WHITEPAPER

XAUE

Defining the New Standard for Productive Gold

Aurise Foundation

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Summary of the XAUE

Since the development of smart contract technology on Ethereum, various projects have continuously attempted to issue tokens backed by real-world assets using blockchain in order to maximize the liquidity of such assets. Among these, Tether Gold (XAU₮) has established itself as a representative example of an on-chain gold asset. It enables global investors to easily hold digital gold linked to physical gold while preserving gold's core characteristics as a safe-haven asset, an inflation hedge, and a long-term store of value.

XAU₮ was successfully launched into the market by maintaining transparent regulatory disclosures and official physical redemption (approximately 430 XAU₮ per standard gold bar), thereby pioneering a market that allows investors to gain exposure to gold without directly holding physical bullion. However, XAU₮ shares the same limitation as physical gold: simply holding gold does not generate any yield.

XAUE is a decentralized finance protocol developed with the goal of generating liquidity for holders of XAU₮ or physical gold. XAUE aims to position gold as a foundational anchor asset and as a "qualified margin asset" within the DeFi ecosystem.

To achieve this goal, Aurise Foundation has separated smart contract development on the Ethereum network from financial operations. Through this deliberately designed DeFi architecture, XAUE seeks to ensure the security and stability of the protocol layer, while integrating the value preservation of XAU₮ backed by physical gold with an on-chain, professional asset management mechanism.

Aurise Foundation expects that XAUE will enable XAU₮ with additional yield generation, allowing investors to develop more diverse and stable return strategies. Furthermore, it is expected to help shape long-term gold investment strategies while enabling gold to be utilized as a means of hedging various financial risks.

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1. Introduction

The limitations of gold investment products offered in traditional financial markets, particularly their low accessibility and limited transactional utility, have been significantly improved with the launch of XAU₮. However, due to its nature as a gold-backed stablecoin issued based on physical assets, XAU₮ shares the same characteristics as physical gold, which makes it difficult to generate additional income such as interest. As a result, it has inherent disadvantages in terms of maximizing returns from gold investment.

XAUE is the institutional staking receipt for physical gold or XAU₮ with yield generation. Therefore, the fundamental properties of the token are the representation of the staking of XAU₮, meaning it equally grants the right to redeem physical gold. In addition, to address potential liquidity issues arising from the nature of XAU₮—which reflects the value of physical gold—XAUE introduces a 1:1000 fractional standard, improving accessibility for retail investors and helping to resolve liquidity constraints.

1.1 Core Features & Identity

For XAUE to achieve the same level of trust as XAU₮, a multi-faceted approach is required that extends beyond the intrinsic nature of the asset. This includes addressing compliance considerations such as anti-money laundering, ensuring interoperability across various blockchain networks and market participants, and enhancing asset accessibility.

We aim to transform gold into a yield-generating asset through the following four pillars:

Gold-Standard Yield

- **Pure Gold Standard:** Aurise Foundation maintains the beta of physical gold / XAU₮.
- Yield generation through XAU₮ collateral and further conversion back into XAU₮ or physical gold and reinvestment, so that the total gold holdings are designed to continuously increase over time.

Institutional Compliance & Access

- **Compliance & Security:** XAUE has been designed to address various compliance requirements, including AML and KYC/KYB, as well as financial service regulations in jurisdictions where access to the protocol is permitted. Accordingly, all interactions with the protocol, including the minting and redemption of XAUE, are restricted to participants who have completed the onboarding process

through entities designated by the AURISE Foundation. All participants are required to complete KYC/KYB and anti-money laundering procedures. This approach mitigates counterparty risk among participants while ensuring trust in transactions.

- **Physical Redemption Capability:** As a staking receipt asset for physical gold or XAU₮, XAUE represents the underlying rights of XAU₮. As the protocol and project develop, Qualified holders may retain the right to redeem physical gold (London Good Delivery bars) through Tether's official channels after redeeming XAU₮.
- **Radical Transparency:** All off-chain assets are monitored via a Proof of Reserve (PoR) mechanism to ensure asset solvency.

Ecosystem Composability

- **Multi-Layered Trading Markets:** Our ecosystem blueprint in the future may include establishing deep liquidity on both Centralized Exchanges (CEX) and Decentralized Exchanges (DEX). XAUE is planned not only as an on-chain asset but also as a base anchor asset for gold investment and a so-called "qualified margin asset" to bridge centralized and decentralized finance environments.

Fractional Design

- **Low-Barrier Circulation:** Addressing the high unit price of gold assets (~$5,000/oz), Aurise Foundation employs a 1000:1 split design to convert it into a user-friendly unit (~$5.00). This not only drastically lowers the holding threshold, facilitating deep DEX liquidity, but also gives it the potential to serve as a tool for daily micro-payments.

1.2 Roles & Architecture

To ensure stable operation, transparency, and a high level of security of the protocol, it is necessary to clearly define the roles and responsibilities of each participant. The XAUE protocol separates issuance from operation and consists of custodial institutions and protocol participants to enable transparent operation. Their respective roles and responsibilities are as follows:

The Issuer (Protocol Steward)

Definition: The initiator and technical maintainer of the XAUE protocol.

Responsibilities:

- **Protocol Governance:** Responsible for smart contract deployment, upgrades, parameter adjustments, and security audits.
- **NAV Management Oversight:** Acting as the protocol gatekeeper, responsible for independently verifying the performance of the Asset Facilitator and updating the on-chain XAUE Net Asset Value (NAV).
- **Proof of Reserve (PoR):** The Issuer is responsible for establishing transparency mechanisms and periodically disclosing:
  - **On-chain Assets:** XAU₮ balances held within smart contracts.
  - **Off-chain Reserve Assets:** Consist of physical gold directly held by the Issuer, or physical gold reserves custodied by partner banks.
  - **Custodial Assets:** Snapshots of yield-bearing account funds signed by third-party custodians.
- **Solvency Commitment:** Ensuring Total Assets ≥ XAUE Circulating Market Cap.

The Asset Facilitator

Definition: A core asset facilitating entity authorized by the Issuer.

Responsibilities:

- **Core Function:** Facilitating & Oversight.
- **Due Diligence:** Responsible for sourcing, screening, and auditing external professional quantitative teams or lending institutions to establish a whitelist of qualified counterparties. Also responsible for conducting KYC/KYB reviews and managing the whitelist for "Qualified Minters" and "Asset Allocators".
- **Asset Allocation:** Cooperate with others to utilize the assets based on market conditions.
- **Dynamic Risk Control:** Monitors the performance and risk indicators of underlying teams. It has the right to immediately terminate cooperation so as to reduce risk exposure.
- **Value:** Acting as the "gatekeeper" of the protocol and its assets, ensuring the diversification and safety of assets.

The Custodian

Definition: Independent, institutional-grade qualified custodians (e.g., Anchorage).

Responsibilities: Securely holding the underlying XAU₮/physical gold assets.

Mechanism: Acting as the "physical defense line" for capital flows, executing only those instructions that meet MPC multi-signature rules and whose target addresses are whitelisted.

Qualified Minters

Definition: Protocol-certified institutional subscribers of XAUE, market makers, or partners.

Responsibilities: Depositing XAU₮ / physical gold to mint XAUE with the Protocol or redeem XAU₮ by burning XAUE. They serve as the liquidity bridge connecting the protocol with the markets.

2. Mechanism

2.1 Value Accrual Model

XAUE adopts a "Monotonically Increasing Exchange Rate" model. XAUE is essentially an "open-ended" representation of XAU₮/or Physical Gold with "yield" or reward mechanism. Its unit price formula is:

> **1 XAUE = Total Gold-Backed Assets / Total XAUE Circulating Supply**
> **(where Gold-Backed Assets consist of XAU₮ and physical gold reserves)**

2.2 The 1000:1 Fractional Split

Because XAU₮ reflects the value of 1 oz of physical gold, the unit price of the token can increase as the price of gold rises. This may reduce accessibility for retail users and lead to decreased liquidity. To address the liquidity issues caused by the high unit price of XAU₮, XAUE has introduced a fractional standard.

Initial Ratio: 1000 XAUE = 1 XAU₮

Advantage: Lowers the unit price to approximately 0.001 oz, facilitating institutions to provide high-liquidity Assets Anchored to XAU₮ and Physical Gold to retail users via DEX (or CEX in the future), while also making it potentially to act as a payment tool if the gold standard is widely adopted by the market.

2.3 Scenario Demonstration (excluding fees)

> **T0:** Institution A deposits **1 XAU₮** . Due to the initial 1000:1 ratio, the institution receives **1,000 XAUE**. At this point, 1 XAUE is worth 0.001 XAU₮.

> **T+ 365:** The protocol generates a 5% net yield, and the pool assets grow to **1.05 XAU₮** , while the XAUE circulating supply remains **1,000**.

> **Result:** 1 XAUE = 1.05 / 1000 = **0.00105 XAU₮** .

> **Profit:** The 1,000 XAUE held by Institution A can now be redeemed for **1.05 XAU₮** .

The fractional split mechanism defines the unit denomination of XAUE, while minting is determined based on NAV. Although both are reflected in the issuance process, all subsequent minting is strictly NAV-based to ensure fair value issuance and prevent dilution of existing holders.

As the underlying gold-backed assets generating yield, XAU₮ will increase while the XAUE supply remains constant. As a result, yield is reflected through the increase in underlying asset value per token. Accordingly, XAUE continuously represents a proportional share of the underlying gold-backed assets.

2.4 Minting, Redemption & Liquidity Management

To ensure the smoothness and safety of large capital flows, Aurise Foundation has established a strict liquidity management mechanism.

Whitelist Access Mechanism

- During the initial phase, Minting and Redemption (Burning) functions in the primary market are restricted to **Qualified Minters**.
- Subscribing institutions must complete rigorous corporate due diligence (KYC or KYB) and sign subscription agreements. Only addresses listed in the contract whitelist that have conducted sanctioned screening can call relevant functions.

Minting Process

- **Deposit:** Qualified Minters (Subscriber) send XAU₮ to the protocol smart contract; or deposit an equivalent amount of physical gold into designated custodial frameworks. Upon confirmation of

custody and completion of on-chain tokenization mapping, the protocol will execute the minting of the corresponding amount of XAUE.

- **Calculation:** The contract calculates the amount of XAUE to be minted based on the current real-time on-chain Net Asset Value (NAV).
- **Issuance:** The protocol contract automatically mints XAUE and sends it to the Minter's wallet.

Redemption (Burning) Process

- **Burn:** Qualified Minters call the contract's Burn function to destroy a specified amount of XAUE.
- **Settlement:** The contract calculates the XAU₹/physical gold principal and yield to be returned based on the current real-time NAV.
- **Transfer:** The contract automatically transfers XAU₹ from the liquidity buffer pool to the minter's wallet (if the amount is within the pool's limit). If the redeemed asset is in the form of physical gold, the issuer coordinates with a third-party custodian or partner bank to execute the extraction and delivery of the corresponding amount of physical gold according to the redemption instructions.

On-Chain Liquidity Management

To balance "yield efficiency" and "withdrawal convenience," the protocol adopts a dynamic tiering model:

Hot Wallet/Contract Layer (Liquidity Buffer - e.g., 5%-10%): After the project matures, a certain proportion of XAUt is retained in the on-chain smart contract or instant-access account to handle daily small redemption requests.

Cold Wallet/Yield Layer (Yield Layer - e.g., 90%-95%): The vast majority of assets (XAUt or gold) are transferred to the qualified custodian.

Large Redemption Mechanism: If a single redemption amount exceeds the buffer level, it will trigger a redemption process. The Asset Facilitator will redeem funds from the partners or vendors, recharge the contract, and then execute the final transfer.

3. Yield Strategy

The Asset Facilitator implements the strategies below to enhance the value of underlying XAU₮ and physical gold assets.

There is no guarantee of yield, and returns may vary depending on market conditions.

3.1 Quantitative Mechanism

The protocol adopts quantitative strategies, including delta-neutral or delta-hedged approaches, which combine spot holdings of XAU₮ or physical gold with corresponding derivative positions (such as short futures) to reduce exposure to price volatility.

3.2 Institutional Lending & Margin

Execution: Through over-collateralized Lending or compliant Institutional Margin businesses, collateral is held within independent custody solutions, reducing counterparty risk while enabling institutional-grade transparency and security.

4. Transparency & Reporting

The protocol aims to provide institutional-grade transparency over its underlying assets and operational status. To achieve this, a multi-layered disclosure framework is implemented, combining on-chain data, custodial reporting, and third-party verification.

All relevant information is disclosed on a periodic basis, enabling stakeholders to continuously monitor asset composition, operational performance, and risk exposure.

4.1 Monthly Operations Report

Compiled by the Asset Facilitator and published after Issuer review with disclosure of on-chain proof of reserves and off-chain reserved assets.

4.2 Audit & Compliance

- **Smart Contract Audit:** Core code is audited by top-tier security firms.
- **Solvency Audit:** Periodically release third-party custodial asset attestations and conduct solvency audits.

5. XAUE Technical Architecture

The system consists of three core components:

- **Nav4626 (Share Contract):** Responsible for user share management, redemption queues, and NAV calculation.
- **Vault (Capital Pool):** Responsible for holding XAU₮ and executing on-chain/off-chain fund transfers.
- **NavOracle (Oracle):** Responsible for securely writing the offline NAV onto the chain.

5.1 Mint Process (Subscription)

The XAUE subscription process is fully automated. Users can mint directly after passing the on-chain whitelist check.

5.2 Redemption Process (Exit)

Users can initiate a redemption request at any time. The system adopts a redemption cycle.

5.3 NAV Update Mechanism

NAV is calculated by the offline valuation system, with an update frequency of approximately **every 7 days**.

5.4 Whitelist Management

The whitelist is managed entirely on-chain and is used to control mint permissions.

- The whitelist is updated by the Governance role.
- Whitelist checks are performed during minting.
- Non-whitelisted users cannot mint/redeem.

5.5 Permissions & Governance

The system adopts a multi-layer permission model:

Role	Permissions
Governance / Owner	Set parameters, whitelist, switches
NavUpdater	Update NAV
RedemptionApprover	Approve redemptions
Settlement Operator	Execute fund transfers
EmergencyGuardian	Pause the system
UpgradeAdmin	Upgrade contracts

All critical roles are controlled by Safe Multi-Sig or MPC.

6. Legal and Governance Framework

Aurise Foundation registered in Panama is the Issuer of XAUE, it authorizes an entity registered in BVI to conduct routine operations as the Asset Facilitator.

Aurise Foundation applies AML and KYC/KYB standards to qualified minters who shall not be from restricted regions including:

- (i) Afghanistan, Burundi, Central African Republic, Democratic Republic of the Congo, Côte d'Ivoire, Cuba, the Crimea region, Democratic People's Republic of Korea, Islamic Republic of Iran, Republic of Iraq, Lebanon, Liberia, Libya, Myanmar, Puerto Rico, Somalia, Sudan, Syrian Arab Republic, Venezuela, Zimbabwe, United States of America (including its states and the District of Columbia), the Virgin Islands of the United States, or any other possessions of the United States of America;
- (ii) any state, country, territory or other jurisdiction that is embargoed by the United Nations;
- (iii) any state, country, territory or other jurisdiction where its purchase, ownership and/or use of Tokens would be illegal or otherwise violate any applicable law; and
- (iv) any state, country, territory or other jurisdiction imposing high risk of anti-money laundering or counter-terrorist financing as designated in Corruption Perceptions Index by Transparency International, FATF warnings or by the British Virgin Islands authorities.