



# The Standard Whitepaper

A proposal for a decentralized monetary system backed by rare assets.

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# Table of Contents

<b>Abstract</b>	<b>6</b>
<b>Problems Worth Solving</b>	<b>6</b>
Solution	8
<b>Standard Euro</b>	<b>9</b>
Use Cases	9
Asset Custodians	10
Independent Custodians	10
Native Custodians	10
Requirements for Custodians	10
Becoming a Custodian	11
Tokenizing Assets	11
Native and Public Tokens	11
Glass Books Transparency Protocol	12
Collateral Rates	13
The Fiat Soft Peg	13
Standard Token Discount	14
Closing a Smart Vault	14
Liquidation of Smart Vaults	14
Collateralization Levels	15
Setting the Minimum Collateralization Levels	15
Acquisition of Liquidated Smart Vaults	16
<b>Standard Token</b>	<b>17</b>
Governance Concept	17
Voting Subjects	18
Subject 1: Stability Fee	18
Subject 2: Adding and Changing Features	18
Subject 3: Native Custodians	18
Subject 4: DAO Standard Token Treasury	18
Subject 5: Emergency Shutdown	19
Proposal System	19
Voting Schedule	19
Paying the Stability Fee in Standard Token	20
Prediction System - Stability Fee	20
The Standard Dashboard	20
Managing Collaterals	21
Smart Vault Setup	21
Smart Vault Closing	21
Acquiring Liquidated Smart Vaults	21
Voting and governance	21
Receiving Remunerations	21
Participate in Prediction Markets	21
Changing Smart Vault Settings	21
View Network Statistics	21

<b>Requirements for Mass Adoption</b>	<b>22</b>
<b>Appendix - The Standard Flow Chart</b>	<b>24</b>
<b>References</b>	<b>25</b>
<b>Extra Bibliography</b>	<b>26</b>
<b>Contact</b>	<b>27</b>

## Abstract

Trillions of US Dollars worth of rare assets, like gold and cryptocurrencies, are locked away in vaulting facilities and digital wallets around the world. The Standard.io, a next generation monetary system, unlocks this vast stored value. It enables users to generate a stable virtual currency called "Standard Euro". This is achieved by locking up tangible and intangible assets as collateral in decentralised smart contracts, called Smart Vaults.

This allows people to spend their locked up funds without selling their assets.

The protocol is governed by a community of "Standard Token" holders which form a Decentralized Autonomous Organization (DAO). The Standard DAO will manage the protocol by making key decisions utilizing smart voting mechanisms and prediction markets.

The innovative concept of stable virtual currencies backed by rare assets constitutes a new privatized and decentralized Gold Standard for the 21st century.

*"You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."*

Buckminster Fuller

## 1. Problems Worth Solving

Central banks around the world print limitless amounts of paper currencies every year. In 2020 alone, the US released its biggest stimulus to date - giving away USD 1.9 trillion of newly printed cash.<sup>[1]</sup> In Europe, the Central Bank implemented a negative interest rate <sup>[2]</sup> - forcing people to spend, not save.

Such measures are historically introduced to counter economic shocks such as war, natural disaster or bad policy. This way of stimulating an economy after a disaster often ends in total collapse through hyperinflation. Right now, the global Covid-19 pandemic is forcing more countries than ever to print free cash.

Could this be the beginning of a US Dollar and Euro hyperinflation?

The short term thinking of governments within one election period is destructive and can create harmful inflation cycles. Whilst the government's intentions are usually good, for example, covering election promises, promoting economic stimulus, etc, they do not benefit savers whose savings are being eaten away by this “hidden inflation tax”.<sup>[3]</sup>

While food, lumber and other commodity prices are increasing steadily around the world, the cost of energy, stock and real estate prices are spiking higher and higher each day.

To counter the inflation issue associated with government controlled fiat currencies, the Austrian School of Economics instead proposes the Gold Standard<sup>[4]</sup> By fixing the value of currencies to a fixed amount of gold, no government can artificially create more money.

Bitcoin partially solves this problem and is now the rarest open commodity known.<sup>[5]</sup> Bitcoin is transferable without trust, globally accessible, immutable and radically transparent. However, a few issues have slowed mainstream adoption of cryptocurrencies. This includes huge price volatility, lack of a commonly understood unit, technological barriers, ease of use and education.

Tether and USDC, (known as stablecoins) hold federal reserve-issued currency in a bank account. They mint one token for every dollar they hold in the bank. The ‘peg’ is held by guaranteeing to always buy and sell one token for one US Dollar. The transparency of the blockchain enables anyone to audit how many stablecoins have been issued; however it’s still difficult to audit the bank holdings of the underlying asset.

Whilst this does create a sense of stability, the fiat-backed stablecoin solutions have multiple problems:

- Bank accounts can be closed or frozen
- The issuer could spend (or lose) the funds required to peg the token
- The issuing company could be declared bankrupt
- The user is effectively holding a currency that is being affected by inflation

- The bank that holds the underlying fiat is speculating with the funds without transparency
- The banks are only insured to a tiny fraction of the fiat being held
- Stablecoin issuers have intransparent revenue structures
- The issuing company could easily counterfeit stable coins to buy cryptocurrencies or other rare assets without US Dollar backing

Other projects have tokenized gold to solve some of the issues above. Gold can be fully insured, easily audited and has the same fungibility as fiat currencies. While these benefits are superficially positive, calculating the cost of goods and services in grams of gold isn't common. Therefore, there is limited mainstream adoption of tokenized gold - despite holding a market cap of over USD 10 trillion, with daily trading volumes usually exceeding USD 200 billion.

## **1.1. Solution**

We propose a global decentralized new-age Gold Standard that does not rely on one centralized authority - The Standard Protocol. Our decentralized protocol enables rare asset holders to generate fiat-pegged stable coins by borrowing against their asset holdings.

The platform will unlock the trillions of Euros worth of precious metals and cryptocurrencies. Users don't even need to sell their assets to spend them. Their investments increase and they remain protected against inflation.

The other advantage of The Standard Protocol is that borrowers lend against their own assets. Because inflation decreases the value of the borrowed stablecoins, inflation of fiat currencies becomes a benefit making it cheaper to repay the loans.

The Standard.io solves inflation by leveraging inflation to work for savers, not against them.



## 2. Standard Euro

Standard Euro (“S-EURO”) is an algorithmic stablecoin that is backed by physical and digital assets and is soft pegged to the Euro. It is generated by locking up tokenized hard and digital assets in a Smart Vault (a mechanism similar to a traditional collateralized debt position) with a smart contract.

The protocol will start with the S-EURO - more currencies will be introduced later including the US Dollar, GB Pound and Indian Rupee.

This white paper will only refer to Standard Euro.

### 2.1. Use Cases

The Standard Protocol enables asset investors to use their savings as an innovative form of financing, connecting the old world of inflation-proofed assets with the new world of decentralized assets. The Standard Protocol allows users to:

- Protect savings against inflation
- Leverage the devaluation of fiat currencies
- Optimize capital gains liability
- Make direct instant peer-to-peer payments
- Protection against third-party liquidators
- Participate in DeFi protocols using physical collateral
- Leverage a portfolio to increase your positions
- Save mortgage and loan costs
- Become a financial institution by generating the fiat stablecoins you need
- Shape the future of “Asset Backed Banking”

Selected precious metals and cryptocurrencies will be part of the protocol. However, tokenized physical assets like real estate will be included at a later date

The Standard Protocol is the next generation of retail banking. The user’s money will no longer need to be deposited in a bank account. Instead, their funds will be invested in assets. Whenever they need liquidity, instead of selling their assets, they can open a collateralized debt position (Smart Wallet).

We call this Asset Backed Banking.

## 2.2. Asset Custodians

The Standard Protocol differentiates between two types of custodians:

### Independent Custodians

Independent Custodians are tokenized asset providers who have issued their own asset backed tokens.

It is the responsibility of The Standard DAO to set the security standards and audit the physical vaulting facilities of independent custodians. Once the DAO's security criteria have been met, the protocol will onboard independent custodian tokens that can be used as collateral in Smart Vaults.

### Native Custodians

Native custodians are usually precious metals dealers or asset vaulting providers who are experts in securing and dealing with hard assets. Such custodians have legal contracts with The Standard DAO to ensure compliance with its custodian security framework. Users can access their vaulted assets balances via The Standard Protocol platform.

A Native Custodian uses The Standard Protocol to tokenize the assets within the platform. These tokens cannot be withdrawn from the platform. Instead they provide a secure accounting mechanism between the Smart Vaults and the hard asset custodians.

### Example:

Alice is a customer of a custodian - XYZ Bullion Limited (XYZ). Her XYZ account has five kilos of gold in the vault. Alice decides to generate Standard Euro by placing her gold in a Smart Vault (a mechanism similar to a Collateralized Debt Position).

The process of converting her gold to S-Euro is fully automated and only requires Alice to connect her wallet to the custodian. The custodian then calls the Standard.io Protocol's API and credits Alice's Smart Vault with tokenized gold as collateral. Alice has access to S-Euro within seconds.

### 2.1.1 Requirements for Custodians

A decentralised due-diligence framework has been developed to ensure the security of the hard asset custodians. The Standard security framework is a dynamic concept

that can be altered by The Standard DAO vote. An example of a proposal for onboarding a gold custodian is as follows:

- 99.99% minimum certified bullion bar
- All bars have been manufactured under the LBMA Good Delivery Quality Standard
- Secured in a top-tier vault
- Insured to 100% by a reputable insurance company
- Audited by a globally recognized auditing firm at least twice per calendar year
- The company is at least 5 years old
- Fully audited by the Standard DAO appointed auditors

### **2.1.2 Becoming a Custodian**

Custodians can register with the Protocol's online platform to become an official "Standard Custodian". Custodians of assets are approved by Standard Token holders via a voting mechanism. The entity registering to be a custodian must go through a vetting process similar to KYC/AML checks before being approved by Standard Token holders.

Bullion providers looking to join the network must apply to the Standard DAO. If they pass a set of conditions decided by the Standard DAO community, a set of access keys is issued.

### **2.1.3 Tokenizing Assets**

The Protocol has built-in functions that enable native custodians to tokenize their assets. Each native custodian is subject to a first time and periodical audit by the Standard DAO. Audit protocols might change, depending on the vote of the DAO.

## **2.3. Native and Public Tokens**

The Protocol differentiates between native and public tokens.

### **Native tokens**

Native tokens are backed by assets that require a centralized organization like a vaulting facility. All native tokens are created by the Protocol's native custodians.

## **Public tokens**

Public tokens are cryptocurrencies that can be used as collateral in Smart Vaults, if they've been approved by the Standard token holders' community. Such tokens may be backed by assets or a centralized organization. Public tokens can be withdrawn from the Standard Protocol. Examples of a public token are Ethereum, Pax Gold, Standard token or the Standard Euro stablecoin.

Both native and public tokens need to be approved by the Standard Token community. While the onboarding process for public tokens can be simpler, native tokens face stricter onboarding requirements, as well as more technical development.

## **2.4. Glass Books Transparency Protocol**

One of the essential components of centralized collateral assets is transparency. The Glass Books Transparency Protocol will interface between the physical and blockchain space and prove the underlying asset is truly purchased and sitting in the vaulting facility.

It works in the following way:

When creating a Smart Vault, the user will receive a randomly generated Secret ID. It is generated when the user signs in with a compatible Ethereum wallet on the Standard platform and the hard asset custodian platform.

Every native custodian will be required to openly publish a ledger with every Secret ID. This ledger will include each user's assets held and the amount outstanding Standard Euro. Native custodians will also need to publish a top-tier auditor's certificate and insurance documents, proving that their reserves are at least equal to the sum of all vaulted assets in the Smart Vaults.

The Glass Book Protocol provides an external ledger that allows every user to check their balance anonymously, creating an extra layer of security and transparency.

## 2.5. Collateral Rates

The collateral rates are fees that creditors pay on a percentage of the borrowed assets. The platform differentiates between two types:

- **Storage Fee:** The storage fees can vary amongst the different native custodians and are set prior to opening a Smart Vault. The storage fee covers the underlying cost of holding the physical assets. Digital assets without the need of vaulting facilities will not be subject to storage fees. If a user opens a Smart Vault and generates Standard Euro, collateralizing physical assets, the user will be charged the fixed storage fee. It will be charged daily. The storage fee will be automatically deducted from the balance of the Smart Vault in the form of the tokenized asset - e.g. gold.
- **Stability Fee:** The stability fee resembles the interest rate in central banks which is used to control the supply and demand of fiat currencies. The protocol will utilize the same mechanism for Standard Euro to keep a soft peg to the Euro price. The stability fee will be determined on a weekly basis by Standard token holders through a mixture between a voting mechanism and prediction markets. If a user opens a Smart Vault and gets Standard Euro issued, the Smart Wallet holder will be charged a minor stability fee daily. The stability will be automatically deducted in Standard Euro or Standard Tokens.

It is important to mention that the sum of stability and storage fees are intended to be lower than the sum of the yearly inflation of the Euro plus the yearly increase of the asset prices stored in a Smart Vault. This creates a fair and efficient lending system.

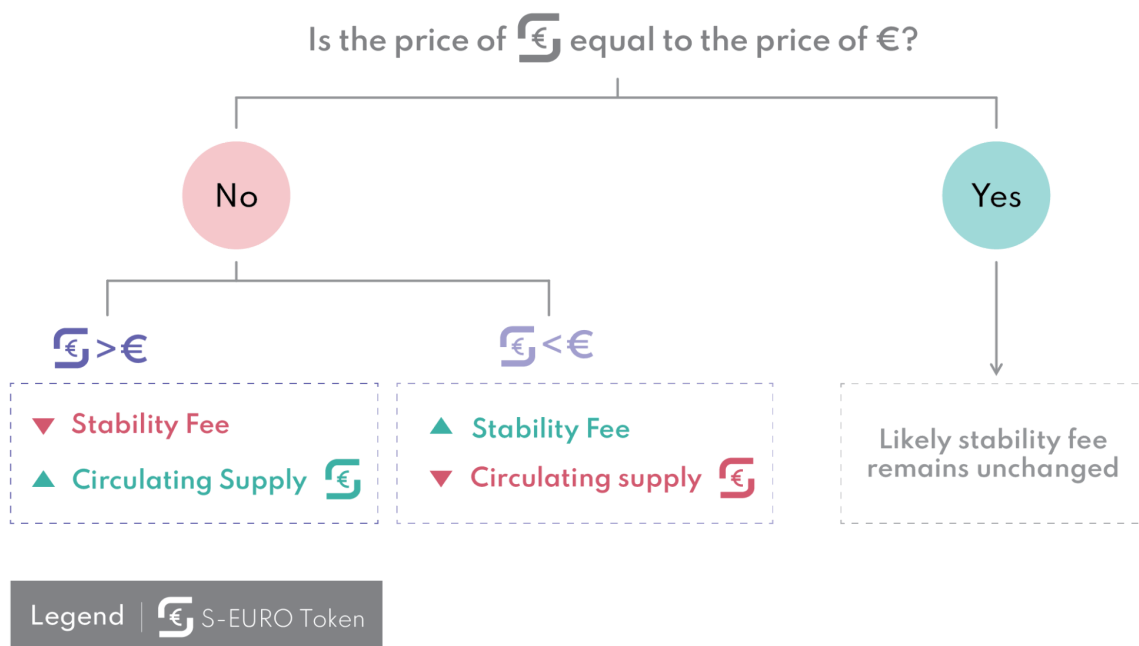
## 2.6. The Fiat Soft Peg

The price of Standard Euro will be pegged to the price of the fiat Euro, issued by the European Central Bank, by adjusting the Stability Fee.

If there is high demand for Standard Euro and the price of Standard Euro rises above the one-to-one peg, then the stability fee will decrease. This means more people will generate Standard Euro in order to satisfy the market demand and lower the price of Standard Euro.

If the peg drops below the price of one fiat Euro per Standard Euro, then the stability fee will rise so that people want to buy Standard Euro off the secondary markets and

pay back their Smart Vaults. Increasing the stability fee will therefore create demand and lift the price back to equaling one Euro.



## 2.7. Standard Token Discount

A user can reduce their payable stability fee by paying it with Standard tokens. This is done by keeping a balance of Standard tokens within the Protocol's platform. A user is incentivized to pay the stability fee with Standard tokens as it reduces the payable stability fee by 50%.

## 2.8. Closing a Smart Vault

A user can close a Smart Vault by repaying the amount of Standard Euro generated. This can be done by earning or buying Standard Euro off the secondary markets and simply sending it to the smart contract. Once the contract has been fully paid back, all collateral tokens are unlocked from the Smart Vault and are available for the user to withdraw.

## 2.9. Liquidation of Smart Vaults

The liquidation of a Smart Vault is the process in which an amount of Standard Euro gets repurchased by the Protocol by automatically liquidating a Smart Vault's

collateral. This process takes a critical role in the price stability of Standard Euro as it ensures that the appropriate amount of collateral always backs the generated Standard Euro.

A Smart Vault gets liquidated when its collateral value falls below the minimum required. Assets may differ in levels of minimum collateral. The more volatile an asset is, the higher the required collateral level will be.

### 2.9.1 Collateralization Levels

The different minimum collateral levels are determined through a voting mechanism of Standard token holders. Borrowers are incentivized to over-collateralize Smart Vaults to prevent liquidation.

For Smart Vaults consisting of multi-asset collaterals, a weighted minimum collateral level is determined based on the underlying collateral assets. The minimum collateralization level of a Smart Vault is always displayed on a Smart Vault, even before creating it.

The following formula determines the weighted collateralization levels for Smart Vaults containing mixed assets:

$$\text{Weighted Collateralization Level} = \frac{Q_a * CL_a + Q_b * CL_b \dots + Q_n * CL_n}{Q_a + Q_b \dots + Q_n}$$

- Q<sub>a</sub>     Quantity of token a
- Q<sub>b</sub>     Quantity of token b
- CL<sub>a</sub>    Collateral Level of token a
- CL<sub>b</sub>    Collateral Level of token b

### 2.9.2 Setting the Minimum Collateralization Levels

The minimum collateralization is set by the Standard DAO through a voting mechanism. Once a Smart Vault is created, the minimum collateralization level of the Smart Vault cannot be altered.

In the initial phase of the project, native tokens will have a minimum collateral level of 110% and other public tokens will have a minimum collateral level of 120%.

	Token Type	Minimum Collateral Level
Tier 1	Native Tokens	110%
Tier 2	Public Tokens	120%

### 2.9.3 Acquisition of Liquidated Smart Vaults

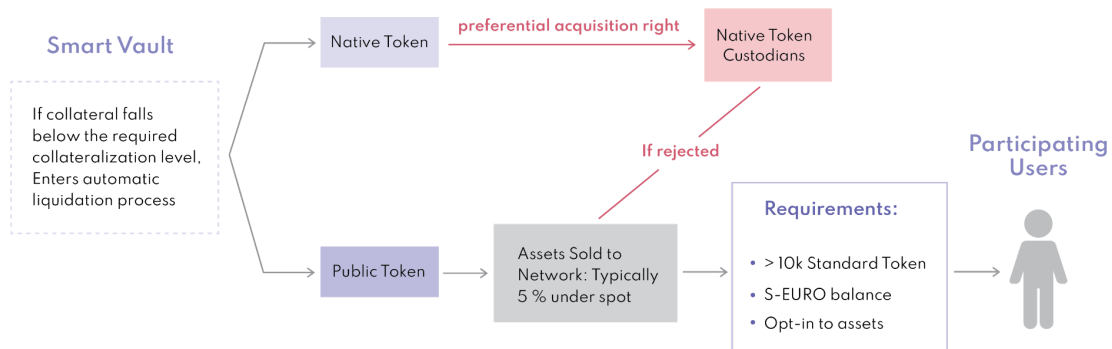
When the value of a Smart Vault's assets falls below the required collateralization level, the Smart Vault gets liquidated. The automatic Smart Vault acquisition mechanism will be triggered directly. If the Smart Vault is collateralized with more than one type of asset the liquidation process begins with the separation of a Smart Vault's assets, into native and public tokens.

The assets are sold immediately below their spot values, typically 5% below or lower, to the platform participants who buy them using Standard Euro.

For Native Token with storage fees, the native custodian always gets preferential acquisition rights, in the form of the first right of refusal.

Platform participants are also encouraged to participate in the acquisition of liquidated assets and must hold a sufficient amount of Standard Euro to buy the assets and enable the platform's automatic purchase mechanism. Users can set which assets and how much of an asset they want to buy.

The platform will equally distribute the assets amongst all users who are participating in the automatic Smart Vault acquisition mechanism.





To prevent Sybil attacks, this mechanism is only available to users who hold 10,000 Standard tokens and have a sufficient Standard Euro balance available to purchase the liquidated assets.

The mechanism can only be altered by Standard DAO, however there is a fixed cap of 100,000 Standard tokens required to participate in the liquidation of Smart Vaults.

### **3. Standard Token**

The Standard Token (TST) is a governance and utility token. It allows holders to participate in decisions on stability fee rates, new features and the onboarding of hard asset custodians / public tokens.

TST is designed to keep the Protocol efficient, decentralized and transparent. The community of Standard Token holders who participate in the Protocol's voting mechanism is named the Standard DAO.

Unlike the Standard Euro, the Standard Token's value is not stable or pegged to the Euro.

Standard Tokens can be acquired during the token sale or on secondary exchanges. The total supply of Standard Tokens is limited to one billion (1,000,000,000).

#### **3.1. Governance Concept**

The governance concept is designed to ensure efficiency, decentralization and transparency of the Protocol. All Standard Token holders will be authorized to participate in the governance system.

To participate, token holders place their tokens in the platform's native wallet (or a compatible wallet). Each token grants the holder the right to place one vote on each voting subject. Voting power is proportional to the number of tokens held. This mechanism is based on the game theory concept that large token holders will have less incentive to participate in bad actions that could harm the platform.<sup>[6]</sup> It is the

platform's aim to reach a critical mass of token holders, protecting all stakeholders from centralization problems.

Token holders who store their Standard tokens in external wallets will not be able to participate in the voting mechanism. Therefore, it can be assumed that not all tokens will be cast as votes in one voting cycle. Voting cycles will only count tokens that are stored within a native wallet (or compatible wallet).

## **3.2. Voting Subjects**

Token holders can place votes on various subjects at the same time. Every token enables token holders to place one vote on one subject.

For example, if a user holds 100 Standard Tokens, the user can place 100 votes on each and all open subjects. The initial voting subjects are:

### **3.2.1. Subject 1: Stability Fee**

Standard Token holders will have the ability to vote on changing the stability fee, depending on the peg of the Standard Euro to the fiat Euro.

### **3.2.2. Subject 2: Adding and Changing Features**

The Protocol is designed to grow into an ecosystem of competing collaterals and hard asset custodians. The Protocol also aims to find new use cases and to grow its features portfolio. Governed by the Standard DAO, the Protocol will follow a decentralized model to add new features. Such features may include new collaterals or the ability for Smart Vault to generate new stable coins such as US Dollar stable coins.

### **3.2.3. Subject 3: Native Custodians**

Hard asset custodians that apply to onboard with the platform have to pass the due-diligence and the consensus of Standard Token holders. Standard Token holders can set and alter the onboarding requirements. It can be projected that such a decentralized inspection mechanism will lower the chances of bad actors joining the platform.

### **3.2.4. Subject 4: DAO Standard Token Treasury**

All the Standard Token collected through the payment of stability fees are sent to the DAO Treasury reserve. Standard Token holders will be able to vote on the use of this reserve.

### 3.2.5. Subject 5: Emergency Shutdown

Standard Token holders can vote on emergency shutdowns to freeze the system. Such emergency shutdowns can occur in the event of severe market failure or when a bad actor discovers a flaw in the smart contract and starts stealing from the Protocol.

Once the problem has been resolved, Standard Token holders can vote to set the platform live again.

## 3.3. Proposal System

Standard Token holders can create proposals that improve the Protocol. The Standard DAO has an underlying management system for voting on the proposals that differentiates between three proposal statuses:

**Active proposal:** If at least 20% of Standard Tokens registered on the voting system vote for a proposal to be approved, it changes its status and becomes an “Active Proposal”.

**Upcoming proposals** have not reached the 20% mark and are therefore not active.

**Closed proposals** status is achieved once votes have been casted, the voting time has expired, and a voting result has been achieved.

In the future, a prediction market system is planned as part of the Protocol’s governance mechanism.

## 3.4. Voting Schedule

All active proposals open at 2pm UTC every Monday. The voting period varies depending on the subject and is set by the proposal creator. It is recommended to set the voting period between three and seven days. A proposal creator is a single user or group of users who opens a proposal. Some proposals are preset, in particular the vote on the stability fee.

The execution of the voting outcome happens immediately after the voting poll has been closed.

### **3.5. Paying the Stability Fee in Standard Token**

By paying the stability fee in Standard Tokens, the fee is reduced by 50%. Standard Tokens that are used to pay the stability fee become part of the reserve. This reserve is called Treasury and is entirely managed by the DAO who decides what happens to the accumulated Standard Tokens.

Further, if the stability fee gets paid in Standard Tokens, 20% of the Standard Tokens goes towards the compensation of active voters, 30% goes towards the compensation of prediction market participants and the remaining 50% becomes part of the reserve.

### **3.6. Prediction System - Stability Fee**

Various scientific studies confirm that prediction markets are the best way to forecast future events correctly. A prediction market mechanism will be used as an information tool for voters to find the best interest rate to peg the Standard Euro value to the Euro.

Voters will not be forced to follow the prediction markets when voting on the best stability fee. The prediction system is developed as an information source to indicate the right stability fee to maintain the Euro peg. To participate in the prediction system, Standard Tokens have to be placed in a prediction market. Predictors can win additional Standard Tokens or lose their prediction stake.

It is the goal of the platform to progressively replace parts of the voting mechanism with prediction markets. A prediction market was chosen over a simple voting mechanism for two reasons:

- To solve the problem of voter apathy and low voter turnouts
- Prediction markets are backed by a large amount of academic research stating that they are the most accurate mechanism to determine the outcome of future events

### **3.7. The Standard Dashboard**

The Standard dashboard is an easy-to-use interface that enables users to control their Smart Vaults and participate in the governance of the Standard Protocol. It has the following key functions:

### **1) Managing Collaterals**

The dashboard enables users to deposit, withdraw, manage and lock up tokens which will form the collateral for any Smart Vault. The various tokens might differ in collateralization levels.

### **2) Smart Vault Setup**

The dashboard enables users to create, manage and close Smart Vaults. To create a Smart Vault, a user has to stake tokens in a smart contract. Users will be able to see how much they can borrow, their level of risk, and view the current stability and storage fees.

### **3) Smart Vault Closing**

To close a Smart Vault, the correct amount of outstanding Standard Euro has to be paid back to the Smart Vault. Once this amount gets settled, all collateral tokens get unlocked.

### **4) Acquiring Liquidated Smart Vaults**

Users can opt in to automatically buy liquidated assets from Smart Vaults that went below the required collateralization level.

### **5) Voting and governance**

Standard Token holders can create and vote for active and upcoming proposals for improving the protocol.

### **6) Receiving Remunerations**

If users take part in a remuneration event like voting then payouts will also show up in the Standard Dashboard.

### **7) Participate in Prediction Markets**

The prediction market interface will enable users to easily place Standard Tokens on predictions they think will keep the Standard Euro pegged to the fiat Euro in the future.

### **8) Changing Smart Vault Settings**

Users can customize their Smart Vault settings within the dashboard. The most important settings include:

- Enabling a 50% stability fee discount if the stability fee gets paid in Standard Tokens
- Set specific alarms, e.g. when Smart Vault drops below X% collateralization levels

### **9) View Network Statistics**

Users will be able to access the Standard Protocol's statistical data that's summarized in the dashboard. This is particularly interesting for participants in the voting

mechanism and prediction markets. The statistics page could include the following information:

- General information about collateralization levels
- Outstanding Standard Euro
- Number of Smart Vaults
- Number of Smart Vaults that paid in the Standard within the last period
- Price deviation across multiple exchanges
- Collateralization levels of Smart Vaults

## 4. Requirements for Mass Adoption

In order to achieve widespread adoption, the Standard Protocol has to meet the following requirements:

### **Efficient Native Custodian Onboarding**

The onboarding process for hard asset custodians has to be designed to be efficient and transparent. A team of business development professionals employed by the Standard DAO will initiate the onboarding process and handle all ongoing support matters for hard asset custodians. The aim is to develop an automatic process for onboarding Native Custodians without the need of centralized resources.

### **Use of Standard Euro**

The stablecoin Standard Euro is built to offer economic freedom as it can be traded and exchanged without third party involvement. To facilitate the platform's mass adoption, an easy integration of Standard Euro as a payment method will be one of the aims of the protocol. In particular, it is planned to create a Standard Debit Card that facilitates the easy exchange of Standard Euro to fiat Euro for everyday payment purposes. Additionally, merchants will be encouraged to implement Standard Euro as a secure payment method for online purchases.

### **Your Smart Vault, Your Terms**

Smart Vault creators will enjoy a user-friendly dashboard to manage their assets. The dashboard facilitates a high degree of customization - users can set their own payment terms, collateralization levels, etc. The platform aims to make Smart Vaults transparent, secure and limit the credit default rates.

### **Customizable Storage Fee**

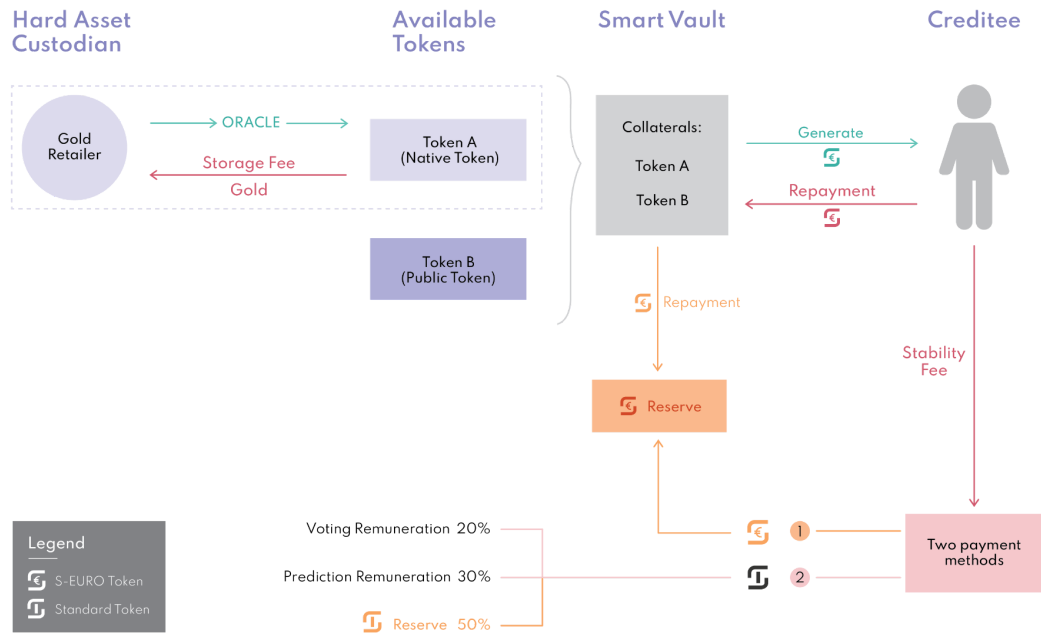
Native custodians can set their own storage fee to cover their variable storage costs. This is particularly important as costs vary per storage facility. A customizable storage fee will ensure that different custodians can onboard with the Standard Protocol.

### **High Governance Turnout**

Eliminating any form of centralized power will demand a high engagement of the community of Standard Token holders who will have to reach consensus on key voting subjects. Most blockchain protocols are based on voting mechanisms that usually suffer from a low voter turnout. It is the goal of the Standard Protocol to implement an innovative voting and prediction market model that incentivizes community members to participate through monetary benefits.

# Appendix - The Standard Flow Chart

## The Standard





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