

FDT Diamant Token – White Paper English Version



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1. Introduction

The FDT Diamond Token, developed by K4Y S.A., transforms one of the most stable and trustworthy commodities into an innovative, secure, highly efficient and transparent tokenized asset.

A fiduciary office based in Switzerland can act as trustee.

2. Abstract

The FDT Diamond Token is a cryptographic token developed in the BINANCE SMART NETWORK. It is 100% backed by pure physical diamonds from the Meirow & Klink refinery in Pforzheim, among others.

The FDT is the first diamond token on the public blockchain that is backed by high-quality diamonds including a certificate.

It combines the know-how, size and tradition of quality in diamond production and storage with the innovative advantages of blockchain technology.

The FDT Diamond Token is an institutional-grade product that brings unprecedented efficiency, security, reliability and trust to the ownership and trading of physical diamonds on the blockchain.

FDT is a tokenized representation of ownership of underlying physical high value diamonds with certificates from the following institutions: HRD, IGI and GIA.

Each issue of FDT corresponds to a specific underlying physical diamond, which is held in trust for the token holder by a custodian in Berlin, Vienna or Zurich.

Each TOKEN is recorded separately by the custodian without being pooled, combined or commingled with other TOKENs.

3. Key features

Unique features of the FDT Diamond Token:

- 100% backed by pure high-quality Diamonds

Each FDT token is a tokenized version of the diamonds stored and managed in Berlin, Vienna or Zurich and its physical diamond holdings. Each existing and issued token is 100% backed by physical diamonds.

1 FDT corresponds to 0.1 ct of 100% physical and high-quality diamonds.

1. Price stability

As a representative of physical diamonds, FDT offers token holders risk diversification and protection against market volatility with excellent credit quality and avoids costly conversions between fiat and cryptocurrencies.

The TOKEN PRICE is coherent with the IDEX Online price including trading premium and is therefore always transparent and unfalsifiable.

2. Trustworthiness

Thanks to a renowned trust company in Switzerland and the cooperation with the refinery Meirow & Klink in Pforzheim, all processes are secure, transparent and fully regulated. All FDTs are verifiably

and transparently backed by 100% physical diamonds, which are stored as special assets in the vaults in Vienna, Berlin or Zurich and can be retrieved at any time using unique deposit numbers.

3. Scalable

FDT Diamond Tokens are 100% backed by physical diamonds and secured by the inventory in Berlin, Vienna and Zurich and their unique and transparent custody account numbers. No FDT Diamond Token can be "created" without having deposited the corresponding counterpart of physical diamonds. This process is called MINTING. This ensures that tokens worth millions of dollars can be issued in a secure and traceable manner with 100% coverage.

4. Areas of application

Efficiency, cost effectiveness, safety, reliability and confidence are the key features of FDT and the reasons why it is suitable for a range of applications.

Applications:

Secure store of value

Historically, diamonds have been one of the most effective stores of value, both as a hedge against inflation and volatility and as a price-stable asset. FDT introduces institutional-grade diamonds to the blockchain, enabling digital asset investors to leverage the historically proven investment benefits of diamonds.

Effective Portfolio Diversification

Portfolio diversification in the digital asset markets is much more difficult than in traditional financial markets due to higher volatility and correlations. FDT solves both challenges as the price of FDT Diamond Tokens is based on the average diamond price.

Institutional Diamond Traders

FDT has two key differences from other popular diamond products:

a. There are no management or storage fees for holding FDT Diamond Tokens, as is the case with other diamond products;

b. FDT Diamond Token is a 1:1 exchange with 100% physical diamonds, 1 FDT Diamond Token reflects 0.1 ct of physical diamonds, which is in stark contrast to the fractional reserve methods used by many popular diamond products.

Retail diamond buyers on the blockchain

Cost-efficient, secure, trustworthy: FDT is a sought-after product for individuals who want to buy and trade institutional-grade diamonds on the blockchain with the highest level of security and, most importantly, make physical diamonds instantly liquid.

Cross-asset traders

Due to its creditworthiness and limited fungibility, FDT is indirectly tradable against traditional diamond products, such as:

Cryptocurrencies → BTC,ETH,etc.

FIAT currencies → EUR,USD,CHF,GB,etc.

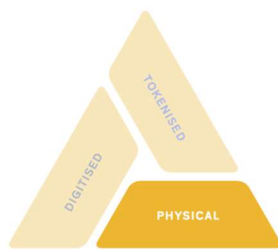
This makes FDT Diamond Token a sought-after product that can be traded from both a statistical arbitrage and pure arbitrage perspective.

This means that FDT Diamond Token is one of the few tokens that connects the traditional financial markets with the digital asset markets and enables quality liquidity.

The FDT Diamond Token is tradable 24/7 at any time.

5. Diamonds

1. Global currency, safe haven, luxury, beauty



There is no other asset as closely associated with holding, exchanging and preserving value as diamonds. For thousands of years, people have relied on diamonds have relied on diamonds as a safe, stable and secure place to store their wealth.

Physical diamonds have no counterparty risk, making it an ideal vehicle to cushion losses in times of market stress.

Diamonds are one of the most effective diversifiers that can serve as a hedge against downside price risk and inflation, especially considering the current high valuations of many global asset markets and the high debt levels of many economies. In times of market uncertainty, investors rely on diamonds to drive up demand when "risky" assets collapse.

In addition, diamonds not only provide stability and diversification within a portfolio, but is also a historically proven source of positive returns in long-term investment strategies and often outperforms major asset classes.

The steady growth of emerging markets such as China and India continues to have a positive impact on overall consumer and investor demand. At the same time, the critical role of diamonds in industry is driving rapid growth in industrial diamond demand.

To meet this increasing demand, global mine production has risen to an all-time high over the past 20 years. However, with exploration and production costs rising and the rate at which new diamond reserves are being discovered falling, global mine supply is expected to decline in the short and medium term.

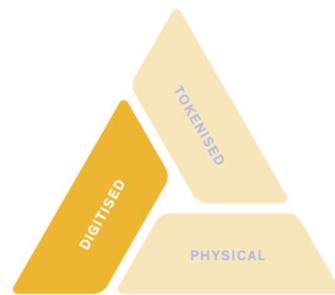
It is expected that the increasing demand and decreasing supply will increase the intrinsic value and stability of diamonds and have a positive impact on its price.

Diamonds are not directly controlled by a central bank or government, nor has it been negatively impacted by inflationary monetary policies. While central banks can directly influence the real value of their respective currencies, the value of diamonds is far less susceptible to their expansionary monetary policies. Central banks can print money, but they cannot print diamonds because EVERY diamond is a SINGLE PIECE.

It is therefore largely independent of any particular fiat currency.

Stability, risk reduction and value retention - these are all properties of diamonds that can hardly be attributed to most currencies today. These enduring properties of diamonds make it the ideal asset for digitization/tokenization and fill a gap in the fast-moving, highly volatile digital asset markets.

2. Digitized diamonds



Over time, a number of financial products have developed that make trading and owning gemstones more convenient, effective and secure.

Whether through exchange-traded funds, gemstone savings accounts, commodity futures or diamond certificates, investing in diamonds does not necessarily require holding and storing physical diamonds. Many of today's gemstone products do not even entitle the investor to a claim on the physical diamonds. Rather, the products merely attempt to track the diamond price, which represents an obligation on the part of the issuer to pay the investor the equivalent of the diamond price in fiat currency.

Digitized diamonds are a new form of gemstone trading: Gartner's IT Glossary defines digitization as "the process of converting analog to digital".

Physical diamonds are securely held and stored by the custodian, while digital assets, essentially small digitally signed computer files, are created and represent the physical gemstone to the appropriate extent.

The digital assets are cryptographically secured so that they cannot be tampered with or counterfeited and represent a claim on the physical diamonds for the holder. Digital assets have many advantages over physical diamonds, but also over other gemstone products:

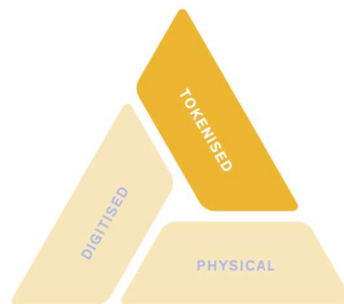
The physical gemstone becomes divisible into digital fractions, allowing a diamond to be split into 0.1ct, making it cheaper to trade and own smaller denominations by eliminating the expensive overheads of trading diamonds.

Digital assets are as easily transferable as any other digital information. Trading is instant and no settlement is required as ownership is transferred when the asset is transferred.

A range of digital asset support services, such as storage, convenient 24/7 online access to 24/7 markets for trading digitized diamonds, are cost-effective, efficient and can be integrated into existing IT systems and banking platforms.

The digitization mechanism guarantees full coverage with physical diamonds at all times, and a digital asset can be redeemed and the physical diamond withdrawn.

3. Tokenized diamonds- FDT tokens



Blockchain, with its distributed ledger technology, is another platform for the digitization of assets - in this case referred to as tokenization - and the issuance of tokens.

With the tokenization of assets, blockchain networks are expected to disrupt existing market structures and revolutionize the way asset management and trading takes place. The tokenization of gemstones, for example, has the potential to significantly impact current trading practices and improve the efficiency and transparency of the estimated USD 20 trillion market, which is largely dominated by opaque OTC trading.

Research Director and Chief Market Strategist, John Reade, aptly summarizes this opportunity presented by the tokenization of diamonds: "The tokenization of diamonds could be as big a game changer for the diamond markets as the development of exchange-traded funds, but with the added benefit of appealing to younger generations.

One of the main advantages of a public blockchain network over a platform or similar is its interoperability: a large number of projects, marketplaces and investors can interact with each other, exchange and transfer tokens or integrate them into their own applications.

The transactions are recorded on the immutable blockchain and the parties to the transaction can trust the registration of ownership and the exchange of tokens without knowing each other.

To bring the diamonds in cooperation and management/custody from a trustee to a public blockchain, the FDT token was mined on the BINANCE SMART CHAIN, combining the strengths of ASSET BACKED TOKENS with the advantages of the BINANCE blockchain infrastructure application areas.

Trust is essential for an asset-backed token such as FDT Diamond Token: K4Y S.A. as issuer and technology provider, Meirow & Klink in Pforzheim as refinery and the BINANCE blockchain as underlying infrastructure all contribute to creating a unique level of trust in FDT Diamond Tokens.

4. Today's diamond market

Forecasts are always difficult, as Karl Valentin once said, but especially when they are aimed at the future.....

For commodities, I confidently leave the speculation to the banks: "...The current diamond price does not reflect the fundamentals of supply and demand, rather an artificial demand as a presumed hedge and for value preservation in the event of inflation...." (Quote from Rob Henderson, Chief Economist at the National Australia Bank, Sydney)

For diamonds, however, I am constantly receiving information that coincides with my experience, so I would like to pass it on.

The trend in diamond prices has been steadily upwards for years - across the board. They are expected to outperform gold.

The main reason for this is the growing strength of Asia, i.e. the Chinese, Indians and Arabs are spending more and more on luxury now and in the future - after all, there is a larger wealthy middle class in China alone than we have inhabitants.... It is even assumed that the demand for diamonds will increase twice as much as the supply by 2025.

The price of rough diamonds (including industrial diamonds!) has already been rising for around two years, with prices for polished jewellery diamonds following somewhat later. The value trend is not uniform. Last year, for example, prices for small and very small diamonds literally exploded, while prices for fine jewellery diamonds rose moderately. As always, it depends on quality and size!

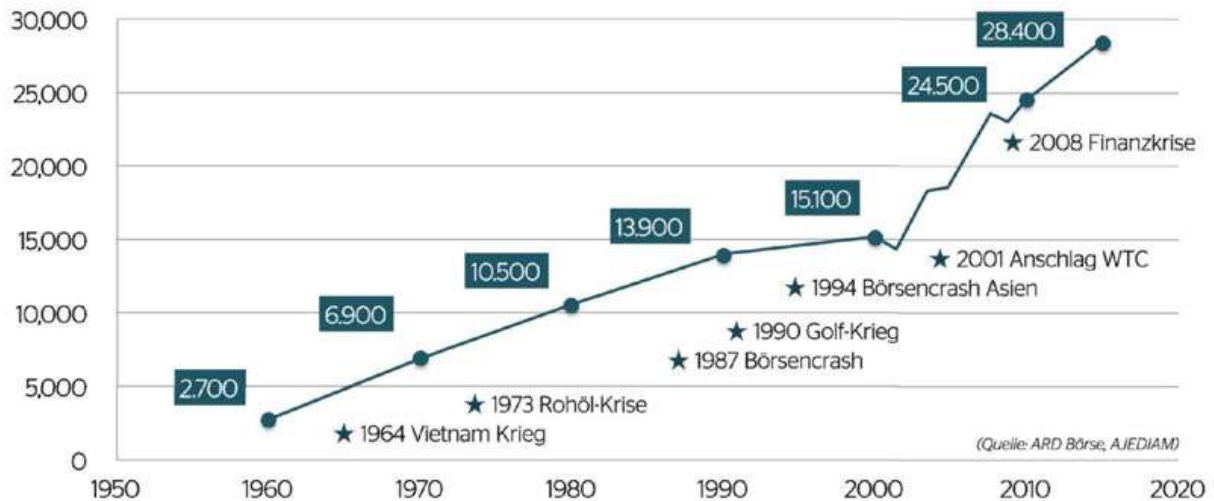
Estimates by various experts predict a price increase of 21 to 32 % over the next 5 years, with an increase in value of around 7 % expected for 2024 alone - and all in US dollars, of course!

We still have to take into account the weakening euro, which makes imports more expensive.

In 1970, a fine one-carat diamond was still available for the equivalent of around € 4,000; today, the market value is already around € 15,000, and even double that in the absolute top quality.

Despite Karl Valentin: on the basis of 2004 = 100, the overall index for diamonds is currently 266.8! So far, all those who have seen diamonds as a long-term investment have done the right thing, be it for a deposit in their (own) safe or, above all, as a piece of jewelry on their finger, neck or ear.

5. Diamond price development



Traditional diamond trade

The members of the global gemstone markets trade with each other and their customers on a bilateral principal to principal basis.

This means that all risks, including credit risk, lie between the two parties to a transaction. This is a so-called OTC market as opposed to an exchange-traded environment. While transactions between members are usually settled in standardized amounts, a dealer offers a customized service when dealing with its customers. He can offer prices for different quantities, qualities and types of precious metals as well as for different value dates and settlement locations.

Exchanging FDT Diamond Tokens for physical diamonds

In addition, no storage or administration fees are charged for the FDT Diamond Token, whereas, for example, merchants charge 0.4-5% per year.

The FDT DIAMOND TOKEN offers all the benefits without the associated storage costs.

Therefore, FDT Diamond Token will be a better tool for smart traders to hold and roll MAB trading.

FDT Diamond Token also offers investors of exchange-traded gemstone funds an alternative to traditional products.

ETFs are backed by a range of physical and financial products that incur storage and management fees.

FDT offers gemstone investors physical protection without the costs associated with owning an exchange-traded fund and also provides a verifiable and transparent guarantee for the physical diamonds held in custody in Berlin, Vienna or Zurich in the client's name or WALLET ID AND TOKEN ID.

6. [Diamond encyclopedia](#)

Everything about diamonds can be found here in the following link



2019

Diamantenlexikon.pdf

7. The FDT token ecosystem

1. Physical, digitized, tokenized

As a custodian of physical diamonds, Gold Silber Kontor in Berlin has been offering gemstone services for more than 50 years. It currently stores diamonds and other gemstones for several thousand customers worldwide.

Based on this excellent performance and the extensive storage and distribution network for physical diamonds, K4Y S.A. introduced the digitization of the physical diamonds stored at Gold Silber Kontor in Berlin.

Instead of implementing a new digitization process, K4Y S.A. uses this proven and reliable infrastructure and resorts to tokenization of 100% physical high-quality diamonds as gemstone backing for FDT Diamond Tokens.

FDT Diamond Tokens are 100% backed by physical diamonds, which are securely stored at Gold Silber Kontor in Berlin (in Berlin, Vienna or Switzerland as special assets) and guaranteed by a unique, transparent, verifiable custody account number and detailed customer allocation. It is these digital FDT Diamond Tokens that provide the 1:1 diamond coverage for FDT.

1 unit of FDT DIAMOND TOKEN = 0.1 ct of physical diamonds (100% pure diamonds) with certificate.

This ensures that the FDT Diamond Token is 100% backed by physical diamonds.

FDT Diamond Token can be exchanged for FIAT and also for physical diamonds. The exchange rate is 1:1 in both directions and the exchange is carried out by an authorized trustee. The diamond price is based on the IDEX Online price.

For every FDT Diamond Token in circulation, there is always 0.1 ct of physical diamonds in the form of FDT Diamond Tokens, which are held in safekeeping.

The smallest denomination of the FDT DIAMOND TOKEN is 1 - same accuracy - and has a value of 0.1 ct physical diamonds according to IDEX Online price plus/minus manipulation fee.

FDT Diamond Token is a tokenized version of the physical 0.1 ct diamond, which is associated with a unique depository number that implements additional cryptographic functions for secure use on the blockchain.

An investor who wishes to own the secured diamonds can also do so by purchasing FDT diamond tokens directly or their partners online, but also "offline" in physical stores. However, the tokenized version of the 0.1 ct physical diamond - in the form of the FDT Diamond Token - allows the holder to track and record their ownership on a public blockchain and sell it in FIAT at any time.

FDT Diamond Tokens are issued by K4Y S.A. and are individual investments with no pooling of assets. FDT Diamond Tokens are not intended to be shares, securities, derivatives or interests in a managed investment scheme or other financial product under the Corporations Act 2001 (Cth).

Each issue of FDT Diamond Tokens in the form of savings plans corresponds to a specific underlying unique depository number held by Gold Silber Kontor in Berlin. Each FDT Diamond Token entitles you to beneficial ownership of the physical diamonds in 0.1 ct denomination, which is irrevocably linked directly to the FDT Diamond Token.

A trustee may act on your behalf as custodian and mere trustee of the FDT Diamond Tokens and the uniquely assigned deposits.

Each FDT Diamond Token is recorded separately and the associated Diamond Deposit is pooled on a direct, unalterable and transparent electronic gemstone depository with unique numbering.

These gemstone deposits - savings plan - are deposited with physical diamonds and are physically available in the depository at Gold Silber Kontor in Berlin or physically stored directly with a trustee as special assets and marked with a clearly assignable deposit number. The rights and value attributable to each FDT Diamond Token are independent of the rights or value attributable to other FDT Diamond Tokens and are not affected by them.

2. How it works

In a first step, the customer must register and fulfill the required KYC/AML guidelines or go through the registration process.

The trustee verifies the customer, his address and establishes a permanent connection between the trustee and the automatically assigned "wallet".

The FDT Diamond Tokens purchased by the customer or integrated gemstone deposits are transferred to transferred to the FDT Diamond Token account or withdrawn upon sale.

The allocation process is triggered and the FDT Diamond Token is sent or allocated to the specified BSC address linked to the customer's fiduciary account. As soon as the coin transaction has been successfully executed and confirmed on the blockchain, the trustee and/or Gold Silber Kontor transfers the FDT Diamond Tokens or gives the additions/disposals of the physical diamonds to the trustee.

3. Distribution and trading of FDT Diamond Tokens

4. Redemption and conversion

FDT Diamond Token holders can redeem their tokens for FIAT or BTC/ETH/USDT etc. at any time and thus become immediately liquid.

This is described as a delivery process and thus the customer receives his physical diamonds a few days later at the respective specified shipping address (manufacturing and delivery fees apply).

5. Fees and charges

There are moderate fees for FDT Diamond Tokens:

- low issue fees for the conversion of Physical Diamond DEPOT into FDT Diamond Tokens
- low redemption fees for the conversion of FDT DIAMOND TOKENS into FIAT currency
- No storage fees
- No FDT Diamond Token transfer fee

The standard FDT fees apply to:

- Buying/Selling FDT Diamond Token /for another currency, e.g. EUR, USD, BTC, ETH, USDT etc.
- Redeeming FDT Diamond Tokens for physical diamonds.

6. Security and Trust

It has always been the intention of K4Y S.A. to bring a new standard of trust, creditworthiness and asset protection to the blockchain ecosystem.

FDT Diamond Tokens now provide this security as the diamonds that underpin each token are 100% physically stored and delivered.

Auditing and reporting

Transparency and auditability are key elements of K4Y S.A.

All FDTs are backed 1:1 by physical diamonds held in K4Y S.A.'s FDT accounts. For verification purposes, Gold Silber Kontor and K4Y S.A. publish current diamond quantities and are therefore 100% transparent and verifiable.

This quantity in carats corresponds to the total supply of FDT under the K4Y contract. This figure is disclosed as part of the FDT's BSC interface and can be easily accessed via the relevant websites.

KYC / AML compliance

K4Y S.A. adheres to strict Know Your Customer (KYC) and Anti-Money Laundering (AML) policies.

These measures apply at three different levels:

1. FDT FDT is a product of K4Y S.A., and customers of K4Y S.A. in the form of a savings plan are customers of Gold Silber Kontor.

1. in accordance with applicable European anti-money laundering and anti-terrorist financing laws and regulations, all K4Y S.A. clients wishing to activate the full functionality of their account must provide their full personal details and proof of identity.

The identity of an FDT account holder must also be fully verified before any refund or the like of FDT Diamond Tokens is made.

1. FDT Partners exchanges, market makers and other potential third parties involved in the issuance, distribution and redemption of FDT Diamond Tokens must follow comprehensive KYC/KYB (Know Your Business Partner) procedures and adhere to K4Y S.A. guidelines.

1. customers of FDT Partners FDT Partners require their customers to fully comply with the KYC/AML guidelines before they can buy or sell FDT Diamond Tokens.

7. Conclusion

The FDT Diamond Token brings together the experienced team of experts at K4Y S.A. as issuer with one of the world's largest and most reputable gemstone dealers and custodians to create an institutional grade token backed by 100% guaranteed diamonds.

Thus, K4Y S.A. connects the traditional financial market with the digital asset market, bringing an unprecedented level of trust, efficiency and scale to the new and exciting blockchain world.

8. Appendix 1 - RISK INFORMATION

The value of FDT Diamond Token may be affected by a number of risk factors, many of which are beyond the control of K4Y S.A. The value of FDT may rise or fall and, as a result, Token Holders may suffer losses.

Potential Token Holders should consider whether FDT is a suitable purchase taking into account their personal objectives, financial situation and particular needs and circumstances. Potential Token Holders should also consider the level of risk they are comfortable with, the level of returns they desire and the frequency and nature of those returns.

The risk factors mentioned in this Whitepaper do not purport to be a complete explanation of the risks associated with the purchase of FDTs.

Potential token holders should seek professional legal and tax advice in determining their objectives and strategies before deciding to purchase FDT.

The main risks of purchasing FDT are described below, although all risks should be considered by potential Token Holders, and the risks indicated are not exhaustive.

K4Y S.A. will take measures to minimize the risk; however, there can be no guarantee that all risks can be avoided or mitigated or that the purchase of FDT is risk-free.

General market risks

The potential fluctuating value of the FDT is affected by a number of economic and market factors, including market volatility, commodity prices, national and international economic conditions, political events, war, natural events and changes in government and monetary policy, taxation and other laws and regulations.

Counterparty risks

The Issuer's operational risks include the possibility of system failure, regulatory requirements, documentation risks, fraud, legal risks and other unforeseen circumstances, which may also adversely affect the value of the FDT held by a Token Holder.

To counter these operational risks, K4Y S.A. acts as custodian for the Token Holder and these are not available or accessible to K4Y S.A.'s creditors.

In addition, all FDT Diamond Tokens are 100% backed by physical diamonds via unique DEPOTNUMBERS, with the weight and purity of each gram certified by Gold Silber Kontor.

Gold Silber Kontor has granted K4Y S.A. various rights under a license agreement in the savings plan area. Should the license agreement be terminated, K4Y S.A. would no longer be able to issue FDT.

Nevertheless, a token holder can still exchange his existing FDT for FIAT, which can then be exchanged for physical diamonds at Gold Silber Kontor.

Tax risks

Changes in tax laws and policies (including any changes to such laws relating to the taxation of FDT) could adversely affect the value of FDT and the return to Token Holders. It is not possible to predict future changes in tax laws or policies. Tax liability is the responsibility of each individual Token Holder. Token Holders should seek their own tax advice on their prospective purchase of FDT.

Specific FDT risks

The main risks associated with the purchase of FDT include the following:

Illiquidity risk

This is the risk that a token holder is unable to sell their FDT.

K4Y S.A. reserves the right to restrict trading in FDT for any reason, including to ensure that it complies with applicable legal requirements.

K4Y S.A. will endeavor to provide a mechanism to buy and sell FDT through secondary markets, subject to legal and regulatory approvals.

Notwithstanding this, a token holder with a fully verified FDT account will still be able to redeem their existing FDT for FIAT or convert them into physical diamonds and receive them.

The K4Y S.A. website, platform, software and content are provided on an "as is" and "as available" basis. There is an inherent risk that the Software may contain vulnerabilities, susceptibilities, bugs, etc. that may result in a complete loss of FDT, the Website or the Platform.

K4Y S.A. intends to manage this risk by further developing the platform and the website and by preventively fixing vulnerabilities or security gaps in the systems that could lead to a significant loss of FDT.

Risk of loss of access to FDT due to loss of private key(s)

A private key or combination of private keys is required to control and transfer FDT stored in the Token Holder's digital wallet or vault. Accordingly, the loss of the required private key(s) associated with a Token Holder's digital wallet or vault in which FDT is stored will result in the loss of that FDT. In addition, any third party that gains access to these private keys, including access to the login credentials of a hosted/unhosted wallet service that a Token Holder uses, may enable that third party to misappropriate the Token Holder's FDT.

Token holders must ensure that they have kept their private keys secure and that third parties cannot gain unauthorized access to this information.

Risks associated with the BSC blockchain

FDT is based on the Binance blockchain, and any disruption, failure or abandonment of the Binance blockchain or other technological difficulties may significantly impair or prevent access to or use of the platform. In addition, advances in cryptography or technological advances such as the development of quantum computers could pose risks to K4Y S.A. and the Platform by rendering the cryptographic consensus mechanism underlying the Ethereum blockchain ineffective. Transactions involving tokens on the blockchain are potentially irreversible and, accordingly, losses due to fraudulent or inadvertent transactions may not be recoverable.

Risks from hacker attacks and security vulnerabilities

Hackers or other malicious groups or organizations may attempt to disrupt the Platform or the FDT in various ways, including, but not limited to, malware attacks, denial of service attacks, consensus-based attacks, Sybil attacks, smurfing and spoofing. K4Y S.A. will make all reasonable efforts to maintain robust security systems to prevent hackers from disrupting the Platform or the FDT.

Risks associated with markets for tokens

Where third party exchanges facilitate trading in FDTs on their own initiative, such exchanges may be relatively new and subject to little or no regulatory oversight, making them vulnerable to fraud and manipulation. Tokens are not legal tender, and to the extent that third parties attribute an external exchange value to K4Y S.A., that value may be extremely volatile and may fall to zero. There is no guarantee that a person or company that accepts FDT as a means of payment today will continue to do so in the future.

Notwithstanding this, a token holder with a fully ID-verified FDT account can continue to redeem their existing FDT.

Risk of uninsured losses

Unlike bank accounts or accounts with some financial institutions, FDTs are not insured unless token holders specifically take out their own insurance. In the event of a loss or reduction in utility value, there is no insurance taken out by K4Y S.A. that Token Holders could fall back on. Token Holders should check at the time of purchase or seek their own professional advice as to whether they should take out insurance for their FDT holdings.

Risk of dissolution of K4Y S.A.

It is possible that the K4Y S.A. platform may cease to operate profitably for a variety of reasons, including but not limited to failure of business relationships or intellectual property ownership issues, and K4Y S.A. may cease to operate.

To counter these risks, K4Y S.A. , as mentioned above, holds the TOKENS as custodian for the Token Holder and these are not available or accessible to K4Y S.A.'s creditors. In addition, all TOKEN are 100% backed by physical diamonds.

Risks arising from the lack of management rights

K4Y S.A. does not grant any management rights in relation to the K4Y S.A. platform or K4Y S.A. or its affiliated companies. All decisions concerning the K4Y S.A. platform or K4Y S.A. are made by K4Y S.A. in its sole discretion, including, but not limited to, the decision to discontinue the K4Y S.A. platform, to issue further FDTs or to sell the K4Y S.A. platform itself or to liquidate K4Y S.A.. These decisions could adversely affect the platform and all FDTs held by a Token Holder.

Notwithstanding this, a Token Holder with a fully ID-verified K4Y S.A. account may continue to redeem their existing FDT. Regulatory risk

The value of FDT may be adversely affected by changes in government legislation, regulations and policies (including tax laws). The regulatory status of FDT and distributed ledger technology is unclear or unsettled in many countries around the world.

It is difficult to predict how or whether regulators will apply existing laws and regulations relating to this technology and its applications, including the Platform and FDT. It is also difficult to predict how or whether legislators or regulators will make changes to laws and regulations affecting distributed ledger technology and its applications, including the Platform and the FDT. Residents of certain jurisdictions may not be permitted to participate in the sale and purchase of cryptocurrencies or digital tokens such as FDT, and such participation may be illegal in those jurisdictions. Legislation may be introduced in the jurisdiction of the purchasers or acquirers of FDT that prohibits or regulates such token sales.

New or amended laws, regulations, administrative orders or directives issued by regulatory authorities, as well as regulatory actions, could adversely affect the Platform and FDT in various ways or make it commercially undesirable to obtain the necessary regulatory approval(s) to operate in a country.

The regulatory authorities of the countries in which a purchaser or acquirer of FDT is located may investigate and take regulatory action with respect to such sale and purchase or acquisition or prohibit the secondary sale and purchase or acquisition of FDT after the sale and purchase or acquisition of FDT.

Although K4Y S.A. is not in a position to predict future policy changes, K4Y S.A. intends to manage this risk by monitoring and responding to potential regulatory and policy changes as they occur and come to its attention.

Important note

It is important to note that not all risks are foreseeable. It is therefore not possible for K4Y S.A. to protect the value of the FDT from all risks. Prospective token holders should ensure that they obtain appropriate professional advice regarding the suitability of the FDT, taking into account their individual circumstances, financial situation and individual needs.