liquidate non-restricted assets in order to satisfy redemption orders. The liquidation of a Fund's assets during this time, where practicable, may also result in a Fund receiving substantially lower prices for its securities.

The Directors may (at their discretion) take such action as they consider to be in the interests of investors in Funds, including (if necessary) suspending trading in the Funds (see the section entitled "Temporary Suspension of Valuation of the Shares and of Sales, Redemptions and Switching" for more details) and/or taking such action as described in the section entitled "Benchmark Indices".

Additional risks related to the holding of Russian securities:

- The laws relating to securities investments and regulations in Russia do not tend to keep pace with market developments leading to ambiguities in interpretation and inconsistent and arbitrary application.
- Rules regulating corporate governance either do not exist or are underdeveloped and offer little protection to minority shareholders.
- There are also counterparty risks in connection with the maintenance of portfolio securities and cash with local sub-custodians and securities depositories in Russia.

These factors may increase the volatility of any such Fund (depending on its degree of investment in Russia) and hence the risk of loss to the value of your investment.

Investments in Japan

Japan is located in a part of the world that has historically been prone to natural disasters, such as earthquakes, volcanoes, and tsunamis, and is economically sensitive to environmental events. In addition, the nuclear power plant catastrophe in March 2011 may have short-term and long-term effects on the nuclear energy industry, the extent of which are currently unknown. As with other countries, Japan may be subject to political and economic risks. Political developments may lead to changes in policy which might adversely affect a Fund's investments. The Japanese economy is heavily dependent on foreign trade and can be adversely affected by trade tariffs and other protectionist measures. In addition, some Japanese reporting, accounting and auditing practices vary from the accounting principles generally accepted in other developed countries. Any of these risks, individually or in the aggregate, could result in a significant adverse impact on the Japanese economy and the securities to which a Fund has exposure and, in turn, result in a loss to your investment.

Potential Implications of Brexit

On 31 January 2020 the United Kingdom (the "UK") formally withdrew and ceased being a member of the European Union (the "EU"). Following this, the UK entered into a transition period which lasted for the remainder of 2020, during which period the UK was subject to applicable EU laws and regulations. The transition period expired on 31 December 2020, and EU law no longer applies in the UK.

On 30 December 2020, the UK and the EU signed an EU-UK Trade and Cooperation Agreement ("UK/EU Trade Agreement"), which applies from 1 January 2021 and sets out the foundation of the economic and legal framework for trade between the UK and the EU. As the UK/EU Trade Agreement is a new legal framework, the implementation of the UK/EU Trade Agreement may result in uncertainty in its application and periods of volatility in both the UK and wider European markets throughout 2021 and beyond. The UK's exit from the EU is expected to result in additional trade costs and disruptions in this trading relationship. While the UK/EU Trade Agreement provides for the free trade of goods, it provides only general commitments on market access in services together with a "most favoured nation" provision which is subject to many exceptions. Furthermore, there is the possibility that either party may impose tariffs on trade in the future in the event that regulatory standards between the EU and the UK diverge. The terms of the future relationship may cause continued uncertainty in the global financial markets, and adversely affect the performance of the Funds.

Volatility resulting from this uncertainty may mean that the returns of a Fund's investments are affected by market movements, the potential decline in the value of Sterling or Euro, and the potential downgrading of sovereign credit ratings of the UK or an EU member state.

Euro and Eurozone Risk

The deterioration of the sovereign debt of several countries, together with the risk of contagion to other, more stable, countries, exacerbated the global economic crisis. There is a continued possibility that Eurozone countries could be subject to an increase in borrowing costs. This situation as well as the United Kingdom's referendum have raised a number of uncertainties regarding the stability and overall standing of the European Economic and Monetary Union. The departure or risk of departure from the Euro by one or more Eurozone countries could lead to the reintroduction of national currencies in one or more Eurozone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of a Fund's investments. Investors should carefully consider how any potential changes to the Eurozone and European Union may affect their investment in a Fund.



Investments in Smaller Companies

The securities of smaller companies tend to be more volatile and less liquid than the securities of large companies. As securities of smaller companies may experience more market price volatility than securities of larger companies, the Net Asset Value of any Funds which invest in smaller companies may reflect this volatility. Smaller companies, as compared with larger companies, may have a shorter history of operations, may not have as great an ability to raise additional capital, may have a less diversified product line making them susceptible to market pressure and may have a smaller public market for their securities.

Investment in smaller companies may involve relatively higher investment costs, which may be in part due to increased execution costs caused by reduced liquidity in the underlying market, and accordingly investment in Funds which invest in smaller companies should be viewed as a long-term investment. Such Funds may however dispose of an investment made by it within a relatively short period of time, for example, to meet requests for redemption of Shares.

As a result of the above risks, a Fund's investments can be adversely affected and the value of your investments may go up or down.

In addition, owing to threshold limits on the proportion of shares that BlackRock-managed funds may hold in certain companies (in particular in smaller capitalisation companies), it is possible that a Fund may have to rely more heavily on optimisation techniques than would otherwise be the case.

Financial Sector Investment Risks

Companies in the financial sector are subject to increasing governmental regulation, government intervention and taxes, which may adversely affect the scope of their activities, the amount of capital they must maintain and their profitability. The financial services sector may also be adversely affected by increases in interest rates and irrecoverable debt, decreases in the availability of funding or asset valuations and adverse conditions in other related markets. The deterioration of the credit markets has caused an adverse impact in the credit and interbank money markets generally, thereby affecting a wide range of financial services institutions and markets. Certain financial services companies have had to accept or borrow significant amounts of money from their governments and thereby face additional government imposed restrictions on their businesses which could have an impact on their performance and value. Insurance companies in particular, may be subject to intense price competition, which may have an adverse impact on their profitability. Companies that invest in real estate may be affected by adverse changes to the conditions of the real estate markets, movements in interest rates, investor confidence, changes in supply and demand for property, costs, availability of mortgage loans, taxes and the impact of environmental and planning laws. The risks faced by companies within the financial sector may have a higher impact on companies that employ substantial financial leverage within their businesses.

Investments in Property Securities

Property securities are subject to some of the same risks associated with the direct ownership of property including, but not limited to: adverse changes of the conditions of the real estate markets, obsolescence of properties, changes in availability, costs and terms of mortgage funds and the impact of environmental laws. However, investing in property securities is not equivalent to investing directly in property and the performance of property securities may be more heavily dependent on the general performance of stock markets than the general performance of the property sector.

Historically there had been an inverse relationship between interest rates and property values. Rising interest rates can decrease the value of the properties in which a property company invests and can also increase related borrowing costs. Either of these events can decrease the value of an investment in property companies.

The current taxation regimes for property-invested entities are potentially complex and may change in the future. This may impact either directly or indirectly the returns to investors in a property fund and the taxation treatment thereof. Accordingly, investors should seek independent advice about the specific tax risks of investing in Funds which hold property securities in their Investments.

Risks specific to Funds that directly invest into listed shares on the Saudi Stock Exchange

Saudi QFI Regime General Risks

The QFI Rules were introduced in 2015. Accordingly, the application and interpretation of such investment regulations are therefore untested and in certain material respects, there remains a lack of clarity and certainty as to how they will be applied by the regulator and/or interpreted by QFIs. It is not possible to predict the future development of the QFI regime. Any change in the QFI regime generally, including the possibility of the Investment Manager losing its QFI status, may affect the relevant Fund's ability to invest in shares listed on the Saudi Stock Exchange through the Investment Manager.

QFI Regime Foreign Ownership Limits

The relevant Fund's investment in Saudi shares is dependent on the Investment Manager being able to buy and sell shares listed on the Saudi Stock Exchange. The ability of the Investment Manager to trade in Saudi listed shares is dependent on none of the prescribed foreign ownership limits being exceeded. The QFI Rules and Saudi Capital Markets Law prescribe certain foreign investment ownership limits on QFIs (e.g. a Fund) and their affiliates, which take the form of various maximum ownership thresholds. For example, one of the key threshold limits is an aggregate total cap (at 49%) on foreign ownership of Saudi listed shares, which applies not just to QFIs, but all other categories of foreign investors as well (e.g. foreigners resident in Saudi Arabia; investors holding interests in Saudi listed shares via swap contracts or participation notes; and non-resident foreign shareholders who owned stakes in companies prior to their listings). The Saudi Stock Exchange provides ongoing information relating to



these thresholds on their website (<http://www.tadawul.com.sa>) in order to assist QFIs and other market participants in complying with such limits. The Investment Manager has the flexibility to invest in Saudi listed shares on behalf of more than one QFI. Therefore, it may invest in shares on behalf of multiple funds under its management which are QFIs from time to time, all of which would count towards the foreign ownership thresholds.

In the event that a relevant foreign ownership limit is reached or exceeded, it could result in the relevant Fund not being able to acquire additional KSA listed shares. Moreover, as approved QFIs are not permitted under the current QFI Rules to also be the ultimate beneficial owners of Saudi-listed securities underlying FDI (e.g. swaps or participation notes) traded through the Saudi swap framework, it will not be possible, in such circumstances, for the relevant Fund as a QFI to take indirect/synthetic exposure (e.g. via swaps or participation notes) to Saudi listed shares in addition to its physical/direct holdings. This may ultimately result in (i) the relevant Fund not being able to accept any further subscriptions for Shares and its Shares trading at a significant premium or discount to their net asset value on a stock exchange on which they are admitted to trading; and (ii) a negative or positive performance impact to the relevant Fund and, by extension, its Shareholders, as compared to the Benchmark Index.

The ability of the Investment Manager to trade in Saudi listed shares is also dependent on the ability of the Investment Manager and relevant Fund to maintain its QFI status. Certain approved QFIs may apply, via a third party assessing authorised person (mandated as such by the CMA pursuant to the QFI Rules), to the CMA for approval as a QFI. Only once an investment fund is approved by the CMA as a QFI under the QFI Rules can it, via its investment manager, invest in Saudi listed shares on the Saudi Stock Exchange. To the extent that the Investment Manager and/or the relevant Fund loses its QFI status or laws and regulations change such that the QFI regime is no longer available to the Investment Manager and/or the relevant Fund, it will be more difficult for the relevant Fund to achieve its investment objective. In such an event, the relevant Fund may use techniques to invest in securities or other instruments that are not constituents of the Benchmark Index, but which provide a similar exposure to the return of the Benchmark Index. These instruments may include offshore futures, other exchange-traded funds that would provide a similar exposure or unfunded swap agreements, which are agreements whereby a counterparty agrees to provide the relevant Fund with the returns of a specific exposure, i.e. the Benchmark Index, in return for a fee. Accordingly, there is a greater risk of tracking error, which may result in a negative or positive performance impact to the relevant Fund and its Shareholders.

The CMA may introduce further limitations or restrictions on the foreign ownership of securities in the KSA, which may have adverse effects on the liquidity and the performance of the relevant Fund. Such limitations and restrictions may restrict the relevant Fund's ability to acquire the shares of one or more constituents of its Benchmark Index in accordance with the relevant weightings of the Benchmark Index and therefore may impact on the relevant Fund's ability to closely track the performance of the Benchmark Index.

Investment in Saudi Arabia

The KSA is currently an emerging market economy. Accordingly, it differs from the economies of most developed countries and investing in the KSA may be subject to greater risk of loss than investments in developed markets due to, among other factors, political and economic instability and greater limitations on foreign investment than those found in a developed market. Also, the KSA legal system is based on Shari'ah law and, accordingly, issuers of the securities in which the relevant Fund invests may be held to different disclosure, corporate governance, accounting and reporting standards than those in developed markets with different legal systems. For example, listed companies are required to adhere to the Saudi Corporate Governance Regulations 2018 ("CGR") on a mandatory basis with several "for guiding" provisions, but compliance with the CGR among issuers may not be universal. Any political changes, social instability and adverse diplomatic developments which may take place in or in relation to the KSA could result in economic sanctions (e.g. trade embargoes against a particular issuer or the KSA generally), the imposition of additional governmental restrictions, expropriation of assets, confiscatory taxes (e.g. increased excise duties for products that have an increased perceived risk of socio-economic harm to the KSA) or nationalisation of some or all of the constituents of the Benchmark Index. Investors should also note that any change in the policies of the government and relevant authorities of the KSA may adversely impact the securities markets in the KSA as well as the performance of the relevant Fund, compared to the Benchmark Index.

Legal System of the KSA

The KSA legal system is based on Shari'ah law. Prior court decisions may be cited for reference but do not have precedent value. Because of the lack of volume of published cases and judicial interpretation and the fact that, in any event, the outcome of previously determined cases would not be binding in nature, the interpretation and enforcement of applicable Saudi laws and regulations involves significant uncertainties. In addition, as the KSA legal system, and the QFI regime in particular, develops, no assurance can be given that changes in such laws and regulations, their interpretation or their enforcement will not have a material adverse effect on the relevant Fund's operations or the ability of the relevant Fund to acquire Saudi listed shares.

Potential Market Volatility Risk

Investors should note that the Saudi Stock Exchange is admitting foreign investors, pursuant to the regime established by the QFI Rules, for the first time. Market volatility may result in significant fluctuation in the prices of securities traded on the Saudi Stock Exchange, which would therefore impact upon the Net Asset Value of the relevant Fund.

Settlement and Associated Risks

Each Authorised Participant submitting an application to subscribe for shares in the relevant Fund is required to comply with the KSA T+2 Cash Settlement Requirement to cover the purchase by the relevant Fund of underlying KSA securities in connection with the subscription order, for the Authorised Participant's subscription application to be valid. Accordingly, each Authorised Participant requesting a subscription of shares in the relevant Fund is



required to deliver a subscription amount (the "T+2 Cash Settlement Requirement Cash Amount") to cover the purchase by the Fund of underlying KSA securities in connection with its subscription request, for the Authorised Participant's subscription request to be a valid application. The T+2 Cash Settlement Requirement Cash Amount is transferred into the local KSA sub-custody account with the KSA Sub-custodian which is set up by the KSA Sub-custodian for the use and benefit of the relevant Fund. Therefore, two business days after such time as the Shares in the relevant Fund that are being subscribed for are in the possession of the Authorised Participant, there is a risk that the KSA Sub-custodian may suffer an economic or operating event causing a loss of the T+2 Cash Settlement Requirement Cash Amount which would have a negative impact on the value of the relevant Fund or delay in delivery of the securities that the T+2 Cash Settlement Requirement Cash Amount was intended for which may temporarily affect tracking error. Therefore, any trades executed erroneously by the broker must be corrected through additional trading. This may temporarily affect tracking error and incur additional costs on the relevant Fund which may not be immediately recoverable from the broker.

Where any T+2 Cash Settlement Requirement Cash Amount paid by an Authorised Participant is subsequently determined to have been in excess of the final subscription price (including final Duties and Charges) for the relevant Shares on the Dealing Day by reference to which the subscription was effected, the excess cash amount will be held in custody on a temporary basis and will be reimbursed to the relevant Authorised Participant as soon as practicable, net of any foreign exchange transaction cost associated with converting (if applicable) such amount from SAR to USD (and to any other relevant currency) and repatriating such cash so that it can be paid to the Authorised Participant. The relevant Authorised Participant shall remain an unsecured creditor of the relevant Fund in respect of the amount to be reimbursed ("Reimbursement Amount") until such time as the amount is paid to it. The Reimbursement Amount will remain subject to the risk factors described in this Prospectus for the duration of the period during which it remains in the KSA.

In the event that the T+2 Cash Settlement Requirement Cash Amount is insufficient to purchase all the underlying securities in connection with the subscription, the relevant Fund may not be able to acquire all the requisite underlying securities during the initial purchase and will need to carry out one or more further purchases on subsequent day(s) or rely on borrowing cash from the relevant custodian. Similarly, if restrictions under KSA laws, regulations and/or stock exchange rules, or the suspension of trading of particular KSA securities, or a delay in the remittance of SAR to the KSA restrict the relevant Fund from acquiring all the requisite underlying securities during the initial purchase (see sections above titled "QFI Regime Foreign Ownership Limits" for circumstances in which such restrictions may be triggered), the relevant Fund will also need to carry out one or more further purchases on subsequent day(s). The market risk arising from the timing of the placement of further underlying trades and any delay in trading will be borne by the Authorised Participant. In the event of any funding shortfall, the Authorised Participant would be required to deliver, in accordance with the relevant Fund's stated timeline and procedure (available from the Administrator and / or on the Electronic Order Entry Facility, as defined in the section entitled "Procedure for dealing on the primary market"), additional sums to make up any funding shortfall to enable further purchases to be made until all the requisite underlying KSA securities have been acquired for the relevant Fund. In order to reduce the risk of an Authorised Participant having to pay a funding shortfall and to protect the relevant Fund and its Shareholders, a buffer to cover expected market and foreign exchange volatility will be added to estimated Duties and Charges in the T+2 Cash Settlement Requirement Cash Amount and any additional sums payable by the Authorised Participant to cover a funding shortfall. In circumstances where additional sums are payable by an Authorised Participant to cover a funding shortfall after the Authorised Participant has received Shares subscribed in the relevant Fund, the relevant Fund will have a credit exposure as an unsecured creditor in respect of such additional sums.

The foreign exchange transaction costs associated with conversions made in relation to subscriptions and redemptions and the risk of a potential difference between the USD and SAR (and any other relevant currency in which subscriptions and redemptions are accepted from time to time) will be borne by the relevant Authorised Participant and included in the final Duties and Charges which are applied to the relevant subscription or redemption amounts paid or received (respectively) by such Authorised Participant. Authorised Participants should note that no interest will accrue on the relevant Reimbursement Amount and interest shall therefore not be payable by the relevant Fund to the relevant Authorised Participant in respect of any such amount.

Index Tracking Risk - QFI Regime

The relevant Fund's return may deviate from the return of the Benchmark Index for various reasons, for example, the revocation of the Investment Manager's QFI status, the inability of the Investment Manager to trade in one or more Saudi listed issuer due to a foreign ownership threshold having been reached or exceeded, the allocation of investment in Saudi listed shares by the Investment Manager to other funds under its management, the investment limitations imposed by KSA laws and regulations, temporary or permanent suspension of particular securities imposed from time to time by the stock exchange in the KSA, the liquidity of the underlying market, taxation implications, regulatory changes in the KSA that may affect the Investment Manager's ability to reflect the return of the Benchmark Index and any foreign exchange costs.

Electronic Trading Platform Risk - Tadawul

KSA brokers submit trade orders through an electronic system which is linked and received by Tadawul's system. The use of electronic systems by the broker or Tadawul is subject to software, hardware, or communication failure which may cause halts or delays in acquiring the intended securities for the relevant Fund.

Trading Prohibition

If there is an unexecuted purchase or sell trade in respect of any KSA security then an opposing trade via the same custodial account for the same KSA security will be rejected in the market (the "KSA Trading Prohibition"). Therefore, any trading activity that triggers the KSA Trading Prohibition may cause a delay in trading. This may impact the relevant Fund's ability to rebalance and cause an increase of its tracking error.



Commodity Risk

The relevant Fund may invest in Saudi Arabian issuers that are susceptible to fluctuations in certain commodity markets. Any negative changes in commodity markets that may be due to changes in supply and demand for commodities, market events, regulatory developments or other factors that the Fund cannot control could have an adverse impact on those companies.

Nationalisation Risk

Investments in Saudi Arabia may be subject to loss due to expropriation or nationalisation of assets and property or the imposition of restrictions on foreign investments and repatriation of capital.

Risk of Investing in the China Interbank Bond Market

The Funds may invest in the China Interbank Bond Market via the Foreign Access Regime and/or the Bond Connect.

Investment in China Interbank Bond Market via Foreign Access Regime

Pursuant to the "Announcement (2016) No 3" issued by the PBOC on 24 February 2016, foreign institutional investors can invest in the China Interbank Bond Market ("**Foreign Access Regime**") subject to other rules and regulations as promulgated by the PRC authorities.

Under the prevailing regulations in the PRC, foreign institutional investors who wish to invest directly in the China Interbank Bond Market may do so via an onshore settlement agent, who will be responsible for making the relevant filings and account opening with the relevant authorities. There is no quota limitation.

Investment in the China Interbank Bond Market via Northbound Trading Link under Bond Connect

Bond Connect is a new initiative launched in July 2017 for mutual bond market access between Hong Kong and the PRC established by CFETS, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and HKEX and Central Moneymarkets Unit.

Under the prevailing regulations in the PRC, eligible foreign investors will be allowed to invest in the bonds circulated in the China Interbank Bond Market through the northbound trading of Bond Connect ("**Northbound Trading Link**"). There will be no investment quota for Northbound Trading Link.

Under the Northbound Trading Link, eligible foreign investors are required to appoint the CFETS or other institutions recognised by the PBOC as registration agents to apply for registration with the PBOC.

The Northbound Trading Link refers to the trading platform that is located outside of the PRC and is connected to CFETS for eligible foreign investors to submit their trade requests for bonds circulated in the China Interbank Bond Market through Bond Connect. HKEX and CFETS will work together with offshore electronic bond trading platforms to provide electronic trading services and platforms to allow direct trading between eligible foreign investors and approved onshore dealer(s) in the PRC through CFETS.

Eligible foreign investors may submit trade requests for bonds circulated in the China Interbank Bond Market through the Northbound Trading Link provided by offshore electronic bond trading platforms (such as Tradeweb and Bloomberg), which will in turn transmit their requests for quotation to CFETS. CFETS will send the requests for quotation to a number of approved onshore dealer(s) (including market makers and others engaged in the market making business) in the PRC. The approved onshore dealer(s) will respond to the requests for quotation via CFETS and CFETS will send their responses to those eligible foreign investors through the same offshore electronic bond trading platforms. Once the eligible foreign investor accepts the quotation, the trade is concluded on CFETS.

On the other hand, the settlement and custody of bond securities traded in the China Interbank Bond Market under Bond Connect will be done through the settlement and custody link between the Central Moneymarkets Unit, as an offshore custody agent, and the China Central Depository & Clearing Co., Ltd and Shanghai Clearing House, as onshore custodian and clearing institutions in the PRC. Under the settlement link, China Central Depository & Clearing Co., Ltd or Shanghai Clearing House will effect gross settlement of confirmed trades onshore and the Central Moneymarkets Unit will process bond settlement instructions from Central Moneymarkets Unit members on behalf of eligible foreign investors in accordance with its relevant rules. Since the introduction in August 2018 of delivery versus payment (DVP) settlement in respect of Bond Connect, the movement of cash and securities is carried out simultaneously on a real time basis.

Pursuant to the prevailing regulations in the PRC, the Central Moneymarkets Unit, being the offshore custody agent recognised by the Hong Kong Monetary Authority open omnibus nominee accounts with the onshore custody agent recognised by the PBOC (i.e., the China Central Depository & Clearing Co., Ltd and Shanghai Clearing House). All bonds traded by eligible foreign investors will be registered in the name of Central Moneymarkets Unit, which will hold such bonds as a nominee owner. Therefore, a Fund will be exposed to custody risks with respect to Central Moneymarkets Unit. In addition, as the relevant filings, registration with the People's Bank of China, and account opening have to be carried out by third parties, including Central Moneymarkets Unit, China Central Depository & Clearing Co., Ltd, Shanghai Clearing House, and CFETS, a Fund is subject to the risks of default or errors on the part of such third parties.



The precise nature and rights of a Fund as the beneficial owner of the bonds traded in the China Interbank Bond Market through Central Moneymarkets Unit as nominee is not well-defined under PRC law. There is a lack of a clear definition of, and distinction between, legal ownership and beneficial ownership under PRC law and there have been few cases involving a nominee account structure in the PRC courts. The exact nature and methods of enforcement of the rights and interests of a Fund under PRC law are also uncertain.

Volatility and Liquidity Risk

Market volatility and potential lack of liquidity due to low trading volume of certain bonds in the China Interbank Bond Market may result in prices of certain bonds traded on such market fluctuating significantly. A Fund investing in such market is therefore subject to liquidity and volatility risks. The bid-ask spreads of the prices of such securities may be large, and a Fund may therefore incur significant costs and may suffer losses when selling such investments. The bonds traded in the China Interbank Bond Market may be difficult or impossible to sell, which may impact a Fund's ability to acquire or dispose of such securities at their expected prices.

Regulatory Risks

Investing in the China Interbank Bond Market through Bond Connect is also subject to regulatory risks. The relevant rules and regulations are subject to change, which may have potential retrospective effect, and there can be no assurance that Bond Connect will not be discontinued or abolished. Furthermore, the securities regimes and legal systems of China and Hong Kong differ significantly and issues may arise based on these differences. In the event that the relevant authorities suspend account opening or trading on the China Interbank Bond Market, a Fund's ability to invest in the China Interbank Bond Market will be adversely affected and limited. In such event, a Fund's ability to achieve its investment objective will be negatively affected and, after exhausting other trading alternatives, the Fund may suffer substantial losses as a result. Further, if Bond Connect is not operating, a Fund may not be able to acquire or dispose of bonds through Bond Connect in a timely manner, which could adversely affect the Fund's performance.

Chinese companies, such as those in the financial services or technology sectors, and potentially with other sectors in the future, are also subject to the risk that Chinese authorities can intervene in their operations and structure, which may negatively affect the value of a Fund's investments.

System Failure Risks for Bond Connect

Trading through Bond Connect is performed through newly developed trading platforms and operational systems. There is no assurance that such systems will function properly or will continue to be adapted to changes and developments in the market. In the event that the relevant systems fails to function properly, trading through Bond Connect may be disrupted. A Fund's ability to trade through Bond Connect (and hence to pursue its investment strategy) may therefore be adversely affected. In addition, where a Fund invests in the China Interbank Bond Market through Bond Connect, it may be subject to risks of delays inherent in the order placing and/or settlement systems.

Renminbi Currency Risks

Bond Connect trades are settled in Chinese currency, the renminbi ("RMB"), which is currently restricted and not freely convertible. As a result, a Fund will be exposed to currency risk, and it cannot be guaranteed that investors will have timely access to a reliable supply of RMB.

Tax Risk

Under prevailing tax regulations, a 10% withholding tax is imposed on PRC-sourced dividends and interest from non-government bonds paid to the relevant Fund unless the rate is reduced under an applicable tax treaty.

From 1 May 2016, Value Added Tax (VAT) is levied on certain income derived by the relevant Fund, including interest income from non-government bonds and trading gains, unless specifically exempted by the PRC tax authorities. VAT exemptions currently apply to debt securities traded in the China Interbank Bond Market.

On 22 November 2018, the PRC's Ministry of Finance and State Administration of Taxation jointly issued Circular 108 providing foreign institutional investors with a temporary exemption from withholding income tax and VAT with respect to interest income derived from non-government bonds in the domestic bond market for the period from 7 November 2018 to 6 November 2021. Circular 108 is silent on the PRC tax treatment with respect to non-government bond interest derived prior to 7 November 2018.

There is a risk the PRC tax authorities may withdraw the temporary tax exemptions in the future and seek to collect withholding income tax and VAT on interest income from non-government bonds to the relevant Fund without prior notice. If the tax exemptions are withdrawn, any taxes arising from or to the relevant Fund may be directly borne by or indirectly passed on to the Fund and may result in a substantial impact to its Net Asset Value. As with any Net Asset Value adjustment, investors may be advantaged or disadvantaged depending on when the investors purchased or sold Shares of the Fund.

Any changes in PRC tax law, future clarifications thereof, and/or subsequent retroactive enforcement by the PRC tax authorities may result in a loss which could be material to the relevant Fund. The Investment Manager will keep the provisioning policy for tax liability under review and may, in its discretion from time to time, make a provision for potential tax liabilities if in its opinion such provision is warranted or as further publicly clarified by the PRC.



Risks related to Investment in the PRC via the Stock Connect

In addition to the risk factors under the heading “**Investment in the PRC**” and other applicable risk factors, the following risk factors apply to the Stock Connect Funds:

Stock Connect

Funds investing in the PRC may invest in China A Shares trading on the SSE and SZSE via Stock Connect (“Northbound Trading”). The Shanghai-Hong Kong Stock Connect is a securities trading and clearing links program developed by HKEX, SSE and ChinaClear and the Shenzhen-Hong Kong Stock Connect is a securities trading and clearing links program developed by HKEX, SZSE and ChinaClear. The aim of Stock Connect is to achieve mutual stock market access between the PRC and Hong Kong.

HKSCC, a wholly-owned subsidiary of HKEX, and ChinaClear will be responsible for the clearing, settlement and the provision of depository, nominee and other related services of the trades executed by their respective market participants and investors. The China A Shares traded through Stock Connect are issued in scripless form, and investors will not hold any physical China A Shares.

Although HKSCC does not claim proprietary interests in the SSE and SZSE securities held in its omnibus stock accounts in ChinaClear, ChinaClear as the share registrar for SSE and SZSE listed companies will still treat HKSCC as one of the shareholders when it handles corporate actions in respect of such SSE and SZSE securities.

Under the Stock Connect, Hong Kong and overseas investors will be subject to the fees and levies imposed by SSE, SZSE, ChinaClear, HKSCC or the relevant Mainland Chinese authority when they trade and settle SSE securities and SZSE securities. Further information about the trading fees and levies is available online at the website: http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm.

Investing in China A Shares via Stock Connect bypasses the requirement to obtain RQFII status which is required for direct access to the SSE and SZSE.

Quota Limitations

Investing in the PRC via Stock Connect is subject to quota limitations which apply to the Investment Manager. In particular, once the remaining balance of the relevant quota drops to zero or the daily quota is exceeded, buy orders will be rejected (although investors will be permitted to sell their cross-boundary securities regardless of the quota balance). Therefore, quota limitations may restrict the relevant Stock Connect Fund’s ability to invest in China A Shares through the Stock Connect on a timely basis, and therefore may impact on the ability of the relevant Stock Connect Fund to track closely the performance of its Benchmark Index.

Legal / Beneficial Ownership

The China A Shares invested in via the Stock Connect will be held by the Depository/sub-custodian in accounts in the CCASS maintained by the HKSCC as central securities depository in Hong Kong. HKSCC in turn holds the China A Shares, as the nominee holder, through an omnibus securities account in its name registered with ChinaClear for each of the Stock Connect Funds. The precise nature and rights of the Stock Connect Funds as the beneficial owners of the China A Shares through HKSCC as nominee is not well defined under PRC law. There is lack of a clear definition of, and distinction between, “legal ownership” and “beneficial ownership” under PRC law and there have been few cases involving a nominee account structure in the PRC courts. Therefore the exact nature and methods of enforcement of the rights and interests of the Stock Connect Funds under PRC law is uncertain. Because of this uncertainty, in the unlikely event that HKSCC becomes subject to winding up proceedings in Hong Kong it is not clear if the China A Shares will be regarded as held for the beneficial ownership of the Stock Connect Funds or as part of the general assets of HKSCC available for general distribution to its creditors.

For completeness, the CSRC has provided information titled “*FAQ on Beneficial Ownership under SH-HK Stock Connect*” dated 15 May 2015 in relation to beneficial ownership (the “FAQ”). The relevant sections from the FAQ have been extracted and reproduced below:

Do overseas investors enjoy proprietary rights in the SSE Securities acquired through the Northbound Trading Link as shareholders? Are the concepts of “nominee holder” and “beneficial owner” recognized under Mainland China law?

Article 18 of the Administrative Measures for Registration and Settlement of Securities (the “Settlement Measures”) states that “securities shall be recorded in the accounts of the securities holders, unless laws, administrative regulations or CSRC rules prescribe that the securities shall be recorded in accounts opened in the name of nominee holders”. Hence, the Settlement Measures expressly provides for the concept of nominee shareholding. Article 13 of the Certain Provisions on Shanghai-Hong Kong Stock Connect Pilot Program (the “CSRC Stock Connect Rules”) states that shares acquired by investors through the Northbound Trading Link shall be registered in the name of HKSCC and that “investors are legally entitled to the rights and benefits of shares acquired through the Northbound Trading Link”. Accordingly, the CSRC Stock Connect



Rules have expressly stipulated that, in Northbound trading, overseas investors shall hold SSE Securities through HKSCC and are entitled to proprietary interests in such securities as shareholders.

How do overseas investors bring legal action in the Mainland China to realise their rights over the SSE Securities acquired through the Northbound Trading Link?

Mainland China law does not expressly provide for a beneficial owner under the nominee holding structure to bring legal proceedings, nor does it prohibit a beneficial owner from doing so. As we understand, HKSCC, as the nominee holder of the SSE Securities in Northbound Trading Link, may exercise shareholder rights and take legal actions on behalf of overseas investors. In addition, Article 119 of the Civil Procedure Law of the People's Republic of China states that "the claimant in a legal action shall be an individual, legal person or any other organization that has a direct interest in the relevant case". As long as an overseas investor can provide evidential proof of direct interest as a beneficial owner, the investor may take legal actions in its own name in Mainland China courts.

Clearing and Settlement Risk

HKSCC and ChinaClear have established the clearing links and each has become a participant of each other to facilitate clearing and settlement of cross-boundary trades. For cross-boundary trades initiated in a market, the clearing house of that market will on one hand clear and settle with its own clearing participants, and on the other hand undertake to fulfil the clearing and settlement obligations of its clearing participants with the counterparty clearing house.

As the national central counterparty of the PRC's securities market, ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the CSRC. The chances of ChinaClear default are considered to be remote. In the remote event of a ChinaClear default, HKSCC's liabilities in respect of China A-Shares under its market contracts with clearing participants will be limited to assisting clearing participants in pursuing their claims against ChinaClear. HKSCC should in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Stock Connect Fund may suffer delay in the recovery process or may not fully recover its losses from ChinaClear.

Suspension Risk

It is contemplated that the SEHK, SSE and SZSE reserves the right to suspend trading if necessary for ensuring an orderly and fair market and that risks are managed prudently. Consent from the relevant regulator will be sought before a suspension is triggered. Where a suspension is effected, the relevant Stock Connect Fund's ability to access the PRC market will be adversely affected.

Differences in Trading Day

The Stock Connect only operates on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. Therefore, it is possible that there are occasions when it is a normal trading day for the PRC market but the Stock Connect Funds cannot carry out any China A Shares trading via the Stock Connect. The Stock Connect Funds may be subject to a risk of price fluctuations in China A Shares during the time when any of the Stock Connect is not trading as a result.

Restrictions on Selling Imposed by Front-end Monitoring

PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise the SSE or SZSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A Share sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

If a Stock Connect Fund intends to sell certain China A Shares it holds, it must transfer those China A Shares to the respective accounts of its broker(s) before the market opens on the day of selling ("trading day"). If it fails to meet this deadline, it will not be able to sell those shares on the trading day. A Stock Connect Fund may request its custodian to open a Special Segregated Account ("SPSA") in CCASS to maintain its holdings in SSE and SZSE securities, in which case it will only need to transfer SSE or SZSE securities from its SPSA to its designated broker's account after execution and not before placing the sell order.

To the extent a Stock Connect Fund is unable to utilize the SPSA model, it would have to deliver SSE or SZSE securities to its brokers before the market opens on the trading day. Accordingly, if there are insufficient China A Shares in the Stock Connect Fund's account before the market opens on the trading day, the sell order will be rejected, which may adversely impact the Stock Connect Fund's performance.

Operational Risk

The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are permitted to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.



The securities regimes and legal systems of the two markets differ significantly and market participants may need to address issues arising from the differences on an on-going basis. There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems fail to function properly, trading in both markets through the program could be disrupted. The relevant Stock Connect Fund's ability to access the China A Share market (and hence to pursue its investment strategy) may be adversely affected.

Regulatory Risk

The current regulations that govern Stock Connect are subject to change and there can be no assurance that the Stock Connect will not be discontinued. New regulations may be issued from time to time by the regulators / stock exchanges in the PRC and Hong Kong in connection with operations, legal enforcement and cross-border trades under the Stock Connect. Stock Connect Funds may be adversely affected as a result of such changes.

Chinese companies, such as those in the financial services or technology sectors, and potentially other sectors in the future, are also subject to the risk that Chinese authorities can intervene in their operations and structure, which may negatively affect the value of a Fund's investments.

Recalling of Eligible Stocks

When a stock is recalled from the scope of eligible stocks for trading via the Stock Connect, the stock can only be sold but is restricted from being bought. This may restrict the ability of the relevant Stock Connect Fund to acquire the shares of one or more constituents of its Benchmark Index and therefore may impact on the ability of the relevant Stock Connect Fund to track closely the performance of its Benchmark Index.

No Protection by Investor Compensation Fund

Investment in China A Shares via the Stock Connect is conducted through brokers, and is subject to the risk of default by such brokers in their obligations. Investments of Stock Connect Funds are not covered by Hong Kong's investor compensation fund, which has been established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong. Since default matters in respect of China A Shares invested in via the Stock Connect do not involve products listed or traded on the SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the investor compensation fund. Therefore the Stock Connect Funds are exposed to the risks of default of the broker(s) it engages in its trading in China A Shares through the Stock Connect.

Taxation Risks

The PRC tax authorities have also made announcements that gains derived from China A Shares' investments via the Stock Connect would be temporarily exempted from PRC taxation effective from 17 November 2014. This temporary exemption applies to China A Shares generally, including shares in PRC 'land-rich' companies. The duration of the period of temporary exemption has not been stated and may be subject to termination by the PRC tax authorities with or without notice and, in the worst case, retrospectively. If the temporary exemption is withdrawn the relevant Stock Connect Funds would be subject to PRC taxation in respect of gains on China A Shares and the resultant tax liability would eventually be borne by investors. However, this liability may be mitigated under the terms of an applicable tax treaty, and if so, such benefits will also be passed to investors.

Settlement Mode under the SPSA model

Under the normal Delivery Versus Payment (DVP) settlement mode, stock and cash settlement will take place on T+0 between clearing participants (i.e. brokers and custodian or a custodian participant) with a maximum window of 4 four hours between stocks and cash movement. This applies to settlement in CNH (offshore Renminbi) only and on the condition that the brokers support same-day Chinese Renminbi cash finality. Under the Real time Delivery Versus Payment (RDVP) settlement mode introduced in November 2017, stock and cash movement will take place real time, however, the use of RDVP is not mandatory. The clearing participants must agree to settle the transaction using RDVP and indicate RDVP on the settlement instruction in a specific field. If either of the clearing participants are unable to settle the trades using RDVP, there is a risk that the trades could fail and therefore may impact on the ability of the relevant Stock Connect Fund to track closely the performance of its Benchmark Index.

Risks related to investment in Equity Funds

Equity Securities

The value of equity securities fluctuates daily and a Fund investing in equities could incur significant losses. The prices of equities can be influenced by factors affecting the performance of the individual companies issuing the equities, as well as by daily stock market movements, and broader economic and political developments, including trends in economic growth, inflation and interest rates, corporate earnings reports, demographic trends and natural disasters.



Depository Receipts

ADRs and GDRs are designed to offer exposure to their underlying securities.

In certain situations, the Investment Manager may use ADRs and GDRs to provide exposure to underlying securities within the Benchmark Index, for example where the underlying securities cannot be, or are unsuitable to be, held directly, where direct access to the underlying securities is restricted or limited or where depository receipts provide a more cost or tax efficient exposure. However, in such cases the Investment Manager is unable to guarantee that a similar outcome will be achieved to that if it were possible to hold the securities directly, due to the fact ADRs and GDRs do not always perform in line with the underlying security.

In the event of the suspension or closure of a market(s) on which the underlying securities are traded, there is a risk that the value of the ADR or GDR will not closely reflect the value of the relevant underlying securities. Additionally, there may be some circumstances where the Investment Manager cannot, or it is not appropriate to, invest in an ADR or GDR, or the characteristics of the ADR or GDR do not exactly reflect the underlying security.

In the event that a Fund invests in ADRs or GDRs in the circumstances set out above, the Fund's tracking of the Benchmark Index may be impacted, i.e. there is a risk that the Fund's return varies from the return of the Benchmark Index.

High Dividend Paying Stocks

While the Benchmark Index rules for the high dividend paying Funds are designed to select high dividend paying stocks, dividend payment streams can vary from year to year and past dividend payments are no guide for future dividend payments.

High dividend paying stocks include small-capitalisation and mid-capitalisation companies, which might be less financially secure than large-capitalisation companies. Additionally these companies depend more heavily on essential personnel and thus are more vulnerable to personnel loss. Small-capitalisation and mid-capitalisation companies might have less diversified product lines than large-capitalisation companies and thus are more susceptible to adverse development concerning their products. Small-capitalisation and mid-capitalisation companies may also be less frequently traded and thus may be difficult for a Fund to buy and sell.

Risks related to investment in Fixed Income Funds

Government Bonds

A Fund may invest in government bonds which pay a fixed rate of interest (also known as the 'coupon') and behave similarly to a loan. These bonds are therefore exposed to changes in interest rates which will affect their value. In addition, periods of low inflation will mean the positive growth of a government bond fund may be limited.

Investments in government bonds may be subject to liquidity constraints and periods of significantly lower liquidity in difficult market conditions. Therefore it may be more difficult to achieve a fair value on purchase and sale transactions which may cause the Manager not to proceed with such transactions. As a result, changes in the value of a Fund's investments may be unpredictable.

Sovereign, Quasi-sovereign and Local Authority Debt

Sovereign debt includes securities issued by or guaranteed by a sovereign government. Quasi-sovereign debt includes securities issued by or guaranteed by or sponsored by an entity affiliated with or backed by a sovereign government. In some instances, the constituents of a Benchmark Index may include local authority debt securities issued by or guaranteed by or sponsored by an entity which is either a local authority or affiliated with or backed by a local authority entity. The entity that controls the repayment of sovereign, quasi-sovereign or local authority debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. The entity's ability to repay the principal and/or interest due in a timely manner may be affected by, among other factors, its cash flow, the extent of its foreign reserves (where relevant), the availability of sufficient foreign exchange on the date a payment is due, the state of its country's economy, the relative size of the debt service burden to the economy as a whole, restrictions on its ability to raise more cash, the entity's policy towards the International Monetary Fund and the political constraints to which the entity may be subject. Such entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on such entities' implementation of economic reforms and/or economic performance and the timely service of such debtors' obligations. Failure to implement such reforms, achieve such levels of economic performance or repay the principal and/or interest when due may result in the cancellation of such third parties' commitments to lend funds to the entities, which may further impair such debtors' ability to service their debt on a timely basis. Consequently, such entities may default on their sovereign, quasi-sovereign or local authority debt. Holders of sovereign, quasi-sovereign or local authority debt, including a Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to such entities. Quasi-sovereign and local authority debt obligations are typically less liquid and less standardised than sovereign debt obligations. There is a possibility that there may not be a bankruptcy proceeding by which this debt may be collected in whole or in part. Banks, Governments and companies (including within the EEA) invest in each other so if one member state performs poorly, the other countries could be impacted. If one country defaults on its debt obligations, other countries could be at risk.

Corporate Bonds

A corporate bond Fund may invest in corporate bonds issued by companies within a range of credit worthiness if the relevant Fund's Benchmark Index does not apply any minimum credit rating requirement to its constituents.



Corporate bonds may be upgraded or downgraded from time to time due to a perceived increase or reduction in the credit worthiness of the companies issuing the bonds.

Where the Benchmark Index of a Fund imposes specific credit rating requirements for bonds to be included in the Benchmark Index (e.g. investment grade bonds or non-/sub-investment grade bonds) and bonds that make up the Benchmark Index are downgraded, upgraded or have their credit ratings withdrawn by the relevant credit rating agencies such that they no longer meet the credit rating requirements of the Benchmark Index, the Fund may continue to hold the relevant bonds until such time as these bonds cease to form part of the Fund's Benchmark Index and the Fund's position in such bonds can be liquidated. Sub-investment grade bonds are generally riskier investments, involving a higher risk of default by the issuer, than investment grade bonds. A default by the issuer of a bond is likely to result in a reduction in the value of that Fund.

Although a Fund may invest in bonds that are traded on the secondary market, the secondary market for corporate bonds can often be illiquid and therefore it may be difficult to achieve fair value on purchase and sale transactions.

Cash interest rates vary over time. The price of bonds will generally be affected by changing interest rates and credit spread which in turn may affect the value of your investment. Bond prices move inversely to interest rates, so generally speaking the market value of a bond will decrease as interest rates increase. The credit rating of an issuing company will generally affect the yield that can be earned on a bond; the better the credit rating the smaller the yield.

Covered Bonds

Covered bonds are corporate bonds that are backed by cash from public sector or mortgage loans. Where a Fund invests in covered bonds, the Investment Manager will seek to invest in high quality bonds or as otherwise required in accordance with the relevant benchmark index. There is, however, no guarantee that such covered bonds will be free from counterparty default and the risks associated with counterparty default apply. Any deterioration in the assets backing a bond may result in a reduction in the value of the bond and, therefore, the relevant Fund. Additionally, a default by the issuer of a bond may result in a reduction in the value of the relevant Fund.

The price of bonds will generally be affected by changing interest rates and credit spreads.

High Yield Bonds

Funds that invest in bonds that are rated sub-investment grade, or bonds which are unrated but judged to be of comparable quality with sub-investment grade bonds, at the time of purchase, may be more volatile than funds investing in higher-rated bonds of similar maturity.

High yield bonds may also be subject to greater levels of credit or default risk than high-rated bonds. Such bonds are more likely to react to developments affecting market and credit risk than more highly rated securities. The value of high yield bonds can be adversely affected by overall economic conditions, such as an economic downturn or a period of rising interest rates, and high yield bonds may be less liquid and more difficult to sell at an advantageous time or price or to value than higher-rated bonds. In particular, high yield bonds are often issued by smaller, less creditworthy companies or by highly leveraged (indebted) firms, which are generally less able than more financially stable firms to make scheduled payments of interest and principal.

Investors should carefully consider the relative risks of investing in high yield securities and understand that such securities generally are not meant for short-term investing. Funds which invest in these securities may find it more difficult to sell high yield securities or may be able to sell the securities only at prices lower than if such securities were widely traded. Furthermore, such Funds may experience difficulty in valuing certain securities at certain times. Prices realised upon the sale of such lower or unrated rated securities, under these circumstances, may be less than the prices used in calculating the Net Asset Value. In addition, prices for high yield securities may be affected by legislative and regulatory developments which could adversely affect the Net Asset Value insofar as they could adversely affect the Secondary Market for high yield securities, the financial condition of issuers of these securities and the value of outstanding high yield securities. For example, federal legislation in the United States requiring the divestiture by federally insured savings and loan associations of their investments in high yield bonds and limiting the deductibility of interest by certain corporate issuers of high yield bonds has adversely affected the market in recent years.

Lower rated or unrated (i.e. high yield) securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Lower rated or unrated fixed income obligations also present risks based on payment expectations. If an issuer calls the obligations for redemption, a Fund which invests in these securities may have to replace the security with a lower yielding security, resulting in a decreased return for investors. If the Fund experiences unexpected net redemptions, it may be forced to sell its higher rated securities, resulting in a decline in the overall credit quality of that Fund's investment portfolio and increasing the exposure of the Fund to the risks of high yield securities.

Illiquidity of Bonds Close to Maturity

In addition to the liquidity risks of bonds already described above, there is a risk that bonds which are nearing maturity may become illiquid. In such cases, it may become more difficult to achieve fair value on the purchase and sale thereof.

Duration Risk

Where a Fund invests in bonds it is subject to the risk that the value of its investments will change due to a change in the level of interest rates. Rising interest rates will lead to falling bond prices, while declining interest rates will



lead to rising bond prices. Duration is a measure of the sensitivity of the price (the value of principal) of a bond to a change in interest rates and is expressed in number of years.

Depository Notes

GDNs are designed to offer exposure to their underlying securities.

In certain situations, the Investment Manager may use GDNs to provide exposure to underlying securities within the Benchmark Index, for example where the underlying securities cannot be, or are unsuitable to be, held directly, where direct access to the underlying securities is restricted or limited or where depository notes provide a more cost or tax efficient exposure. However, in such cases the Investment Manager is unable to guarantee that a similar outcome will be achieved to that if it were possible to hold the securities directly, due to the fact GDNs do not always perform in line with the underlying security.

In the event of the suspension or closure of a market(s) on which the underlying securities are traded, there is a risk that the value of the GDN will not closely reflect the value of the relevant underlying securities. Additionally, there may be some circumstances where the Investment Manager cannot, or it is not appropriate to, invest in a GDN, or the characteristics of the GDN do not exactly reflect the underlying security.

In the event that a Fund invests in GDNs in the circumstances set out above, the Fund's tracking of the Benchmark Index may be impacted, i.e. there is a risk that the Fund's return varies from the return of the Benchmark Index.

Structured Finance and Other Securities

A Fund may be exposed directly or indirectly to Structured Finance Securities and other assets which involve substantial financial risk, including distressed debt and low quality credit securities, asset-backed securities and credit-linked securities. These securities may entail a higher liquidity risk than exposure to sovereign or corporate bonds. The Fund's primary credit risk would be to the issuer of the Structured Finance Security.

Fixed Income Transferable Securities

Debt securities are subject to both actual and perceived measures of creditworthiness. The amount of credit risk may be assessed using the issuer's credit rating which is assigned by one or more independent rating agencies. This does not amount to a guarantee of the issuer's creditworthiness but provides an indicator of the likelihood of default. Securities which have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities. Companies often issue securities which are ranked in order of seniority which in the event of default would be reflected in the priority in which investors might be paid back. The "downgrading" of an investment grade rated debt security or adverse publicity and investor perception, which may not be based on fundamental analysis, could decrease the value and liquidity of the security, particularly in a thinly traded market.

A Fund may be affected by changes in prevailing interest rates and by credit quality considerations. Changes in market rates of interest will generally affect the Fund's asset values as the prices of fixed rate securities generally increase when interest rates decline and decrease when interest rates rise. Prices of shorter-term securities generally fluctuate less in response to interest rate changes than do longer-term securities. An economic recession may adversely affect an issuer's financial condition and the market value of high yield debt securities issued by such entity. The issuer's ability to service its debt obligations may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. In the event of bankruptcy of an issuer, a Fund may experience losses and incur costs.

Illiquidity and Quality of Mortgage-Backed Instruments

In addition to the risks associated with trading in FDI, there is a risk that mortgage-backed instruments may become illiquid. Additionally, the quality of mortgage pools may change from time to time. It may therefore, become more difficult to achieve fair value on the purchase and sale of such instruments.

Bank Corporate Bonds

Corporate bonds issued by a financial institution may be subject to the risk of a write down or conversion (i.e. "bail-in") by a relevant authority in circumstances where the financial institution is unable to meet its financial obligations. This may result in bonds issued by such financial institution being written down (to zero), converted into equity or alternative instrument of ownership, or the terms of the bond may be varied. 'Bail-in' risk refers to the risk of relevant authorities exercising powers to rescue troubled banks by writing down or converting rights of their bondholders in order to absorb losses of, or recapitalise, such banks. Investors should be alerted to the fact that relevant authorities are more likely to use a "bail-in" tool to rescue troubled banks, instead of relying on public financial support as they have in the past. Relevant authorities now consider that public financial support should only be used as a last resort after having assessed and exploited, to the maximum extent practicable, other resolution tools, including the "bail-in" tool. A bail-in of a financial institution is likely to result in a reduction in value of some or all of its bonds (and possibly other securities) and a Fund holding such securities when a bail-in occurs will also be similarly impacted.

Risks specific to iShares £ Corp Bond ESG UCITS ETF (referred to in this section as the "Fund")

ESG Benchmark Index Screening

Certain Funds seek to track the performance of a Benchmark Index which is stated by the index provider to be screened against ESG criteria and to exclude issuers involved in, or deriving revenues (above a threshold specified by the index provider) from, certain business activities, or to weight issuers within the Benchmark Index to optimise ESG scores, at each index rebalance. Investors should therefore be comfortable and satisfied with the extent of ESG-related screening undertaken by a Benchmark Index prior to investing in a Fund.



Investor sentiment towards issuers which are perceived as being ESG conscious or attitudes towards ESG concepts generally may change over time which may affect the demand for ESG based investments and may also affect their performance.

Due to the ESG criteria being applied to the relevant Parent Index / investment universe in order to determine eligibility for inclusion in the relevant Benchmark Index, the Benchmark Index will comprise a narrower universe of securities compared to the Parent Index / investment universe and securities of the Benchmark Index are also likely to have different GICS sector weightings and factor weightings compared to the Parent Index / investment universe. Where the Benchmark Index targets a similar risk profile to the Parent Index / investment universe, the Benchmark Index is nevertheless likely to have a different performance profile to the Parent Index / investment universe, due to the narrower universe of securities of the Benchmark Index. This narrower universe of securities may not necessarily perform as well as those securities that do not meet the ESG screening criteria, which may adversely affect the performance of a Fund relative to another collective investment scheme which tracks the Parent Index / investment universe. The index provider of a Benchmark Index may include the application of ESG-based exclusionary criteria which may result in a Fund foregoing opportunities to purchase, or otherwise reducing exposure to or underweighting, certain securities when it might otherwise be advantageous to carry out such purchase or maintain its holding of such securities, and/or selling securities due to their ESG characteristics, when to do so might otherwise be disadvantageous. As such, the use of such criteria may affect a Fund's investment performance.

Screening of a Benchmark Index against its ESG criteria is generally carried out by an index provider only at index rebalances, although certain indices may be screened by the index provider for UNGC violators during periodic reviews in between index rebalances. Companies which have previously met the screening criteria of a Benchmark Index, and have therefore been included in the Benchmark Index and the Fund, may unexpectedly or suddenly be impacted by an event of serious controversy which negatively impacts their price and, hence, the performance of the Fund. Where these companies are existing constituents of the Benchmark Index, they will remain in the Benchmark Index and therefore continue to be held by the Fund until the next scheduled rebalancing (or periodic review) when the relevant company ceases to form part of the Benchmark Index and it is possible and practicable (in the Investment Manager's view) to liquidate the position. A Fund tracking such Benchmark Index may therefore cease to meet the ESG criteria between index rebalances until the Benchmark Index is rebalanced back in line with its index criteria, at which point the Fund will also be rebalanced in line with its Benchmark Index. At the time that the Benchmark Index excludes the affected securities, the price of the securities (in particular securities of companies impacted by an event of serious controversy) may have already dropped and not yet recovered, and the Fund could therefore be selling the affected securities at a relatively low price point.

Screening of issuers for inclusion within the Benchmark Index of a Fund is carried out by the index provider based on the ESG ratings and / or screening criteria of the index provider or other third parties. This may be dependent upon information and data obtained from third-party data providers which may on occasion be incomplete, inaccurate or inconsistent. There may also be a time lag between the date as at which the data is captured and the date on which the data is used, which may impact the timeliness and quality of the data. None of the Fund, the Manager nor the Investment Manager makes any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of the index provider's information/data providers, ESG ratings, screening criteria or the way they are implemented. In the event that the status of a security previously deemed eligible for inclusion in the Benchmark Index should change, none of the Fund, the Manager nor the Investment Manager accepts liability in relation to such change. For the avoidance of doubt, none of the Fund, the Manager nor the Investment Manager is responsible for ensuring that the securities that comprise the Benchmark Index of a Fund will meet the screening criteria applied by the index provider or ensure that the ESG ratings given by the index provider or other third parties to each security are valid.

The extent to which a Fund is able to meet its sustainability commitments or aims may vary on an ongoing basis due to factors such as market conditions, the ESG performance of underlying investments and the methodology applied by the index provider of the Benchmark Index for the Fund. If a Fund's performance falls below its sustainability commitments, the Investment Manager will take steps to bring the Fund back in compliance with its sustainability commitments at the point of the next rebalance of its Benchmark Index.

ESG screens and standards are a developing area and the ESG screens and ratings applied by the index provider may evolve and change over time.

A Fund may use FDI and hold collective investment schemes which may not comply with ESG ratings/criteria applied by an index provider. A Fund may gain limited exposure (through, including but not limited to, derivatives and shares or units of other collective investment schemes) to issuers with exposures which may not comply with socially responsible investment ("SRI") requirements and/or ESG criteria applied by the index provider. There may be potential inconsistencies in the ESG criteria or the ESG ratings applied by the underlying collective investment schemes invested in by a Fund. A Fund may also engage in securities lending and receive collateral which may not comply with the SRI requirements and/or ESG criteria applied by the index provider.

Funds with ESG categorisations or country labels

Certain Funds have adopted or obtained ESG categorisations (for example under SFDR or the French AMF rules) or country labels (for example Belgian Febelfin or French SRI). Where such Funds track a Benchmark Index and they cease to meet the requirements of their ESG categorisations or labels, it is intended that they will be brought back in line with their respective Benchmark Indices on or around the next index rebalance. At such point, the Funds will be rebalanced in line with their respective Benchmark Indices, subject to any restrictions applicable to



the Funds as a result of their ESG categorisations or country labels but not applied by the index provider to their Benchmark Indices (whether due to such restrictions not being part of the index methodology or by error). If a Fund has to not hold a security in its Benchmark Index to comply with a restriction as a result of its ESG categorisation or country label which is not met by its Benchmark Index, this could increase the tracking difference and the tracking error of the Fund. Such increase could be made worse by market volatility.

There may be conditions from time to time in which an index provider finds that it is not possible to rebalance a Benchmark Index to meet, on an optimal basis, all the ESG and non-ESG targets of the Benchmark Index at the same time and the index provider may choose to relax certain ESG or non-ESG targets based on its rules in order to carry out that rebalancing. If this happens, it will in turn impact the performance of the Fund tracking such Benchmark Index at such rebalancing.

Rules and standards for ESG categorisations and labels are a developing area. As such rules evolve over time, they may become stricter and may diverge from the index methodologies and the investment objectives, policies or strategies of the Funds and may even conflict with each other. It may not be possible or practicable for a Fund to continue to comply with the changing rules while maintaining its existing investment objective, policy and strategy or it may not be in the best interest of the Fund and its shareholders as a whole to do so. In such situations, the Fund may cease to hold certain ESG categorisations or labels after the expiry of the period given to remain compliant with the applicable rules for the ESG categorisations or labels.

Risks specific to investing in Currency Hedged Funds and Currency Hedged Share Classes

Currency Hedged Funds and Currency Hedged Share Classes

Investors should be aware that currency hedging may adversely affect the returns on their investment due to transaction costs and spreads, market inefficiency, risk premia and other factors which may be material in the case of certain currencies and/or over the long term.

Currency Hedged Funds and Currency Hedged Share Classes use forward FX contracts and spot FX contracts to reduce or minimise the risk of currency fluctuations between, in the case of a Currency Hedged Fund, the currencies of the constituent securities of its Benchmark Index against its Base Currency and, in the case of a Currency Hedged Share Class, its underlying portfolio currency exposures against its Valuation Currency. In circumstances where the Base Currency of a Currency Hedged Fund or the Valuation Currency of a Currency Hedged Share Class is generally strengthening against the currency exposures being hedged (i.e. the currencies of the constituent securities of a Currency Hedged Fund's Benchmark Index or the underlying portfolio currency exposures of a Currency Hedged Share Class), currency hedging may protect investors in the relevant Currency Hedged Fund or Share Class against such currency movements. However, where the Base Currency of a Currency Hedged Fund or the Valuation Currency of a Currency Hedged Share Class is generally weakening against the currency exposures being hedged, currency hedging may preclude investors from benefiting from such currency movements. Investors should only invest in a Currency Hedged Fund or a Currency Hedged Share Class if they are willing to forego potential gains from appreciations in the currencies of the constituent securities of a Currency Hedged Fund's Benchmark Index or the underlying portfolio currency exposures of a Currency Hedged Share Class against the Currency Hedged Fund's Base Currency or the Currency Hedged Share Class' Valuation Currency respectively.

While currency hedging is likely to reduce currency risk in the Currency Hedged Funds and Currency Hedged Share classes, it is unlikely to completely eliminate currency risk.

Currency Hedged Share Classes in non-major currencies may be affected by the fact that capacity of the relevant currency market may be limited, which could reduce the ability of the Currency Hedged Share Class to reduce its currency risk and the volatility of such Currency Hedged Share Class.

Currency Hedged Funds Tracking Currency Hedged Benchmark Indices

In accordance with the hedging methodology of the Currency Hedged Funds' Benchmark Indexes (see "Fund Descriptions" above), the foreign currency hedge of each relevant Currency Hedged Fund is reset at the end of each month using one-month forward contracts. Whilst the hedge is proportionately adjusted for net subscription and redemptions in the relevant Currency Hedged Fund, no adjustment is made to the hedge during the month to account for the price movements of underlying securities held by the relevant Currency Hedged Fund, corporate events affecting such securities, or additions, deletions or any other changes to the constituents of the Fund's Benchmark Index. During the period between each foreign currency hedge reset at month-end, the nominal amount of the hedge may not match exactly the foreign currency exposure of the relevant Currency Hedged Fund. Depending on whether the assets in each currency in the Benchmark Index have appreciated or depreciated between each hedge reset, the foreign currency exposure for that currency in the relevant Currency Hedged Fund may be under-hedged or over-hedged respectively.

Gains or losses from the foreign currency hedge of the relevant Currency Hedged Fund will not be reinvested or covered until the hedge is reset at month-end. In the event that there is a loss on the relevant Currency Hedged Fund's foreign currency hedge prior to a reset at month-end, the relevant Currency Hedged Fund (by virtue of the hedging methodology used by its Benchmark Index) will have an exposure to securities which will exceed the Net Asset Value of the relevant Currency Hedged Fund as the Fund's Net Asset Value comprises both the value of the Fund's underlying securities plus the unrealised loss on the foreign currency hedge. Conversely, in the event that there is a gain on the relevant Currency Hedged Fund's foreign currency hedge prior to reset at month-end, the relevant Currency Hedged Fund will have a lower exposure to securities than its Net Asset Value as, in this case, the relevant Currency Hedged Fund's Net Asset Value will include an unrealised gain on the foreign currency hedge. When the foreign currency hedge is reset at month-end, any such difference will be materially addressed. The Investment Manager is seeking to deliver to investors a return reflective of the return of the benchmark index



which incorporates a hedging methodology. Therefore the Investment Manager has no discretion to alter or vary the hedging methodology used by the relevant Currency Hedged Fund.

Currency Hedged Share Classes

Currency Hedged Share Classes use a currency hedging approach whereby the hedge is proportionately adjusted for net subscriptions and redemptions in the relevant Currency Hedged Share Class. An adjustment is made to the hedge to account for the price movements of the underlying securities held for the relevant Currency Hedged Share Class, corporate events affecting such securities, or additions, deletions or any other changes to the underlying portfolio holdings for the Currency Hedged Share Class, however, the hedge will only be reset or adjusted on a monthly basis and as and when a pre-determined tolerance is triggered intra-month, and not whenever there is market movement in the underlying securities. In any event, any over-hedged position arising in a Currency Hedged Share Class will be monitored daily and is not permitted to exceed 105% of the Net Asset Value of that Share Class as prescribed by the Central Bank UCITS Regulations. Under-hedged positions shall not fall short of 95% of the portion of the net asset value of the relevant Currency Hedged Share Class that is to be hedged against currency risk.

The aggregate gain or loss arising from the hedging positions of a Currency Hedged Share Class will be reduced by an adjustment to some or all of the currency hedges only on a monthly basis and as and when the aggregate exceeds a pre-determined tolerance intra-month as determined by the Investment Manager, and not whenever there is an aggregate gain or loss. When a gain or loss from a currency hedge is adjusted, either the gain will be reinvested into underlying securities or the underlying securities will be sold to meet the loss. In the event that there is a loss on the foreign currency hedge of the relevant Currency Hedged Share Class prior to an adjustment or reset, the relevant Currency Hedged Share Class will have an exposure to securities which will exceed its Net Asset Value as its Net Asset Value comprises both the value of its underlying securities plus the unrealised loss on its foreign currency hedge. Conversely, in the event that there is a gain on the foreign currency hedge of the relevant Currency Hedged Share Class prior to an adjustment or reset, the relevant Currency Hedged Share Class will have a lower exposure to securities than its Net Asset Value as, in this case, its Net Asset Value will include an unrealised gain on the foreign currency hedge. When the foreign currency hedge is adjusted or reset, any such difference will be materially addressed.

The Investment Manager will monitor the currency exposure and gain or loss arising from hedge positions of each Currency Hedged Share Class against the pre-determined tolerances daily and will determine when a currency hedge should be reset and the gain or loss arising from the currency forwards reinvested or settled, while taking into consideration the frequency and associated transaction and reinvestment costs of resetting the currency forwards. When a pre-determined tolerance threshold for a Currency Hedged Share Class is triggered as at the close of a Business Day, the relevant currency hedge will be reset or adjusted only on the next Business Day (on which the relevant currency markets are open); therefore, there could be a Business Day's lag prior to the hedge position being reset or adjusted.

The triggers for resetting and adjusting the hedge are pre-determined by the Investment Manager and periodically reviewed for appropriateness. Other than this periodic adjustment of the tolerance levels, the Investment Manager has no discretion to alter or vary the hedging methodology used by the relevant Currency Hedged Share Class (other than in exceptional market circumstances where the Investment Manager believes that it would be in investors' interests to reset or adjust the hedge before the trigger levels are exceeded, or not reset or adjust the hedge if they are exceeded).

Interest Rate Hedged Fund

The Benchmark Index which the Interest Rate Hedged Fund tracks is designed to provide returns that minimise the effect of changes in underlying bond yields. Investors should only invest in the Interest Rate Hedged Fund if they are willing to forego potential gains from the reduction in underlying interest rates. Investors should note that whilst the Interest Rate Hedged Fund aims to minimise the effect of a movement in interest rates they may not eliminate it completely.

Interest Rate Hedging Methodology

In accordance with the hedging methodology of the Interest Rate Hedged Fund's Benchmark Index (see "Fund Descriptions" above), the interest rate hedge of the Interest Rate Hedged Fund is set at the start of each month using a US Treasury bond futures contract. Whilst the hedge is proportionately adjusted for net subscription and redemptions in the Interest Rate Hedged Fund, no adjustment is made to the hedge during the month to account for price movements of underlying securities held by the Interest Rate Hedged Fund, corporate events affecting such securities, or additions, deletions or any other changes to the constituents of the Benchmark Index. During the period between the hedge reset, the offsetting duration contribution of the US Treasury bond futures may not match exactly the duration of the Interest Rate Hedged Fund. Depending on whether the Benchmark Index has appreciated or depreciated between each hedge reset, the interest rate exposure of the Interest Rate Hedged Fund may be under-hedged or over-hedged respectively.

Positions in futures contracts require the Interest Rate Hedged Fund to post cash as initial margin and variation margin, which will reflect any gains or losses from the futures positions. As a result the Interest Rate Hedged Fund will have a lower exposure to securities than its Benchmark Index.



Risks specific to use of FDI

FDI Risks

Each Fund may use FDI for the purposes of efficient portfolio management or, where stated in the investment policy of a Fund, for direct investment purposes. Such instruments involve certain special risks and may expose investors to an increased risk of loss. These risks may include credit risk with regard to counterparties with whom the Fund trades, the risk of settlement default, lack of liquidity of the FDI, imperfect tracking between the change in value of the FDI and the change in value of the underlying asset that the Fund is seeking to track and greater transaction costs than investing in the underlying assets directly.

In accordance with standard industry practice when entering into a FDI, a Fund may be required to secure its obligations to its counterparty. For non-fully funded FDI, this may involve the placing of initial and/or variation margin assets with the counterparty. For FDI which require a Fund to place initial margin assets with a counterparty, such assets may not be segregated from the counterparty's own assets and, being freely exchangeable and replaceable, the Fund may have a right to the return of equivalent assets rather than the original margin assets deposited with the counterparty. These deposits or assets may exceed the value of the relevant Fund's obligations to the counterparty in the event that the counterparty requires excess margin or collateral. In addition, as the terms of an FDI may provide for one counterparty to provide collateral to the other counterparty to cover the variation margin exposure arising under the FDI only if a minimum transfer amount is triggered, the Fund may have an uncollateralised risk exposure to a counterparty under an FDI up to such minimum transfer amount. A default by the counterparty in such circumstances will result in a reduction in the value of the Fund and thereby a reduction in the value of an investment in the Fund.

Additional risks associated with investing in FDI may include a counterparty breaching its obligations to provide collateral, or due to operational issues (such as time gaps between the calculation of risk exposure to a counterparty's provision of additional collateral or substitutions of collateral or the sale of collateral in the event of a default by a counterparty), there may be instances where a Fund's credit exposure to its counterparty under a FDI is not fully collateralised but each Fund will continue to observe the limits set out in paragraph 2.8 of Schedule III. The use of FDI may also expose a Fund to legal risk, which is the risk of loss due to the unexpected application of a law or regulation, or because a court declares a contract not legally enforceable.

Uncollateralised FDI

In addition to the risks associated with trading in FDI, trading in FDI which have not been collateralised gives rise to direct counterparty exposure. For FDI which are not collateralised (including, without limitation, mortgage-backed forward instruments where the underlying is unknown (commonly known as "TBAs")), such counterparty exposure exists for the period during the trading and settlement dates. A default by the issuer of such instrument may result in a reduction in the value of the Fund.

Other general risks

Fund Liability Risk

The Company is structured as an umbrella fund with segregated liability between its Funds. As a matter of Irish law, the assets of one Fund will not be available to meet the liabilities of another. However, the Company is a single legal entity that may operate or have assets held on its behalf or be subject to claims in other jurisdictions that may not necessarily recognise such segregation of liability. As at the date of this Prospectus, the Directors are not aware of any such existing or contingent liability.

Funds with Multiple Share Classes

While assets and liabilities that are specific to a Share Class within a Fund would be attributable to (and should be borne by) only that Share Class, there is no segregation of liabilities between Share Classes as a matter of Irish law. Due to the lack of segregation of liabilities as a matter of law, there is a risk that the creditors of a Share Class may bring a claim against the assets of the Fund notionally allocated to other Share Classes.

In practice, cross liability between Share Classes is only likely to arise where the aggregate liabilities attributable to a Share Class exceed the aggregate assets of the Fund notionally allocated to that Share Class. Such a situation could arise if, for example, there is a default by a counterparty in respect of the relevant Fund's investments. In these circumstances, the remaining assets of the Fund notionally allocated to other Share Classes of the same Fund may be available to meet such payments and may accordingly not be available to meet any amounts that otherwise would have been payable to holders of Shares of such other Share Classes.

Funds with One or More Currency Hedged Share Classes

Currency Hedged Share Classes hedge their currency exposure using forward FX contracts and spot FX contracts. All gains, losses and expenses arising from hedging transactions for a particular Currency Hedged Share Class are attributed only to that Currency Hedged Share Class and should generally be borne only by the investors in that Share Class. However, given that there is no segregation of liabilities between Share Classes under law, there is a risk that, if the assets notionally allocated to a Currency Hedged Share Class are insufficient to meet the losses arising from its hedging transactions (in addition to other fees and expenses attributable to such Share Class), the losses arising from the hedging transactions for such Share Class could affect the Net Asset Value per Share of one or more other Share Classes of the same Fund.

Insufficiency of Duties and Charges

The Fund levies Duties and Charges in order to defray the costs associated with the purchase and sale of Investments. The level of Duties and Charges may be determined by the Manager in advance of the actual purchase or sale of Investments or execution of associated foreign exchange. It may be estimated based on historic



information concerning the costs incurred in trading the relevant securities in the relevant markets. This figure is reviewed periodically and adjusted as necessary. If the Fund levies Duties and Charges which are insufficient to discharge all of the costs incurred in the purchase or sale of Investments, the difference will be paid out of the assets of the Fund, which, pending the reimbursement of the shortfall by an Authorised Participant, will result in a reduction in the value of the Fund (and a corresponding reduction in the value of each Share). In circumstances where Shares subscribed have been issued to an Authorised Participant prior to the receipt by the Fund from the Authorised Participant of the full costs incurred or to be incurred by the Fund in acquiring underlying investments attributable to a subscription, the Fund will have a credit exposure as an unsecured creditor to the Authorised Participant in respect of any shortfall. Similarly, in circumstances where redemption proceeds have been paid to the Authorised Participant prior to the deduction from such proceeds of the full costs incurred or to be incurred by the Fund in disposing of underlying investments attributable to a redemption, the Fund will have a credit exposure as an unsecured creditor to the Authorised Participant in respect of any shortfall.

Failure to Settle

If an Authorised Participant submits a dealing request and subsequently fails or is unable to settle and complete the dealing request, the Company will have no recourse to the Authorised Participant other than its contractual right to recover such costs. In the event that no recovery can be made from the Authorised Participant and any costs incurred as a result of the failure to settle will be borne by the Fund and its investors.

Taxation Risks

Potential investors' attention is drawn to the taxation risks associated with investment in the Company. See the section headed "Taxation".

Changes in taxation legislation may adversely affect the Funds

The tax information provided in the "Taxation" section is based, to the best knowledge of the Company, upon tax law and practice as at the date of this Prospectus. Tax legislation, the tax status of the Company and the Funds, the taxation of investors and any tax relief, and the consequences of such tax status and tax relief, may change from time to time. Any change in the taxation legislation in Ireland or in any jurisdiction where a Fund is registered, cross-listed, marketed or invested could affect the tax status of the Company and the relevant Fund, affect the value of the relevant Fund's Investments in the affected jurisdiction, affect the relevant Fund's ability to achieve its investment objective, and/or alter the post-tax returns on Shares held. Where a Fund invests in FDI the preceding sentence may also extend to the jurisdiction of the governing law of the FDI contract and/or the FDI counterparty and/or to the market(s) comprising the underlying exposure(s) of the FDI.

The availability and value of any tax relief available to investors depend on the individual circumstances of investors. The information in the "Taxation" section is not exhaustive and does not constitute legal or tax advice. Prospective investors are urged to consult their tax advisors with respect to their particular tax situations and the tax effects of an investment in the Funds.

Withholding tax reclaims

The Company may be subject to withholding or other taxes on income and/or gains arising from its investment portfolio. Where the Company invests in securities that are not subject to withholding or other taxes at the time of acquisition, there can be no assurance that tax may not be imposed in the future as a result of any change in applicable laws, treaties, rules or regulations or the interpretation thereof. The Company may not be able to recover such tax and so any such change could have an adverse effect on the Net Asset Value of the Fund.

The Company (or its representative) may file claims on behalf of the Funds to recover withholding tax on dividend and interest income (if any) received from issuers in certain countries where such withholding tax reclaim is possible. Whether or when a Fund will receive a withholding tax refund in the future is within the control of the tax authorities in such countries. Where the Company expects to recover withholding tax for a Fund based on a continuous assessment of probability of recovery, the Net Asset Value of that Fund generally includes accruals for such tax refunds. The Company continues to evaluate tax developments for potential impact to the probability of recovery for such Funds. If the likelihood of receiving refunds materially decreases, for example due to a change in tax regulation or approach, accruals in the relevant Fund's Net Asset Value for such refunds may need to be written down partially or in full, which will adversely affect that Fund's Net Asset Value. Investors in that Fund at the time an accrual is written down will bear the impact of any resulting reduction in Net Asset Value regardless of whether they were investors during the accrual period. Conversely, if the Fund receives a tax refund that has not been previously accrued, investors in the Fund at the time the claim is successful will benefit from any resulting increase in the Fund's Net Asset Value. Investors who disposed of their interest in Shares prior to such time will not benefit from such Net Asset Value increase.

Tax liability in new jurisdictions

Where a Fund invests in a jurisdiction where the tax regime is not fully developed or is not sufficiently certain, for example the Middle East, the Company, the relevant Fund, the Manager, the Investment Manager, the Depositary, the Administrator and the Transfer Agent shall not be liable to account to any holder of Shares for any payment made or suffered by the Company or the relevant Fund in good faith to a fiscal authority for taxes or other charges of the Company or the relevant Fund notwithstanding that it is later found that such payments need not or ought not have been made or suffered.

Conversely, where through fundamental uncertainty as to the tax liability, adherence to best or common market practice (to the extent that there is no established best practice) that is subsequently challenged or the lack of a



developed mechanism for practical and timely payment of taxes, the relevant Fund pays taxes relating to previous years, any related interest or late filing penalties will likewise be chargeable to the Fund. Such late paid taxes will normally be debited to the fund at the point the decision to accrue the liability in the Fund accounts is made.

Treatment of tax by index providers

Investors should be aware that the performance of Funds, as compared to a Benchmark Index, may be adversely affected in circumstances where the assumptions about tax made by the relevant index provider in their index calculation methodology, differ to the actual tax treatment of the underlying securities in the Benchmark Index held within Funds.

FATCA

Investors should also read the information set out under the heading "FATCA and other cross-border reporting systems", particularly in relation to the consequences of the Company being unable to comply with the terms of such reporting systems.

Transfer of interests in a Fund with India Exposure

Section 9 of the Indian Income Tax Act (applicable with retrospective effect from April 1, 1961) provides that a transfer of any share or interest in a foreign entity is subject to capital gains tax in India, if its value is substantially derived, directly or indirectly, from assets located in India ("**Indirect Transfer Tax**"). However, the law provides a carve-out under which the Indirect Transfer Tax does not apply to investments, direct or indirect, made in Category I and Category II FPIs. On the basis of this carve-out and each Fund with India Exposure being registered as a Category II FPI, the investors would not be liable to tax in India on the redemption from, or the sale of their Shares or interest in a Fund with India Exposure.

Liquidity Risk

A Fund's investments may be subject to liquidity constraints, which means they may trade less frequently and in small volumes. Securities of certain types, such as bonds and mortgage-backed instruments, may also be subject to periods of significantly lower liquidity in difficult market conditions. As a result, changes in the value of investments may be more unpredictable. In certain cases, it may not be possible to sell the security at the price at which it has been valued for the purposes of calculating the Net Asset Value of the Fund or at a value considered to be fairest. Reduced liquidity of a Fund's investments may result in a loss to the value of your investment.

Dealing Day Risk

As foreign exchanges can be open on days which are not Dealing Days or days when a Fund may have suspended calculation of its Net Asset Value and the subscription and redemption of Shares and, therefore, Shares in the Fund are not priced, the value of the securities in the Fund's portfolio may change on days when a Fund's Shares will not be able to be purchased or sold.

Share Subscriptions and Redemptions

Provisions relating to the redemption of Shares grant the Company discretion to limit the amount of Shares available for redemption on any Dealing Day to 10% of the Net Asset Value of any Fund and, in conjunction with such limitations, to defer or pro-rate such redemption requests. In addition, where requests for subscription or redemption are received late, there will be a delay between the time of submission of the request and the actual date of subscription or redemption. Such deferrals or delays may operate to decrease the number of Shares or the redemption amount to be received.

Umbrella Cash Subscription and Redemption Account Risk

Subscriptions monies received in respect of a Fund in advance of the issue of Shares will be held in the Umbrella Cash Collection Account. Investors will be unsecured creditors of such Fund with respect to the amount subscribed until such Shares are issued, and will not benefit from any appreciation in the Net Asset Value of the Fund or any other shareholder rights (including dividend entitlement) until such time as Shares are issued. In the event of an insolvency of the Fund or the Company, there is no guarantee that the Fund or Company will have sufficient funds to pay unsecured creditors in full.

Payment by the Fund of redemption proceeds and dividends is subject to receipt by the Transfer Agent of original subscription documents and compliance with all anti-money laundering procedures. Notwithstanding this, the redeemed Shares will be cancelled from the relevant redemption date. Redeeming Authorised Participants and Authorised Participants entitled to distributions will, from the redemption or distribution date, as appropriate, be unsecured creditors of the Fund, and will not benefit from any appreciation in the Net Asset Value of the Fund or any other rights (including further dividend entitlement), with respect to the redemption or distribution amount. In the event of an insolvency of the Fund or the Company during this period, there is no guarantee that the Fund or Company will have sufficient funds to pay unsecured creditors in full. Redeeming Authorised Participants and Authorised Participants entitled to distributions should therefore ensure that any outstanding documentation and information is provided to the Transfer Agent promptly. Failure to do so is at such Authorised Participant's own risk.

In respect of the Umbrella Cash Collection Account, in the event of the insolvency of another Fund of the Company, recovery of any amounts to which a Fund is entitled, but which may have transferred to such other Fund as a result of the operation of the Umbrella Cash Collection Account, will be subject to the principles of Irish insolvency and trust law and the terms of the operational procedures for the Umbrella Cash Collection Account. There may be delays in effecting and / or disputes as to the recovery of such amounts, and the insolvent Fund may have



insufficient funds to repay amounts due to the relevant Fund. Accordingly, there is no guarantee that such Fund or the Company will recover such amounts. Furthermore, there is no guarantee that in such circumstances such Fund or the Company would have sufficient funds to repay any unsecured creditors.

Trading Currency Exposure

Shares may be traded in various currencies on various stock exchanges. In addition, subscriptions and redemptions of Shares in a Fund will ordinarily be made in the Valuation Currency of the Shares and may in some cases be permitted in other currencies. The currencies in which the underlying investments of a Fund are denominated may also differ from the Base Currency of the Fund (which may follow the base currency of the Fund's Benchmark Index) and from the Valuation Currency of the Shares. Depending on the currency in which an investor invests in a Fund, foreign exchange fluctuations between the currency of investment, the Valuation Currency of the Shares and the Base Currency of the Fund and/or the currencies in which the Fund's underlying investments are denominated, will have an impact on, and may adversely affect, the value of such investor's investments.

Temporary Suspension

Investors are reminded that in certain circumstances their right to redeem or switch Shares may be temporarily suspended. Please see "Temporary Suspension of Valuation of the Shares and of Sales, Redemptions and Switching" on page 102.

Valuation Risk

Certain assets of the Fund may become illiquid and/or not publicly traded. Such securities and financial instruments may not have readily available prices and may therefore be difficult to value. The Manager, Investment Manager or Administrator may provide valuation services (to assist in calculating the Net Asset Value of a Fund) in relation to such securities and financial instruments. Investors should be aware that in these circumstances a possible conflict of interest may arise as the higher the estimated valuation of the securities the higher the fees payable to the Manager, Investment Manager or Administrator. Please see "Conflicts of Interest - General" on page 119 for details of how the Company deals with conflicts. In addition, given the nature of such Investments, determinations as to their fair value may not represent the actual amount that will be realised upon the eventual disposal of such Investments.

Reference Rate Risk

Certain of the Funds' investments, benchmarks and payment obligations may be based on floating rates, such as the European Interbank Offer Rate ("EURIBOR"), Sterling Overnight Index Average ("SONIA"), and other similar types of reference rates ("Reference Rates"). The changes or reforms to the determination or supervision of Reference Rates could have an adverse impact on the market for, or value of, any securities or payments linked to those Reference Rates. In addition, any substitute Reference Rate and any pricing adjustments imposed by a regulator or by counterparties or otherwise may adversely affect a Fund's performance and/or Net Asset Value.

Operational Risk

The Funds are exposed to operational risks arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of service providers, counterparties or other third parties, failed or inadequate processes and technology or systems failures. The Manager seeks to reduce these operational risks through controls and procedures and, through its monitoring and oversight of providers of services for the Funds, also seeks to ensure that such service providers take appropriate precautions to avoid and mitigate risks that could lead to disruptions and operating errors. However, it is not possible for the Manager and other service providers to identify and address all of the operational risks that may affect a Fund or to develop processes and controls to completely eliminate or mitigate their occurrence or effects.

A Fund's operations (including investment management, distribution, collateral management, administration and currency hedging) are carried out by several service providers which are selected based on a rigorous due diligence process.

Nevertheless, the Manager and other providers of services for the Funds may experience disruptions or operating errors such as processing errors or human errors, inadequate or failed internal or external processes, or systems or technology failures, provision or receipt of erroneous or incomplete data, resulting in operational risk which may have a negative effect on the Fund's operations and may expose the Fund to a risk of loss. This can manifest itself in various ways, including business interruption, poor performance, information systems malfunctions or failures, provision or receipt of erroneous or incomplete data or loss of data, regulatory or contractual breaches, human error, negligent execution, employee misconduct, fraud or other criminal acts. Investors could experience delays (for example, delays in the processing of subscriptions, switching and redemption of Shares) or other disruptions.

While the Manager seeks to minimise operational errors as set out above, there may still be failures that could cause losses to a Fund and reduce the value of the Fund.

Cybersecurity Risk

A Fund or any of the service providers, including the Manager and the Investment Manager, may be subject to risks resulting from cybersecurity incidents and/or technological malfunctions.

A cybersecurity incident is an event that may cause a loss of proprietary information, data corruption or a loss of operational capacity. Cybersecurity incidents can result from deliberate cyber-attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through hacking or malicious software coding) for the purposes of misappropriating assets or sensitive information, corrupting data, releasing confidential information without authorisation or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial of-service



attacks on websites, which may make network services unavailable to intended users. The issuers of securities and counterparties to other financial instruments in which a Fund invests may also be subject to cybersecurity incidents. Cybersecurity incidents may cause a Fund to suffer financial losses, interfere with a Fund's ability to calculate its Net Asset Value, impede trading, disrupt the ability of investors to subscribe for, exchange or redeem their Shares, violate privacy and other laws and incur regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Cyber-attacks may render records of assets and transactions of a Fund, Shareholder ownership of Shares, and other data integral to the functioning of a Fund inaccessible, inaccurate or incomplete. In addition, substantial costs may be incurred in order to prevent any cybersecurity incidents in the future which may adversely impact a Fund.

While the Manager and the Investment Manager have established business continuity plans and risk management strategies to seek to prevent cybersecurity incidents, there are inherent limitations in such plans and strategies, including the possibility that certain risks have not been identified given the evolving nature of the threat of cyber-attacks. Furthermore, none of the Manager or the Investment Manager can control the business continuity plans or cybersecurity strategies put in place by other service providers to a Fund or issuers of securities and counterparties to other financial instruments in which a Fund invests.

Technological malfunctions may occur from factors such as processing errors, human errors, inadequate or failed internal or external processes, failure in systems and technology, changes in personnel, infiltration by unauthorised persons and errors caused by service providers. Whilst the Manager and the Investment Manager seek to minimise such events through controls and oversight, there may still be failures that could cause losses to the Funds.

The Investment Manager relies on its third party service providers for many of their day-to-day operations and will be subject to the risk that the protections and policies implemented by those service providers will be ineffective to protect the Investment Manager or a Fund from cyber-attack and/or technological malfunction.



NEXBRIDGE DIGITAL FINANCIAL SOLUTIONS, SOCIEDAD ANÓNIMA DE CAPITAL VARIABLE
(Compañía Salvadoreña)
BALANCE INICIAL/AL 25 DE AGOSTO DE 2023
(Expresado en Dolares de los Estados Unidos de América)

ACTIVO

ACTIVO CORRIENTE	\$ 25,000.00	PASIVO	
EFFECTIVO Y EQUIVALENTES	\$ 1,250.00	CAPITAL SOCIAL	
ACCIONISTAS	23,750.00	CAPITAL SOCIAL MÍNIMO PAGADO	\$ 1,250.00
		CAPITAL SOCIAL MÍNIMO NO PAGADO	23,750.00
			25,000.00

TOTAL PASIVO Y PATRIMONIO

\$ 25,000.00

TOTAL ACTIVO

\$ 25,000.00

TOTAL PASIVO Y PATRIMONIO

\$ 25,000.00

JACQUES MICHAEL COUWELS AGUILAR
REPRESENTANTE LEGAL

JERSON ALFREDO LOPEZ JUÁREZ
CONTADOR

AUDITORIA, FINANZAS E IMPUESTOS, S.A. DE C.V.
AUDITORES EXTERNOS, INSCRIPCIÓN No 5247
LIC. HUGO ELISEO GARCIA MORAN
SOCIO DIRECTOR, INSCRIPCIÓN No 5059

AUDITOR HUGO ELISEO GARCIA MORAN
INSCRIPCIÓN No. 5059
CVPCPA
REPÚBLICA DE EL SALVADOR



REGISTRO DE COMERCIO: DEPARTAMENTO DE BALANCES: SAN SALVADOR, a las diez horas y cincuenta y un minutos del día treinta y uno de agosto de dos mil veintitrés.

Admitase en calidad de DEPÓSITO el Balance Inicial, practicado al veinticinco de agosto de dos mil veintitrés, del comerciante: NEXBRIDGE DIGITAL FINANCIAL SOLUTIONS, SOCIEDAD ANONIMA DE CAPITAL VARIABLE, que se puede abreviar: NEXBRIDGE DIGITAL FINANCIAL SOLUTIONS, S.A. DE C.V., presentado al número: 0202368481, a las catorce horas y veinticinco minutos del día veinticinco de agosto de dos mil veintitrés.

DERECHOS: \$17.14, según comprobante de pago número 14546217Q del día veintitrés de agosto de dos mil veintitrés.

DEPOSITADO EN EL REGISTRO DE COMERCIO BAJO EL NUMERO 275983, SAN SALVADOR, treinta y uno de agosto de dos mil veintitrés.

Se hace constar que la información presentada en los Estados Financieros depositados es de exclusiva responsabilidad del comerciante que los depone.


LIC. LISSETTE ESMERALDA MENJIVAR DE PEREZ
Contador Público
LM3736



Appendix VII - Smart Contract Audit Report





USTBL LIQUID TOKEN ISSUANCE

INDEPENDENT AUDIT REPORT

OFERTA PÚBLICA DE TOKENS \$USTBL EMISIÓN DE ACTIVO DIGITAL USTBL

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Auditing Scope and Methodology _____	2
Discovery, Q&A, Recommendations _____	3
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Executive Summary

The USTBL token will represent a digital asset public offering of economic rights that provide exposure to US Dollar-denominated short-term government bonds issued by the US Treasury, with remaining maturities between zero and one year. The underlying ETF is BlackRock's **iShares \$ Treasury Bond 0-1yr UCITS**.
(link below)

- <https://www.ishares.com/uk/individual/en/products/307243/ishares-treasury-bond-0-1yr-ucits-etf>

The USTBL token facilitates the ability to trade the asset on a digital platform that is available 24x7x365.

The token issuance, token economics, characteristics and features around this digital asset are well structured, clearly documented and do not show any critical issues during the audit. The digital asset will be tokenized on the world's most decentralized, distributed, and secure blockchain – Bitcoin. Smart contract governance and issuance is provided by a reputable parallel and secondary blockchain network – Liquid. Liquid is one of the most highly regarded exchanges in the global market, including security, transparency to customers and clients as well as adherence to the highest industry standards.

AUDITING SCOPE AND METHODOLOGY

Auditing Scope and Methodology

THE DETAILS OF THE TOKEN ISSUANCE AND GOVERNANCE HAVE BEEN PROVIDED BY NEXBRIDGE VIA THE FOLLOWING DOCUMENT – “*RID USTBL VDEF (ENG)*”

AS PART OF THE AUDIT, UILA SV ENSURES THE TOKEN ISSUANCE MEETS THE FOLLOWING CRITERIA:

- Token or digital asset is being created on a viable blockchain (Bitcoin) and layer (Liquid)
- Token features, and token economics are fully documented in a clear and detailed manner
- The smart contract will be developed exclusively on the Liquid blockchain utilizing Blockstream AMP code and covenants. This platform provides governance along with decentralized and federated infrastructure
- Token Issuance:
 - 200M USTBL tokens will be minted
 - Unsubscribed minted tokens will be stored in a dedicated wallet managed by Nexbridge
 - Tokens will only be distributed in a consistent repeatable manner at the time of investor subscriptions
 - Unsubscribed tokens are excluded from any token price consideration
 - During the initial subscription period tokens will be priced at \$1 USD
- The maximum amount of USTBL token is 200 million
- USTBL tokens will be traded in Bitcoin (BTC), and USD stablecoin
- The USTBL token represents economic rights equivalent to \$1 USD at the time of initial subscription
 - This token is linked to the performance of the underlying ETF and functions as an open-ended instrument, meaning it does not have a fixed maturity or termination date
 - Investors can freely trade the token on the open market at prices that reflect the underlying ETF's net asset value
 - As long as the underlying ETF remains operational, the token will persist, providing continuous trading and investment flexibility according to market conditions
- The redemption period for the tokens will start three months after the closing of the initial subscription period
- There is an annual management fee of 0.35% and a direct redemption fee of 0.10%
- Minimum token amount is one, meaning no subdivision of tokens
- Follows best practices to avoid unnecessary burn, tax and or transfer fees, i.e. waste
- Smart contract issuance and governance via Liquid ensures methods are safe from reentrance attacks and not affected via current vulnerabilities

Discovery, Q&A, Recommendations

Technology used:

Blockstream's Liquid technology enables the issuance of custom tokens on its Bitcoin layer two sidechain, offering users and organizations a robust and secure platform for creating digital assets. When a token is issued on the Liquid blockchain, it benefits from several advanced features that this network provides. One of the most notable is the ability to make confidential transactions. This means that although transactions are verifiable and secure, specific details such as the amounts and types of assets transferred can be kept private.

Additionally, the Liquid network offers fast transaction settlement, which is crucial for applications that require a high frequency of transactions or for situations where speed of settlement is a priority. Tokens issued on Liquid can also take advantage of the network's consortium mechanism, where a select group of trustworthy entities are responsible for validating and confirming transactions, providing a balance between efficiency and decentralization. This approach is particularly attractive to financial institutions and businesses looking for a blockchain solution that offers both security and operational efficiency. Tight integration with Bitcoin through cross-chain exchange capability also expands the usability of these tokens, allowing for greater flexibility and accessibility to a broader financial ecosystem.

Main features of the token:

The information presented below details the characteristics and configuration of the token called "USTBL", with symbol "\$USTBL":

Token Name – USTBL

Feature Explanation:

It is the name assigned to the token.

Symbol – \$USTBL

Feature Explanation:

Represents the abbreviated symbol of the token.

Initial Existence – 30 million – 200 million Tokens

Feature Explanation:

The initial number of tokens issued is between 30 million and 200 million

DISCOVERY, Q&A, RECOMMENDATIONS

Decimals (0 - 18) – 0

Feature Explanation:

The token has no decimals, meaning it cannot be divided into smaller units.

Token Standard – Liquid Asset

Feature Explanation:

This standard is specific to the Liquid network, which is a Bitcoin sidechain designed to facilitate faster and more private transactions.

Can it burn? - Yes

Feature Explanation:

Indicates whether the token allows token burning to decrease the total supply.

Can it be created? – Yes, up to 200 million total supply

Feature Explanation:

It refers to the ability to create more tokens after the initial issuance to increase the supply.

Can it be paused? – Yes

Feature Explanation:

Determines whether token operations can be stopped and resumed, useful in case of vulnerabilities or attacks.

Can a Blacklist be created? - Yes

Feature Explanation:

Allows malicious actors to be added to a blacklist after initial token creation.

DISCOVERY, Q&A, RECOMMENDATIONS

Charge Tax – No

Feature Explanation:

Sets whether a portion of each token transfer will go to a tax.

Transaction Fee? – No, only applicable for direct redemption of 0.10%.

Feature Explanation:

Sets whether a portion of each token transfer will incur a fee.

Apply burn fee? - No

Feature Explanation:

If activated, a portion of the token will be burned on each transfer.

Change Owner? - Yes

Feature Explanation:

Determines if the owner of the token can be changed.

Do you have a document? - Yes

Feature Explanation:

Possibility of associating documentation with the token.

Maximum number of Tokens per address? - No

Feature Explanation:

Sets a maximum limit of tokens that an address can own.

DISCOVERY, Q&A, RECOMMENDATIONS

Can it be forcibly transferred? – Yes, if suspicious activity is detected, tokens can be frozen.

Feature Explanation:

It allows the issuer to transfer, burn, or blacklist tokens to impede suspicious activity.

Does it require a Whitelist? - Yes

Feature Explanation:

Defines whether token transfers are only possible to whitelisted addresses.

DISCOVERY, Q&A, RECOMMENDATIONS

TAKEAWAYS & RECOMMENDATIONS

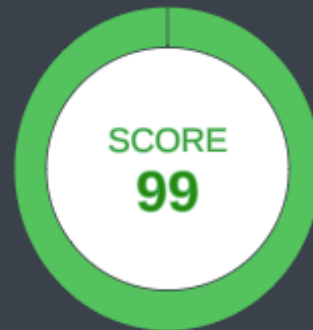
1. Recommend creating a publicly available document or set of documents detailing the USTBL characteristics, features and governance to be published at the time of listing

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

PASS

UILA SV has concluded that this token issuance and underlying smart contract passes the security qualifications to be listed on a digital asset exchange



CONTACT INFORMATION

Contact Information



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UILA SV

F5 Calle Canada Nte., Condominio San Blas, La Libertad, SV

Tel 808.352.0518

<https://uila.io>

We are grateful for the opportunity to work with the Nexbridge Digital Asset team.

The statements contained in this document should not be misconstrued as investment or legal advice and the authors of this document shall not be held accountable for any investment or legal decisions made based on them.



Appendix VIII - USTBL Performance

Assets	0/1/1900	30/11/2024	15/12/2024	31/12/2024	15/1/2025	31/1/2025	15/2/2025	28/2/2025
Underlying asset	10,004.45	10,024.73	10,046.61	10,062.05	10,083.00	10,099.01	10,116.94	10,133.49
	n.a.	0.20%	0.22%	0.15%	0.21%	0.16%	0.18%	0.16%
USTBL	9,989.90	10,007.88	10,025.89	10,038.36	10,060.85	10,076.79	10,092.99	10,105.45
	n.a.	0.18%	0.18%	0.12%	0.22%	0.16%	0.16%	0.12%

