USDM (Moneta Digital)

Lite Paper

A fiat-redeemable stablecoin for the Cardano blockchain

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Abstract

USDM is a U.S. dollar–redeemable digital asset that is (i) issued by Moneta Digital LLC, (ii) directly convertible 1:1 for U.S. dollars by eligible users, and (iii) implemented as a Cardano-native asset. USDM (colloquially referred to as a fiat–backed stablecoin) is designed for payment, settlement, and composable Decentralized Finance on Cardano. Moneta Digital operates the regulated fiat interface, while W3i Software, Inc. develops and manages the software and infrastructure supporting issuance, redemption, and transparency. The Plomin Legacy Fund directs philanthropic and ecosystem–growth initiatives aligned with Cardano.

Security & convertibility

Maintain 1:1 dollar convertibility and hold high-quality liquid U.S.-dollar assets in segregated reserve accounts ("USDM Reserve").

Transparency & accountability

Provide frequent reserve attestations, robust disclosures, and auditable controls; progressively add on-chain proofs where practical.

Ecosystem reinvestment

Allocate a portion of net interest and operating surplus to the Plomin Legacy Fund to promote Cardano ecosystem initiatives.

Pragmatic decentralization

Centralize where required for compliance; decentralize governance influence over non-regulated components, open and community-shaped influence, decision-making, and visibility as far as possible. This allows us to remain compliant while still driving toward decentralization over time.

Stablecoins provide the price stability and fiat parity needed for the mainstream use of decentralized networks. By offering a native, redeemable dollar asset on Cardano, USDM aims to provide reliable payments, remittances, and DeFi services to both everyday users and institutions, while meeting regulatory expectations.

Introduction: On-chain value and the role of stablecoins

Money serves as a medium of exchange, a unit of account, and a store of value. Blockchains introduced peer-to-peer value transfer without the need for centralized intermediaries. Yet, most blockchain-native assets (e.g., ADA, BTC, ETH) exhibit significant volatility when measured in fiat terms, making them imperfect as day-to-day money. Stablecoins, which are digital assets engineered to track fiat currency, address this gap.

Smart-contract–capable networks, including Cardano, support assets beyond the native coin. On Cardano, native tokens are ledger-level assets; they transfer without bespoke smart contracts, reducing the surface area for bugs compared to ERC-20 style tokens that embed transfer logic inside user-deployed contracts. For stablecoins, this matters significantly: fewer moving parts, fewer failure modes, and more predictable composability.

What is USDM?

USDM is a fungible Cardano-native asset issued under the monetary policy IDs controlled by Moneta Digital LLC. Eligible users deposit USD to Moneta Digital and, upon final settlement, receive newly minted USDM at a 1:1 ratio; the reverse process (burn and redeem) returns USD. Self-custody of USDM requires no account relationship and is permissionless; only minting and burning occur through KYC/AML-compliant accounts.

Convertibility and price behavior

As long as reserves are maintained in like-kind USD instruments and redemptions remain available to eligible users, the on-chain price of USDM should track approximately $1.00. Secondary-market prices may vary slightly around par, based on liquidity, fees, and venue conditions, but arbitrage pathways via issuance/redemption anchor the peg.

Reserve assets and segregation

The USDM Reserve consists of cash and cash equivalents (e.g., demand deposits, interest-bearing bank accounts, and AAA money market funds with U.S. Treasury or equivalent exposures). Reserve assets are held in accounts legally segregated from Moneta Digital's corporate operating funds. Moneta Digital does not rehypothecate reserve assets.

Transparency and controls

Moneta Digital provides regular reserve attestations by independent accountants and operational disclosures regarding issuance/redemption flows, with on-chain proof-of-reserves and public verification APIs. Operational controls include multi-signer key management, segregation of duties, and continuous monitoring. Where feasible, open oracles and co-signing mechanisms will be utilized to validate mint operations against off-chain reserve data, subject to the constraints of reliability and privacy.

Legal & regulatory characterization

The legal classification of USDM varies by jurisdiction. In the United States, USDM is designed and operated as a fiat-redeemable "payment stablecoin" or stored-value product, with issuance and redemption performed by Moneta Digital LLC. This U.S. entity maintains FinCEN MSB registration and pursues state Money Transmitter Licenses (MTLs) or exemptions as required. Moneta Digital implements a comprehensive BSA/AML program, including KYC, OFAC screening, sanctions compliance, transaction monitoring, suspicious activity reporting, and record-keeping.

Internationally, USDM will be offered only where compliant, and availability may differ by locale. Regulatory regimes continue to evolve (e.g., EU MiCA stablecoin titles, Japan's Payment Services Act amendments). USDM's compliance framework is built to adapt to such developments.

> 🗋 **Freeze/seize policy:** On Cardano, USDM held in self-custody wallets transfers under the base protocol with no issuer-side "pause" or "blacklist" function. Moneta Digital cannot freeze or confiscate USDM in self-custody. Moneta can, however, (i) deny platform access (including mint/burn) to sanctioned or non-compliant users; (ii) comply with lawful orders regarding fiat funds it holds; and (iii) take actions on custodial balances it directly controls. Where jurisdictionally required in the future, Moneta may explore programmable controls only within clearly disclosed token variants or wrappers; the default USDM remains a standard Cardano native asset.

How users interact with USDM

Account onboarding (for mint/burn)

- **Registration:** Users provide an email address, create credentials, and accept the Terms.
- **Identity & risk checks:** Users complete KYC/KYB (name, address, DOB/corporate data, ID verification, sanctions screening, risk questionnaires). Identity data is encrypted, retained only as required by law, and handled under strict access controls.
- **Bank Connectivity:** Users link their bank accounts for USD funding via ACH/wire; availability of other rails may vary by region.
- **Settlement windows:** Initial deposits are subject to fraud-mitigation hold periods to protect against chargebacks and returns. Funds clear before mint.

Mint, self-custody, and usage

After the funds settle, Moneta mints USDM to the user's designated Cardano address (custodial or self-custody).

Users may withdraw immediately to self-custody wallets and use USDM for payments, commerce, payroll, remittances, and DeFi across Cardano dApps.

USDM transfers do not require smart contract calls; they leverage ledger-native token mechanics.

Redemption

To redeem, users burn USDM from a supported address back to Moneta and receive USD via linked bank rails, subject to standard compliance checks and processing cut-offs.

Why Cardano needs a native, redeemable USD asset

Cardano's extended-UTxO model and native-asset architecture enable highly composable DeFi primitives. However, denominating risk, P&L, and collateral exclusively in ADA introduces volatility. A native, redeemable dollar asset:

- Reduces basis risk for users and protocols
- Simplifies the unit-of-account for pricing, treasury, and accounting
- Improves onboarding, serving as a fiat on-ramp directly into Cardano
- Enhances payment use cases (e-commerce, invoices, micropayments) where price stability is essential

Wrapped vs native stablecoins

Wrapped stablecoins issued on other networks and bridged into Cardano inherit bridge security and liquidity fragmentation. Native USDM avoids cross-chain bridges and their historical exploit profile. Where bridging is desired, Moneta favors safely designed, opt-in wrappers with clear disclosures rather than relying on custodial bridges for core functionality.

Algorithmic & over-collateralized stablecoins in the ecosystem

Algorithmic and CDP-style stablecoins (e.g., over-collateralized models) play important roles but typically depend on cryptocurrency collateral and robust liquidation infrastructure. Fiat-redeemable assets, such as USDM, can serve as stable collateral and a quote currency, thereby improving system resilience. Moneta Digital supports diversity in designs and expects USDM to appear on eligible collateral lists where risk frameworks permit.

Organizational structure and governance

USDM's operations are conducted through three primary entities.

W3i Software, Inc.

The software and operations company that designs, develops, and maintains the USDM technology stack, APIs, monitoring, and security tooling. W3i licenses software and services to Moneta Digital.

Moneta Digital LLC

The U.S. issuer of USDM responsible for fiat inflows/outflows, custody of the USDM Reserve, compliance (KYC/AML/BSA/OFAC), treasury, and risk. Moneta Digital is structured to be bankruptcy-remote from W3i Software so that fiat redemption services remain available even if W3i experiences distress.

Plomin Legacy Fund

A mission-driven vehicle that receives allocations from USDM operating surplus and other sources to support grants, investments, research, developer tooling, education, and community initiatives that advance Cardano.

Compliance posture

BSA/AML

Risk-based Customer Due Diligence (CDD/KYB), sanctions screening, EDD where applicable, ongoing monitoring, SAR/CTR filings as required.

Consumer protection

Clear Terms, disclosures of fees and risks, complaint handling, and data-privacy controls.

Licensing

FinCEN MSB registration; state MTLs or permissible exemptions, with a roadmap for additional jurisdictions.

Lawful process

Moneta Digital complies with valid legal orders applicable to it. For self-custodied USDM on Cardano, issuer-side freezing is not supported; actions are limited to platform-controlled funds and services.

Risk factors

- **Banking and custodian risk:** Reserve accounts are exposed to bank or fund risk within permitted instruments; diversification and concentration limits apply.
- **Regulatory change:** New rules may affect availability, disclosures, capital/liquidity, or operational mechanics.
- **Market/peg risk:** Extreme market dislocations may widen secondary-market spreads; redemption pathways mitigate but cannot eliminate market frictions.
- **Operational risk:** Key management, cybersecurity, vendor dependencies, and software defects are mitigated by controls but not eliminated.
- **Bridge/wrapper risk:** Any optional cross-chain wrappers inherit bridge risk profiles that are distinct from the native USDM on Cardano.

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Roadmap and conclusion

Roadmap (selected items)

01

Transparency

Expand cadence and scope of independent attestations; ship public reserve API and on-chain proofs as feasible.

02

Integrations

Broaden coverage across wallets, payment processors, and DeFi protocols.

03

International availability

Pursue additional licenses/registrations where appropriate (e.g., EU, APAC) in accordance with local regulations.

04

Privacy-enhanced settlement (R&D)

Explore privacy-preserving settlement rails compatible with regulatory audits (e.g., on Midnight via shielded wrappers) without altering base-asset properties of USDM.

Conclusion

USDM pairs Cardano's native-asset security model with regulated fiat convertibility, enabling practical payments and composable finance. With clear disclosures, prudent reserve management, and community-aligned reinvestment through the Plomin Legacy Fund, Moneta Digital and W3i Software aim to make USDM a durable public good that meets both regulators' objectives and everyday users' needs.

> USDM represents a bridge between traditional finance and the future of decentralized systems, built on Cardano's robust foundation with regulatory compliance at its core.

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