

MiCA White Paper

Liquity

(LQTY)

Version 1.0
Nov 2025

White Paper in accordance with Markets in Crypto Assets Regulation (MiCAR)
for the European Economic Area (EEA).

Purpose: seeking admission to trading EEA.

Prepared and Filed by LCX.com

NOTE: THIS CRYPTO-ASSET WHITE PAPER HAS NOT BEEN APPROVED BY ANY COMPETENT AUTHORITY IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA. THE PERSON SEEKING ADMISSION TO TRADING IS SOLELY RESPONSIBLE FOR THE CONTENT OF THIS CRYPTO-ASSET WHITE PAPER ACCORDING TO THE EUROPEAN ECONOMIC AREA'S MARKETS IN CRYPTO-ASSET REGULATION (MICA).

This white paper has been prepared in accordance with the requirements set forth in Commission Implementing Regulation (EU) 2024/2984, ensuring that all relevant reporting formats, content specifications, and machine-readable structures outlined in Annex I of this regulation have been fully mapped and implemented, particularly reflected through the Recitals, to enable proper notification under the Markets in Crypto-Assets Regulation (MiCAR).

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01 DATE OF NOTIFICATION

2025-11-17

COMPLIANCE STATEMENTS

02 This crypto-asset white paper has not been approved by any competent authority in any Member State of the European Economic Area. The offeror of the crypto-asset is solely responsible for the content of this crypto-asset white paper.

Where relevant in accordance with Article 6(3), second subparagraph of Regulation (EU) 2023/1114, reference shall be made to 'person seeking admission to trading' or to 'operator of the trading platform' instead of 'offeror'.

03 This crypto-asset white paper complies with Title II of Regulation (EU) 2023/1114 and, to the best of the knowledge of the management body, the information presented in the crypto-asset white paper is fair, clear and not misleading and the crypto-asset white paper makes no omission likely to affect its import.

04 The crypto-asset referred to in this white paper may lose its value in part or in full, may not always be transferable and may not be liquid.

05 Not Applicable

06 The crypto-asset referred to in this white paper is not covered by the investor compensation schemes under Directive 97/9/EC of the European Parliament and of the Council. The crypto-asset referred to in this white paper is not covered by the deposit guarantee schemes under Directive 2014/49/EU of the European Parliament and of the Council.

SUMMARY

07 Warning

This summary should be read as an introduction to the crypto-asset white paper. The prospective holder should base any decision to purchase this crypto-asset on the content of the crypto-asset white paper as a whole and not on the summary alone. The offer to the public of this crypto-asset does not constitute an offer or solicitation to purchase financial instruments and any such offer or solicitation can be made only by means of a prospectus or other offer documents pursuant to the applicable national law.

This crypto-asset white paper does not constitute a prospectus as referred to in Regulation (EU) 2017/1129 of the European Parliament and of the Council (36) or any other offer document pursuant to Union or national law.

08 Characteristics of the crypto-asset

Here are the main characteristics of the LQTY token:

Purpose:

LQTY is used to incentivize participation in the Liquity ecosystem.

It's primarily earned through staking and stability pool participation.

Token Type:

It is an ERC-20 token on Ethereum.

Governance:

Unlike many DeFi tokens, LQTY does not confer governance rights. Liquity is governance-minimized; protocol parameters are hardcoded.

Supply:

Maximum supply: 100 million LQTY tokens.

Distribution is capped and mostly allocated to community incentives, team, investors, and reserves.

There is no inflation beyond the max supply.

Distribution & Incentives:

Community Rewards: A large portion is distributed to users who provide liquidity or stake in the stability pool.

Team & Investors: Allocated with vesting schedules.

Adoption Fund: Used for ecosystem growth and partnerships.

Staking Utility: LQTY stakers receive fee revenue generated by the protocol in the form of LUSD (stablecoin) and ETH.

Volatility: Unlike LUSD (the stablecoin in Liquity), LQTY's price is volatile and market-driven.

09 Not applicable

10 **Key information about the offer to the public or admission to trading**

Here are the key information about the Liquity(LQTY):

<i>Total offer amount</i>	Not applicable
<i>Total number of tokens to be offered to the public</i>	Not Applicable
<i>Subscription period</i>	Not Applicable
<i>Minimum and maximum subscription amount</i>	Not Applicable
<i>Issue price</i>	Not Applicable
<i>Subscription fees (if any)</i>	Not Applicable
<i>Target holders of tokens</i>	Not Applicable
<i>Description of offer phases</i>	Not Applicable
<i>CASP responsible for placing the token (if any)</i>	Not Applicable
<i>Form of placement</i>	Not Applicable
<i>Admission to trading</i>	LCX AG, Herrengasse 6, 9490 Vaduz, Liechtenstein

A. PART A - INFORMATION ABOUT THE OFFEROR OR THE PERSON SEEKING ADMISSION TO TRADING

A.1 Name

LCX

A.2 Legal Form

AG

A.3 Registered Address

Herrengasse 6, 9490 Vaduz, Liechtenstein

A.4 Head Office

Herrengasse 6, 9490 Vaduz, Liechtenstein

A.5 Registration Date

24.04.2018

A.6 Legal Entity Identifier

529900SN07Z6RTX8R418

A.7 Another Identifier Required Pursuant to Applicable National Law

FL-0002.580.678-2

A.8 Contact Telephone Number

+423 235 40 15

A.9 E-mail Address

legal@lcx.com

A.10 Response Time (Days)

020

A.11 Parent Company

Not applicable

A.12 Members of the Management Body

Full Name	Business Address	Function
Monty C. M. Metzger	Herrengasse 6, 9490 Vaduz, Liechtenstein	President of the Board
Katarina Metzger	Herrengasse 6, 9490 Vaduz, Liechtenstein	Board Member
Anurag Verma	Herrengasse 6, 9490 Vaduz, Liechtenstein	Director of Technology

A.13 Business Activity

LCX provides various crypto-asset services under Liechtenstein's Token and Trusted Technology Service Provider Act ("Token- und Vertrauenswürdige Technologie-Dienstleister-Gesetz" in short "TvtG") also known as the Blockchain Act. These include custody and administration of crypto-assets, offering secure storage for clients' assets and private keys. LCX operates a trading platform, facilitating the matching of buy and sell orders for crypto-assets. It enables both crypto-to-fiat and crypto-to-crypto exchanges, ensuring compliance with AML and KYC regulations. LCX also supports token placements, marketing crypto-assets on behalf of offerors.

Under MiCA, LCX is classified as a Crypto-Asset Service Provider (CASP). LCX is not yet formally supervised under MiCA until the license is granted by the competent authority.

Under the TVTG framework, LCX provides:

- TT Depositary – Custody and safekeeping of crypto-assets.
- TT Trading Platform Operator – Operation of a regulated crypto-asset exchange.
- TT Exchange Service Provider – Crypto-to-fiat and crypto-to-crypto exchange.
- Token Issuer – Marketing and distribution of tokens.
- TT Transfer Service Provider – Crypto-asset transfers between ledger addresses.
- Token Generator & Tokenization Service Provider – Creation and issuance of tokens.
- Physical Validator – Enforcement of token-based rights on TT systems.
- TT Verification & Identity Service Provider – Legal capacity verification and identity registration.
- TT Price Service Provider – Providing aggregated crypto-asset price information.

A.14 Parent Company Business Activity

Not applicable

A.15 Newly Established

false

A.16 Financial Condition for the past three Years

LCX AG has a strong capital base, with CHF 1 million (approx. 1,126,000 USD) in share capital (Stammkapital) and a solid equity position (Eigenkapital) in 2023. The company has experienced fluctuations in financial performance over the past three years, reflecting the dynamic nature of the crypto market. While LCX AG recorded a loss in 2022, primarily due to a market downturn and a security breach, it successfully covered the impact through reserves. The company has remained financially stable, achieving revenues and profits in 2021, 2023 and 2024 while maintaining break-even operations.

In 2023 and 2024, LCX AG strengthened its operational efficiency, expanded its business activities, and upheld a stable financial position. Looking ahead to 2025, the company anticipates positive financial development, supported by market uptrends, an inflow of customer funds, and strong business performance. Increased adoption of digital assets and service expansion are expected to drive higher revenues and profitability, further reinforcing LCX AG's financial position.

A.17 Financial Condition Since Registration

LCX AG has been financially stable since its registration, supported by CHF 1 million in share capital (Stammkapital) and continuous business growth. Since its inception, the company has expanded its operations, secured multiple regulatory registrations, and established itself as a key player in the crypto and blockchain industry.

While market conditions have fluctuated, LCX AG has maintained strong revenues and break-even operations. The company has consistently reinvested in its platform, technology, and regulatory compliance, ensuring long-term sustainability. The LCX Token has been a fundamental part of the ecosystem, with a market capitalization of approximately \$200 million USD and an all-time high exceeding \$500 million USD in 2022. Looking ahead, LCX AG anticipates continued financial growth, driven by market uptrends, increased adoption of digital assets, and expanding business activities.

B. PART B - INFORMATION ABOUT THE ISSUER, IF DIFFERENT FROM THE OFFEROR OR PERSON SEEKING ADMISSION TO TRADING

B.1 Issuer different from offeror or person seeking admission to trading

True

B.2 Name

Liquity AG

B.3 Legal Form

Aktiengesellschaft (AG)

B.4 Registered Address

Dufourstrasse 43, CH-8008 Zürich, CH

B.5 Head Office

Dufourstrasse 43, CH-8008 Zürich, CH

B.6 Registration Date

2020-04-23

B.7 Legal Entity Identifier

984500F3D6Q82B14BC09

B.8 Another Identifier Required Pursuant to Applicable National Law

CHE-184.101.707

B.9 Parent Company

Not Available

B.10 Members of the Management Body

Not Available

B.11 Business Activity

Not Available

B.12 Parent Company Business Activity

Not Available

C. PART C - INFORMATION ABOUT THE OPERATOR OF THE TRADING PLATFORM IN CASES WHERE IT DRAWS UP THE CRYPTO-ASSET WHITE PAPER AND INFORMATION ABOUT OTHER PERSONS DRAWING THE CRYPTO-ASSET WHITE PAPER PURSUANT TO ARTICLE 6(1), SECOND SUBPARAGRAPH, OF REGULATION (EU) 2023/1114

C.1 Name

LCX AG

C.2 Legal Form

AG

C.3 Registered Address

Herrengasse 6, 9490 Vaduz, Liechtenstein

C.4 Head Office

Herrengasse 6, 9490 Vaduz, Liechtenstein

C.5 Registration Date

24.04.2018

C.6 Legal Entity Identifier

529900SN07Z6RTX8R418

C.7 Another Identifier Required Pursuant to Applicable National Law

FL-0002.580.678-2

C.8 Parent Company

Not Applicable

C.9 Reason for Crypto-Asset White Paper Preparation

LCX is preparing this MiCA-compliant whitepaper for LQTY to enhance transparency, regulatory clarity, and investor confidence. While LQTY has its classification as "Other Crypto Asset," LCX is providing this document to support its role as a Crypto-Asset Service Provider (CASP) and ensure compliance with MiCA regulations in facilitating LQTY trading on its platform.

C.10 Members of the Management Body

Full Name	Business Address	Function
Monty C. M. Metzger	Herrengasse 6, 9490 Vaduz, Liechtenstein	President of the Board
Katarina Metzger	Herrengasse 6, 9490 Vaduz, Liechtenstein	Board Member
Anurag Verma	Herrengasse 6, 9490 Vaduz, Liechtenstein	Director of Technology

C.11 Operator Business Activity

LCX provides various crypto-asset services under Liechtenstein's Token and Trusted Technology Service Provider Act ("Token- und Vertrauenswürdige Technologie-Dienstleister-Gesetz" in short "TVTG") also known as the Blockchain Act. These include custody and administration of crypto-assets, offering secure storage for clients' assets and private keys. LCX operates a trading platform, facilitating the matching of buy and sell orders for crypto-assets. It enables both crypto-to-fiat and crypto-to-crypto exchanges, ensuring compliance with AML and KYC regulations. LCX also supports token placements, marketing crypto-assets on behalf of offerors.

Under MiCA, LCX is classified as a Crypto-Asset Service Provider (CASP).

Under the TVTG framework, LCX provides:

- TT Depository – Custody and safekeeping of crypto-assets.
- TT Trading Platform Operator – Operation of a regulated crypto-asset exchange.
- TT Exchange Service Provider – Crypto-to-fiat and crypto-to-crypto exchange.
- Token Issuer – Marketing and distribution of tokens.
- TT Transfer Service Provider – Crypto-asset transfers between ledger addresses.
- Token Generator & Tokenization Service Provider – Creation and issuance of tokens.
- Physical Validator – Enforcement of token-based rights on TT systems.
- TT Verification & Identity Service Provider – Legal capacity verification and identity registration.
- TT Price Service Provider – Providing aggregated crypto-asset price information.

C.12 Parent Company Business Activity

Not Applicable

C.13 Other persons drawing up the white paper under Article 6 (1) second subparagraph MiCA

Not Applicable

C.14 Reason for drawing up the white paper under Article 6 (1) second subparagraph MiCA

Not Applicable

D. PART D - INFORMATION ABOUT THE CRYPTO-ASSET PROJECT

D.1 Crypto-Asset Project Name

Liquity

D.2 Crypto-Assets Name

LQTY

D.3 Abbreviation

LQTY

D.4 Crypto-Asset Project Description

LQTY tokens, an ERC-20 token on Ethereum with a maximum supply of 100 million, are designed to incentivize participation in the Liquity ecosystem. Primarily earned through staking and stability pool participation, LQTY does not grant governance rights as Liquity is governance-minimized with hardcoded protocol parameters. Its distribution is capped, with allocations for community incentives, the team, investors, and reserves, ensuring no inflation beyond the maximum supply. Community rewards are distributed to liquidity providers and stability pool stakers, while the team and investors have vesting schedules, and an adoption fund supports ecosystem growth. Stakers of LQTY receive fee revenue from the protocol in the form of LUSD and ETH, and unlike the stablecoin LUSD, LQTY's price is volatile and market-driven.

D.5 Details of all persons involved in the implementation of the crypto-asset project

These people/entities collaborate to maintain and improve the LQTY token ecosystem:

Full Name	Business Address	Function
Robert Lauko	Not Applicable	CEO
Rick Pardoe	Not Applicable	Lead Engineer

D.6 Utility Token Classification

False

D.7 Key Features of Goods/Services for Utility Token Projects

Not Applicable

D.8 Plans for the Token

The LQTY token is designed primarily as a revenue-sharing / incentive token rather than a governance token: holders can stake LQTY to earn protocol fees derived from borrowing and redemption activities. Over time, with Liquity V2's rollout, LQTY stakers gain additional roles — for example, directing 25% of protocol revenues via the Protocol Incentivized Liquidity (PIL) mechanism, and participating in “bribe markets” where third parties may offer incentives to influence how those revenues are allocated. The roadmap suggests expanding collateral types beyond ETH (to include LSTs like stETH/rETH) and evolving revenue-allocation mechanics, but LQTY is not intended to be a governance/control token over the protocol.

D.9 Resource Allocation

At token genesis, LQTY's allocation included shares reserved for team/advisors and a community endowment.

Early financing rounds (Seed and Series A) raised funds that back the team's development and ecosystem growth.

The endowment allocation is intended to fund grants, hackathons, community events, and ecosystem incentives over time.

As Liquity V2 evolves, resource allocation is becoming more dynamic: the PIL mechanism lets LQTY stakers guide a portion of revenue allocation toward use cases like liquidity provisioning, marketing, or ecosystem incentives.

D.10 Planned Use of Collected Funds or Crypto-Assets

Liquity's white paper states that after its Series A fundraising, the collected funds were intended for team expansion, protocol development, and ecosystem growth (e.g. marketing, developer work, tooling).

Because LQTY is not sold via a traditional token sale in later stages, there is minimal ongoing "treasury" influx from token issuance.

Instead, the protocol's operational model relies on protocol-generated revenue (fees from borrowing and redemption) which accrue to LQTY stakers, and in V2 a slice is directed to PIL for further ecosystem support.

If you like, I can dig up the latest audited figures on how much capital has been used so far and how much remains.

E. PART E - INFORMATION ABOUT THE OFFER TO THE PUBLIC OF CRYPTO-ASSETS OR THEIR ADMISSION TO TRADING

E.1 Public Offering or Admission to Trading

ATTR

E.2 Reasons for Public Offer or Admission to Trading

LCX is filing a MiCA-compliant whitepaper for LQTY to enhance transparency, regulatory clarity, and investor confidence. LQTY is classified as “Other Crypto-Assets” under MiCA, this initiative supports compliance readiness and aligns with MiCA’s high disclosure standards. By doing so, LCX strengthens its position as a regulated exchange, ensuring a trustworthy and transparent trading environment for LQTY within the EU’s evolving regulatory framework. Additionally, this filing facilitates market access and institutional adoption by removing uncertainty for institutional investors and regulated entities seeking to engage with LQTY in a compliant manner. It further supports the broader market adoption and integration of LQTY into the regulated financial ecosystem, reinforcing LCX’s role in shaping compliant and transparent crypto markets.

E.3 Fundraising Target

Not applicable

E.4 Minimum Subscription Goals

Not applicable

E.5 Maximum Subscription Goal

Not applicable

E.6 Oversubscription Acceptance

Not applicable

E.7 Oversubscription Allocation

Not applicable

E.8 Issue Price

Not applicable

E.9 Official Currency or Any Other Crypto-Assets Determining the Issue Price

Not applicable

E.10 Subscription Fee

Not applicable

E.11 Offer Price Determination Method

Not applicable

E.12 Total Number of Offered/Traded Crypto-Assets

LQTY has a fixed total supply of 100,000,000 LQTY Tokens.

E.13 Targeted Holders

ALL

E.14 Holder Restrictions

Not applicable

E.15 Reimbursement Notice

Not applicable

E.16 Refund Mechanism
Not applicable

E.17 Refund Timeline
Not applicable

E.18 Offer Phases
Not applicable

E.19 Early Purchase Discount
Not applicable

E.20 Time-Limited Offer
Not applicable

E.21 Subscription Period Beginning
Not applicable

E.22 Subscription Period End
Not applicable

E.23 Safeguarding Arrangements for Offered Funds/Crypto-Assets
Not applicable

E.24 Payment Methods for Crypto-Asset Purchase
Not applicable

E.25 Value Transfer Methods for Reimbursement
Not applicable

E.26 Right of Withdrawal
Not applicable

E.27 Transfer of Purchased Crypto-Assets
Not applicable

E.28 Transfer Time Schedule
Not applicable

E.29 Purchaser's Technical Requirements
Not applicable

E.30 Crypto-asset service provider (CASP) name
Not applicable

E.31 CASP identifier
Not applicable

E.32 Placement Form
NTAV

E.33 Trading Platforms name
LCX AG

E.34 Trading Platforms Market Identifier Code (MIC)
LCXE

E.35 Trading Platforms Access

LQTY is widely traded on multiple regulated and unregulated trading platforms globally. LQTY is not restricted to a single exchange and can be accessed by retail and institutional investors worldwide.

LCX Exchange also provides access to LQTY trading with the LQTY/EUR pair. Investors can access LQTY through LCX.com, the official LCX exchange, as well as other supported cryptocurrency trading platforms. To trade LQTY, users must register, complete KYC (Know Your Customer) verification, and comply with platform-specific requirements.

E.36 Involved Costs

Not applicable

E.37 Offer Expenses

Not applicable

E.38 Conflicts of Interest

Not Applicable

E.39 Applicable Law

For admission to trading of LQTY on LCX, the applicable law is Liechtenstein law, applied in accordance with MiCA and EU regulations. For decentralized, on-chain use of LQTY outside LCX, applicable law depends on the user's jurisdiction.

E.40 Competent Court

Any disputes related to services provided by LCX fall under the jurisdiction of the Courts of Liechtenstein. For independent on-chain activities with LQTY, no centralized legal recourse exists.

F. PART F - INFORMATION ABOUT THE CRYPTO-ASSETS

F.1 Crypto-Asset Type

Other Crypto-Asset

F.2 Crypto-Asset Functionality

LQTY is Liquity's token, which serves several functions. One key function is enabling users to claim rewards. Revenue generated from Liquity v1 protocol fees (comprising LUSD and ETH) is distributed proportionally to LQTY stakers. Additionally, LQTY stakers have the ability to vote on the allocation of a portion of Liquity V2's revenue.

F.3 Planned Application of Functionalities

All primary features are operational, and no further functionalities have been publicly disclosed.

F.4 Type of white paper

OTHR

F.5 The type of submission

NEWT

F.6 Crypto-Asset Characteristics

The LQTY token, an ERC-20 token on Ethereum, is designed to incentivize participation within the Liquity ecosystem, primarily earned through staking and stability pool involvement. Unlike many DeFi tokens, LQTY does not grant governance rights as Liquity operates with governance-minimized, hardcoded protocol parameters. It has a maximum supply of 100 million tokens with no inflation, distributed to community incentives, the team, investors, and reserves, with a significant portion allocated as community rewards for liquidity providers and stability pool stakers. LQTY stakers receive fee revenue from the protocol in the form of LUSD and ETH, and its price is volatile and market-driven, distinguishing it from the stablecoin LUSD within the Liquity system.

F.7 Commercial name or trading name

LQTY

F.8 Website of the issuer

<https://www.liquity.org/>

F.9 Starting date of offer to the public or admission to trading

2025-12-17

F.10 Publication date

2025-12-17

F.11 Any other services provided by the issuer

Not applicable

F.12 Language or languages of the white paper

English

F.13 Digital Token Identifier Code used to uniquely identify the crypto-asset or each of the several crypto assets to which the white paper relates, where available

8Z61T54VM

F.14 Functionally Fungible Group Digital Token Identifier, where available

Not Available

F.15 Voluntary data flag

true

F.16 Personal data flag

false

F.17 LEI eligibility

false

F.18 Home Member State

Liechtenstein

F.19 Host Member States

Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.

G. PART G - INFORMATION ON THE RIGHTS AND OBLIGATIONS ATTACHED TO THE CRYPTO-ASSETS

G.1 Purchaser Rights and Obligations

Rights:

Access to goods/services within the LQTY Platform

Participation in events and features requiring LQTY

Use of tokens for staking or governance voting (non-binding)

Obligations:

Use LQTY only for its intended purposes

Comply with the platform's terms of service and applicable laws

Acknowledge that holding LQTY does not grant ownership, dividends, or profit rights

G.2 Exercise of Rights and Obligation

Token rights are exercised via the LQTY Platform interface:

In-Platform Use: LQTY can be redeemed directly for services, items, or access.

Staking/Voting: Users can connect eligible wallets to participate in staking or polls(if any).

Conditions: Rights are contingent upon availability of services and compliance with platform rules.

G.3 Conditions for Modifications of Rights and Obligations

The issuer reserves the right to modify token rights or obligations under the following conditions:

Regulatory Compliance: Changes required by law or MiCA regulations

Platform Updates: Adjustments due to technical or functional upgrades

User Notification: Material changes will be communicated in advance via official channels

User Agreement: Continued use of the platform or tokens implies acceptance of updated terms

G.4 Future Public Offers

Not applicable

G.5 Issuer Retained Crypto-Assets

Not applicable

G.6 Utility Token Classification

False

G.7 Key Features of Goods/Services of Utility Tokens

Not Applicable

G.8 Utility Tokens Redemption

Not applicable

G.9 Non-Trading Request

True

G.10 Crypto-Assets Purchase or Sale Modalities

Not applicable

G.11 Crypto-Assets Transfer Restrictions

Not applicable

G.12 Supply Adjustment Protocols

False

G.13 Supply Adjustment Mechanisms

Not Applicable

G.14 Token Value Protection Schemes

False

G.15 Token Value Protection Schemes Description

Not Applicable

G.16 Compensation Schemes

False

G.17 Compensation Schemes Description

Not Applicable

G.18 Applicable Law

For admission to trading of LQTY on LCX, the applicable law is Liechtenstein law, applied in accordance with MiCA and EU regulations. For decentralized, on-chain use of LQTY outside LCX, applicable law depends on the user's jurisdiction.

G.19 Competent Court

Any disputes related to services provided by LCX fall under the jurisdiction of the Courts of Liechtenstein. For independent on-chain activities with LQTY, no centralized legal recourse exists.

H. PART H – INFORMATION ON THE UNDERLYING TECHNOLOGY

H.1 Distributed ledger technology

Liquity is built on Ethereum and leverages Ethereum's blockchain as its underlying distributed ledger. All core protocol operations—minting stablecoins, trove management, liquidations, staking LQTY, etc.—are implemented as smart contracts on Ethereum, which ensure transparency, immutability, and censorship resistance.

H.2 Protocols and Technical Standards

Liquity adheres to Ethereum's standard token conventions (e.g. ERC-20 for LQTY and the associated stablecoin token) and interacts with standard DeFi building blocks (e.g. oracles, liquidity pools). It also implements its own internal protocol rules: for instance, the mechanism of “troves” (collateralized debt positions), Stability Pool logic, redemption and liquidations, and its emission / staking rules. In V2, Liquity introduces features like user-set interest rates, multiple collateral types (ETH + LSTs), and a Protocol Incentivized Liquidity (PIL) revenue routing layer.

H.3 Technology Used

Liquity is entirely smart contract-based. Its architecture includes modular contracts such as “TroveManager,” “BorrowerOperations,” “StabilityPool,” “SortedTroves,” etc. It also uses price oracles (e.g. Chainlink feeds) and integrates with external DeFi primitives (e.g. Uniswap pools, staking & liquidity pools). The team subjects the contracts to security audits and formal verification to ensure correctness.

H.4 Consensus Mechanism

Liquity uses Ethereum's Proof of Stake as its consensus Mechanism

H.5 Incentive Mechanisms and Applicable Fees

LQTY uses Ethereum's incentive mechanisms and fee structures.

H.6 Use of Distributed Ledger Technology

True

H.7 DLT Functionality Description

On the distributed ledger (Ethereum), Liquity's smart contracts enforce its economic rules: users deposit collateral (ETH or liquid staking tokens), open “troves” (i.e. debt positions), and mint the stablecoin (LUSD in V1, BOLD in V2). The ledger records collateral ownership, debt balances, liquidations, redemptions, and LQTY staking. When a trove falls below the minimum collateralization threshold, liquidations or redistributions occur automatically per protocol code. The DLT ensures all changes are atomic, transparent, verifiable, and resistant to arbitrary censorship or modification. Thus the distributed ledger acts as the canonical state store and execution engine for Liquity's logic.

H.8 Audit

True

H.9 Audit Outcome

The LQTY token smart contracts have been audited by an independent third-party security firm. Here are the direct links to Liquity's published **audit reports**:

- **Liquity V2 Core Protocol (Bold)** – Dedaub, Aug 28, 2024
 [Dedaub Audit Report](#)
- **Liquity V2 Bold Smart Contracts** – Coinspect, July 2024
 [Coinspect Audit Report](#)

- **Liquity Bold Smart Contracts** – ChainSecurity, Sept 2024
 [ChainSecurity Audit Report](#)
- **Liquity V2 Governance (3rd Audit)** – Dedaub, Dec 22, 2024
 [Dedaub Governance Audit Report](#)
- **Liquity V2 Governance Smart Contracts** – Coinspect, Jan 2025
 [Coinspect Governance Audit Report](#)

I. PART I – INFORMATION ON RISKS

I.1 Offer-Related Risks

Market Volatility: The value of LQTY may fluctuate significantly after launch.

Insufficient Demand: The offering may not attract the expected user base or funding.

Limited Liquidity: There is no guarantee of active secondary markets for trading LQTY.

I.2 Issuer-Related Risks

Operational Risk: The issuing entity may face financial, legal, or management issues.

Regulatory Risk: Future regulatory changes could impact the issuer's ability to operate.

Dependence on Key Personnel: Loss of core team members may affect the project's progress.

I.3 Crypto-Assets-Related Risks

Price Volatility: Crypto-assets in general are subject to high price fluctuations.

Cybersecurity Threats: Wallets, exchanges, or smart contracts may be vulnerable to attacks.

Lack of Legal Recourse: Users may have limited remedies in the event of token loss or theft.

I.4 Project Implementation-Related Risks

Delays: Project features or milestones may be postponed or fail to launch.

Resource Constraints: Funding shortfalls or technical challenges may affect delivery.

Integration Failure: Planned partnerships or features may not materialize as expected.

I.5 Technology-Related Risks

Smart Contract Bugs: Undiscovered flaws in deployed contracts could cause failures.

Blockchain Dependencies: Reliance on the underlying blockchain (e.g., ETH, Solana or other) may introduce external risks like congestion or forks.

System Downtime: Platform outages or infrastructure failure could disrupt service.

I.6 Mitigation Measures

Audits: Smart contracts are subject to independent security audits.

Vesting and Reserves: Controlled token releases reduce the risk of market shocks.

Regulatory Alignment: The project is designed to comply with MiCA and EU laws.

Transparency: Regular updates and on-chain data provide user visibility and trust.

Contingency Planning: A reserve fund and legal structure are in place to handle operational risks.

J. PART J – INFORMATION ON THE SUSTAINABILITY INDICATORS IN RELATION TO ADVERSE IMPACT ON THE CLIMATE AND OTHER ENVIRONMENT-RELATED ADVERSE IMPACTS

Adverse impacts on climate and other environment-related adverse impacts.

J.1 Information on principal adverse impacts on the climate and other environment-related adverse impacts of the consensus mechanism

The LQTY token operates on a user-friendly, scalable blockchain infrastructure, optimized for accessibility and low-cost transactions. The platform's low environmental impact and commitment to sustainable operations align with MiCA's standards for distributed ledger technologies. The network's annual energy consumption is 385.10788 kWh/a.

General information	
S.1 Name <i>Name reported in field A.1</i>	LCX
S.2 Relevant legal entity identifier <i>Identifier referred to in field A.2</i>	529900SN07Z6RTX8R418
S.3 Name of the crypto-asset <i>Name of the crypto-asset, as reported in field D.2</i>	Liquity
S.4 Consensus Mechanism <i>The consensus mechanism, as reported in field H.4</i>	Ethereum's Proof-of-Stake (PoS)
S.5 Incentive Mechanisms and Applicable Fees <i>Incentive mechanisms to secure transactions and any fees applicable, as reported in field H.5</i>	The crypto-asset uses a Proof-of-Stake system where validators stake 32 ETH to secure transactions. They earn ETH rewards and transaction fees. Malicious actions or inactivity lead to penalties. This system enhances security and makes the fee structure predictable and potentially deflationary.
S.6 Beginning of the period to which the disclosure relates	2024-05-18
S.7 End of the period to which the disclosure relates	2024-05-18
Mandatory key indicator on energy consumption	
S.8 Energy consumption <i>Total amount of energy used for the validation of transactions and the maintenance of the integrity of the distributed ledger of transactions, expressed per calendar year</i>	385.10788 kWh per year
Sources and methodologies	
S.9 Energy consumption sources and Methodologies	The energy consumption of the LQTY token is calculated using a bottom-up approach, focusing on node activity. Public data, open-source tools, and certified lab tests inform

Sources and methodologies used in relation to the information reported in field S.8	estimates. Network-level energy use is attributed to the token based on its gas usage, using FFG DTI data to identify asset implementations.
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J.2 Supplementary information on principal adverse impacts on the climate and other environment-related adverse impacts of the consensus mechanism

Not Applicable