



mZAR

Bridging the gap
between TradFi & DeFi

Executive Summary

mZAR is a fully collateralised South African Rand (ZAR) Stablecoin, based on the Stablecoin framework of Mesh.

mZAR is fully redeemable for ZAR held in an account managed by Mesh Trade South Africa (SA).

1 mZAR is redeemable for 1 ZAR. At all times.



The current digital asset economy is fast, exciting, and global, but barriers to entry remain. Transacting between digital assets and Fiat currencies remains cumbersome due to the gap which exists between Traditional Finance (TradFi) and Decentralised Finance (DeFi).

mZAR was created to bridge the gap between TradFi and DeFi, to bring the power of the blockchain and crypto economy to ZAR based clients. Creating a movement towards a more transparent and open financial market with a trusted and fully audited Stablecoin. Mesh's Stablecoin framework manages the issuance of price-stable digital assets such as Fiat-backed Stablecoins.

mZAR tokens can be stored, used as a means of exchange, and valued easily and without friction on the Stellar network, and will be supported by other networks in the future. The standard for mZAR gives users the ability to keep liquidity in a tokenised digital asset while still maintaining stability within the Traditional Financial system.

mZAR can be bought with ZAR through <https://app.mesh.trade/>. Clients transfer ZAR to Mesh Trade SA's verified and trusted bank account and receive mZAR into their Stellar accounts. All clients are required to be KYC verified when purchasing or redeeming mZAR.



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Introduction

The current digital asset economy is fast, exciting, and global, but barriers to entry remain, due to the hurdles of trading between digital assets and Fiat currencies which exist between Traditional Finance (TradFi) and Decentralised Finance (DeFi).

We have created mZAR to bridge the gap between TradFi and DeFi, to bring the power of the blockchain economy to ZAR. mZAR initiates a movement towards a more transparent and open financial market.

mZAR is a fully collateralised South African Rand (ZAR) Stablecoin, based on the Stablecoin framework of Mesh. mZAR is fully redeemable for ZAR held in an account managed by Mesh Trade South Africa (SA).

In this paper we discuss the mZAR Stablecoin framework, the problems which it was designed to solve, how it operates and how it is managed. We explain the advantages that mZAR Stablecoin brings to DeFi and the Capital Markets, by allowing trusted transactions to occur on the blockchain with a token denominated in a stable asset.

The digital, decentralised Financial Markets Infrastructure (dFMI)

Starting with Bitcoin in 2008, Digital Assets have gained great traction and have ushered in the creation of a new digital ecosystem. With the growth of Web 3, a need has emerged for a trusted and efficient digital economy. Mobile-based digital wallets, platforms and exchanges have emerged to fill this gap with use cases ranging from cryptocurrency payments, to cryptocurrency trading and NFT exchanges. Each bringing new utility and advances in customer experience to the digital economy. **However, each suffers from the same bottleneck and critical point of failure: they are dependent on traditional financial market infrastructure to enter and exit this new digital world.**

To solve this problem, new and existing cryptocurrencies have been created and adapted to provide users with a medium of exchange, i.e. Money, to act as a store of value and a unit of account. Most cryptocurrencies, however, are highly volatile and do not offer the market with the utility to move easily between the Traditional Financial (TradFi) market and the new decentralised economy.



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The rise of Stablecoins

Stablecoins (coins of stable value) were created to solve the cryptocurrency volatility problem. These coins are designed and managed to trade at parity with their Fiat counterparts, on which their value is based. The value of Fiat will remain intuitive and stable for most people for the foreseeable future.

Over the past number of years, the Crypto market has seen an influx of coins being issued. **However, there have been few clear winners, as can be measured by overall market adoption.** Adoption is measured as the market's willingness to measure and exchange the value of such new coins at a predictable price. In most cases, widespread market adoption is simply not possible as newly issued coins are not transparent, not liquid, and not trusted.

In response to the demand for widespread adoption, Stablecoins such as USDC and USDT have been issued. These coins have a transparent management structure and are trusted to be a store of value due to audits and regulatory compliance. However, these coins have not been utilised that widely as a unit of measure within the Financial and Capital markets as yet, indicating that the movement towards decentralised technologies is really in its infancy.

Larger Stablecoins such as USDC and USDT have also highlighted a critical access problem: only large reserve currencies such as the United States Dollar and Chinese Yen have been tokenised in sufficient quantities. Many emerging countries either do not have digital representation or they do not have access to trusted coins and technologies to make this possible.

mZAR was created to meet this need by creating access to the digital economy for ZAR based clients.



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Mesh Stablecoin framework for mZAR

Mesh's Stablecoin framework houses the price-stable digital asset mZAR, which is managed by business and process rules as well as network protocols. mZAR tokens can be stored, transacted, and valued easily and without friction on the Stellar network. The mZAR framework gives users the ability to keep liquidity in a tokenised digital asset while still maintaining stability to ZAR.

mZAR will be issued and traded cross-chain in the near future to ensure widespread trust and utility. Ethereum, Cosmos, Solana, Hadera and Algorand are being considered for broader application.

About Mesh Trade SA



Mesh Trade SA is a wholly owned subsidiary of Mesh BV and operates as a trusted company for the issuance and management of mZAR. Mesh Trade SA is tasked with the management of operations in South Africa, compliance with regulations, promoting trust for the DLT community and with stimulating Financial Markets through utilisation of the Mesh digital decentralised Financial Market Infrastructure platform. Core to these tasks is promoting liquid, deep and stable markets which require exchange, settlement, and denomination through stable currencies as a central theme.

Mesh Trade SA does not utilise ZAR funds received in exchange for mZAR for its own benefit. All mZAR funds are kept in a third-party trust account. This ensures that mZAR collateral funds are segregated from business operations. All ZAR funds are held at FAIS compliant Mesh partner banks within South Africa.

Overview



mZAR is a Stablecoin that is backed one-to-one by ZAR deposits and available through Mesh. mZAR is only minted when the corresponding funds are received into the mZAR control account.

mZAR can be bought through <https://app.mesh.trade/>. Clients transfer ZAR Fiat currency to Mesh Trade SA's verified and trusted bank account and receive mZAR into their Stellar accounts. mZAR is issued and transacted on the Stellar Network through an issuing account managed by Mesh Trade SA. All clients are required to be fully KYC verified when purchasing mZAR with Fiat currency.

mZAR is redeemable one-to-one for ZAR. Upon redemption mZAR tokens are immediately burned and removed from supply and the ZAR is settled to the user's verified ZAR bank account.



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AML policy: KYC on purchase and redemption for ZAR

Customer identification is a crucial element of any effective Anti-Money Laundering control system. All new clients are KYC'd in accordance with South African FICA regulations (The Financial Intelligence Centre Act 38 of 2001) and must utilise a verified ZAR bank account to transact from.



Cybersecurity practices

mZAR is issued through the Mesh infrastructure onto the Stellar network (blockchain). mZAR thus relies primarily on the cryptographic security offered by the Stellar network and the security practices employed by the Mesh platform.

Mesh applies advanced role-based access control and authorisation management in addition to blockchain private key signatory rights. The mZAR Stellar issuance account makes use of a Mesh custody private key for signing all issuance transactions. This allows the user to benefit from both Web 2 and Web 3 security mechanisms.

The Mesh platform provides operational users fine grained control over who has permission to interact with the mZAR issuance account internally, in addition to the observability that is necessary to manage the issuance of any token in a secure manner.

Mesh.Vault, private key custody solution, safeguards private keys in an isolated environment that is not accessible from the public internet. This reduces the risk of human error making individual users responsible for managing their private keys.

Leveraging the Mesh infrastructure ensures the longevity of mZAR. By decoupling the mZAR token from any Web 2 application, Mesh also provides a failsafe that can be deployed in any disaster scenario to instantly revoke all access to the mZAR issuance account, with the ability to recover in a fully secure and controlled environment.



Trust and liquidity verified: Monthly Audit Report

One of the largest factors for success of a Stablecoin is ensuring solvency by holding reserves 1:1 at an accredited financial institution. mZAR is issued on the Stellar blockchain and the total amount in circulation can be publicly viewed in near real-time. **A third-party, independent, trusted audit firm is utilised to perform monthly reviews of the mZAR in issuance versus the ZAR held in the partner bank account and to attest that mZAR is fully collateralised 1:1 with ZAR.**

These audit reports are made available every month and published to the official mZAR website. The accounting firm adheres to IFRS standards.





Data privacy and regulations

Mesh Trade SA is a **GDPR compliant** organisation.

Key product features

- Stable value is guaranteed by 1-to-1 backing of Fiat currency ZAR in the Mesh Trade SA segregated bank account.
- Funding and defunding is done through local payment rails offered by Mesh's partner Bank.
- A Customer Support function is available to ensure customer queries and problems are resolved in a timely manner.
- mZAR can be held, transacted or traded by anyone with a Stellar account. When a customer's ID is verified on Mesh they are automatically assigned a Stellar account.
- Clients are only KYC'd when purchasing mZAR with Fiat currency.
- mZAR combines the features of Stellar with a fully backed ZAR Stablecoin, making instant global payments possible.
- Monthly independent and transparent audit reports are provided.

mZAR can be **listed on any digital exchanges** and can be exchanged for any asset on the Stellar Network.

- mZAR will be issued and traded cross chain in the near future to ensure widespread trust and utility. Ethereum, Cosmos, Solana, Hadera and Algorand are being considered for broader application.
- mZAR can always be redeemed for ZAR. Solvency and liquidity are guaranteed by 100% collateralisation.
- mZAR is issued on the Stellar Network which is designed to be an open blockchain for storing and moving money. Stellar provides users with interoperability and wallets to interact with exchanges, payment companies, other wallets and market makers.
- Issuing Stablecoins is a native feature of the Stellar network, meaning that no smart contract scripting has been done by Mesh.
- mZAR is available in a liquidity pool with XLM. Holders of mZAR can trade and transact through the Stellar-provided AMM and DEX, with a variety of tokens issued on the network.



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Oversight

mZAR aims to be highly transparent with **robust third-party oversight**, to ensure it bridges the gap between TradFi and DeFi in a trusted manner.

Oversight Matrix

Regulatory Oversight	Mesh Trade SA is in the process of applying for a FSP Category 2 license
Collateral account	Mesh Trade SA holds ZAR collateral in mZAR in a segregated and trusted account at our Partner Bank, which is an accredited financial institution
Monthly Audit	Monthly third-party audits are done by an independent accounting firm to ensure 1:1 relationship between issued mZAR on Stellar and collateral account balance. The audit report is published on the mZAR website monthly.
Stellar monitoring	mZAR is issued on the Stellar blockchain where all mZAR in circulation can be monitored.
KYC and AML	Redemption or purchase must be made from a verified bank account by a client. All clients are verified according to the Financial Intelligence Centre Act 38 of 2001 (FICA) when performing either of these two operations.
GDPR	Mesh Trade SA is GDPR compliant.



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