

Self-Assessment of EUROe Against the SMIDGE Framework

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Foreword

Bluechip, a non-profit stablecoin rating agency, has designed a holistic evaluation and ranking framework of stablecoins. The framework, known as SMIDGE, evaluates stablecoin quality on the dimensions of stability, management, implementation, decentralisation, governance, and externals.

This document provides a self-assessment of EUROe against the SMIDGE framework version dated 10/10/2022. This document should not be construed as financial, legal, or any other advice and should not be used as the basis of any decision regarding the use of EUROe or any other assets. It is provided solely for information purposes. Furthermore, the systems, mechanisms, or other components of EUROe are subject to change. The provided information is accurate as of the publication date of this document.

The below sections are numbered in accordance to the SMIDGE framework.

Self-Assessment

1.1.1. Collateralisation % and Type of Collateral

EUROe is collateralised at 100% by euros held in Liechtenstein-based Bank Frick.

1.1.2. Storage of Assets

EUROe is backed by fiat euros which are inherently off-chain. All customer assets are held in regulated financial institutions in bankruptcy remote accounts, ringfenced from Membrane Finance.

1.1.3. Segregation of Assets

All client assets are held in segregated accounts, free of any comingling. Reserves are held in client asset accounts on behalf of clients.

1.1.4. Financial Backstop

Membrane Finance Oy (later "Membrane"), the issuer of EUROe, holds adequate amounts of CET1 equity capital to satisfy all regulatory requirements for electronic money. This capital ensures smooth unwinding of Membrane's operations in the case of a bankruptcy. Furthermore, Membrane has been incubated by Equilibrium Group Oy (later "Equilibrium"), a leading decentralised web core infrastructure designed and builder. In the case where Membrane's bankruptcy became imminent, Equilibrium could potentially act as a financial backstop.

1.2. Peg Performance

EUROe can be always redeemed and minted by anyone with a EUROe Account at par (for details, please see www.euroe.com/legal/terms-of-euroe-platform). Membrane cannot take part in the secondary EUROe markets and hence has no control over EUROe's peg performance. Under efficient market conditions,

EUROe's secondary price should converge towards 1.

1.2.1. Frequency of Deviation Below Peg

Not evaluated. See section 1.2.

1.2.2. Max Deviation Below Peg

Not evaluated. See section 1.2.

1.2.3. Volatility (daily)

Not evaluated. See section 1.2.

1.2.4. Market Correlation in a Downturn

Not evaluated. See section 1.2.

1.3.1 Core Mechanism

EUROe's core stability mechanism relies on component I of the framework. We would like to highlight that the minting of EUROe may be restricted due to capital requirements – at present, EUROe's total supply would be restricted to €50 million. However, Membrane monitors total supply trends continuously and strives to prevent hinderances to any EUROe minting.

1.3.2 Primary Liquidity Access (Redeemability)

EUROe is redeemable at par by any EUROe holder. For more information, please see www.euroe.com/redemptions

1.3.3 Secondary Liquidity Depth

EUROe is available through reputable market participants. For more information, please see www.euroe.com/get-euroe

2. Management

Information regarding Membrane's management team and board of directors is publicly available at www.euroe.com/why-euroe. For more information about the team building EUROe see www.euroe.com/about. Information regarding Membrane's shareholders, articles of incorporation, and other relevant documents may be acquired through public sources. EUID FIFPRO.3236886-2.

2.1.1. Known Core Teams

Please see section 2.

2.1.2. Jurisdiction in Top Legal Systems

Membrane is incorporated in Finland, which has a WJP Rule of Law Index of 0.87 (global rank #3) [1] and World Bank's Worldwide Governance Indicators' governance score of 1.62 [2]. Furthermore, all members of the board of directors, management, and employees of Membrane are citizens or residents of Finland.

2.2.1. Team's Background
Please see section 2.

2.3. Incentives
Not evaluated.

2.3.1. Compensation Mix (Fixed, Variable, and Equity)
Not evaluated.

2.3.2. Equity / Token Vesting
Not evaluated.

3. Implementation
Core EUROe issuance architecture relies on widely-used smart contract libraries, MPC tooling, and adequately audited internal systems. EUROe does not rely on oracles or price stability modules. For more information about the technical security of EUROe , please see www.euroe.com/due-diligence-resources

3.1. Smart Contracts
Information about EUROe smart contracts is available at dev.euroe.com/docs/Stablecoin/contract-addresses

3.1.1. Audits
For more information, please see dev.euroe.com/docs/Stablecoin/audits

3.1.2. Testing
All deployed code is subject to rigorous internal testing. Critical code is evaluated by independent parties. For more information, please see dev.euroe.com/docs/Stablecoin/audits#testing

3.1.3. Admin Controls
Membrane controls admin functionality of EUROe. For more information about admin controls, please see dev.euroe.com/docs/Stablecoin/access-controls

3.1.4. Vulnerability / Exploit History
The project does not have a history of being hacked or exploited.

3.2. Oracles
Oracles are not utilised in the provision of any core EUROe service.

4. Decentralisation
I. Regulatory Oversight

Please see www.euroe.com/licencing and www.euroe.com/legal/access-denial-policy

II. Custodian Risk

Please see sections 1.1.1 through 1.1.4. Membrane is committed to banking with reputable licenced institutions only.

III. Type of Collateral

Please see section 1.1.1.

IV. Decision Making & Voting Power

Membrane is governed by its board of directors.

V. User Blacklisting

Information about user blocklisting and access denial is available at www.euroe.com/legal/access-denial-policy

5. Governance

Holder Protection: please refer to REGULATION (EU) 2023/1114 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL, Title IV.

Reserves Verification: Membrane published monthly attestations to its reserves. Membrane's operations are supervised by the Finnish Financial Supervisory Authority. KPMG acts as Membrane's internal auditor. Membrane is committed to publishing as much reserve information as feasibly possible.

Redemptions: Redemption terms of EUROe are available at www.euroe.com/redemptions.

6. Externals

Stablecoin Prediction Markets: Membrane is not aware of any EUROe prediction markets as defined in SMIDGE section 6 at the time.

Affirmation of Accuracy

I, Juuso Roinevirta, declare that this document is accurate and truthful to the best of my knowledge as of 25 July 2023:



Juuso Roinevirta

On 25 July 2023 in Helsinki, Finland

References

1. World Justice Project, 2022, accessed 25 July 2023. Available at <https://worldjusticeproject.org/rule-of-law-index/global>
2. Worldwide Governance Indicators, 2021, accessed 25 July 2023. Available at <https://info.worldbank.org/governance/wgi/Home/Reports>