

Technical Publication

5 October 2026

Operational Capabilities of the Alkaimi Ecosystem

Institutional Realignment: Claims Reduction within the Granular Value System, Reducing Interbank Claims and the Reliance on Credit Default Swaps

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What a DTA holds. A DTA holds three values, each by contract. First, the recognized value, held whole in the DTA as a bearer instrument: the value that settles. Second, the surety: the underwriter's contractual obligation to pay every holder of the stack's DTAs in full, to the full issued value, on an issuer's default. Third, the drawing right: the holder's right to transmute a DTA at a member institution's desk into a recognized asset class. The asset from which a DTA is created remains the client's property, in custody under the client's own title, and no transfer of a DTA passes title to that asset. Title to the asset moves only if the issuer defaults on the asset maintenance requirements, and then only to the underwriter, as the surety's recourse, while the holders of the stack's DTAs are paid in full. The DTA is therefore not a document of title within UCC 1-201(b)(16) or the Electronic Trade Documents Act 2023, and not a representation of value held elsewhere.

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Absolute payment standard. The Bank for International Settlements' settlement standard: settlement final, irrevocable and unconditional. The Digitized Tangible Asset met the standard in the second quarter of 2022, the first privately created instrument to meet the same standard central bank instruments meet. (The Alkaimi Financial Ecosystem in Function, Terms)

Access license (ACI). The license class an AMI holds as a correspondent access institution, working directly through an AMI that holds the AGI (Overview, item 11). ACI operations are pending activation (pegisai.com, Home).

Alkaimi Currency Value Index (ACVI) and Alkaimi Government Solvency Index (AGSI). The two indices that rate the intrinsic value of each nation's scrip currency on one standard, from named public sources, on published dates (pegisai.com, About; The ACVI and the AGSI explained).

Alkaimi Ecosystem. The collaborative network of regionally chartered financial institutions operating the 100% Whole Reserve model, together with the administrative services contracted from Pegisai Global Holdings, Inc. and its subsidiaries. (alkaimi.com, Glossary)

Alkaimi Ecosystem Member financial institution (member institution, AMI). Every financial institution that holds a license issued by Pegisai Global Holdings, of either class (Overview, item 11): a financial institution chartered, licensed and supervised under its own regulator in its own jurisdiction that has licensed the 100% Whole Reserve model and operates on the Alkaimi Ecosystem's ledger (alkaimi.com, Glossary).

Alkaimi ledger. The one custodial ledger, held and administered under bank supervision, on which recognized value is held and settled between member financial institutions; no currency passes onto it (alkaimi.com, Glossary). The ledger records every recognized value and writes every residual whole at the instant it arises, so squaring is a property it cannot lose rather than a reconciliation performed at intervals (The Alkaimi Financial Ecosystem in Function, Terms).

Alkaimi Platform. The platform on which recognized asset value is held, moved and settled without currency. The platform has five elements: the Alkaimi ledger, the DTA, the Universal Value Unit, the ring of member institutions, and the administration that licenses and runs the network (pegisai.com, Platform).

Alkaimi Transmutation Standard (ATS). The reading at which a member institution converts value to currency and currency to value at the member institution's desk, in real time,

at a reading rather than a bid. The ATS reads the currency markets in real time (pegisai.com, About).

Alkaimi's value recognition method. The complete chain by which an asset's value becomes instruments in a holder's possession. Recognition establishes the whole value. The underwriter then signs a ratio of that value. The Mint then issues a ratio of it, and the balance stands unreleased in the ledger. (The Alkaimi Financial Ecosystem in Function, Terms)

Basel III+. The Basel Committee's completed post-2008 bank standard, in effect for most member jurisdictions from 1 January 2023 and not implemented by the United States. Under Basel III+ a bank's modeled risk cannot fall below 72.5 percent of the standardized calculation, operational risk is capitalized on the standardized approach, and the trading book is capitalized under the Fundamental Review of the Trading Book. (The Alkaimi Financial Ecosystem in Function, Terms)

Central bank advance. Currency lent by a central bank to a financial institution against collateral under that central bank's own rules; discretionary to each member financial institution and to its central bank. (alkaimi.com, Glossary)

Claim. What a deposit is: a promise by a financial institution to pay currency on demand; the currency is itself a claim on the nation that issues it. (alkaimi.com, Glossary)

Custody. The holding of a client's value on the Alkaimi Ecosystem's ledger under the client's own title, with no lien, pledge or claim created against it by the member financial institution. (alkaimi.com, Glossary)

Debasement. The loss of a currency's purchasing power when the supply of the currency expands faster than the economy behind it. Each unit carries a smaller share of the same real output, prices rise, and the rise is reported as inflation. The cause is the unit. (The Alkaimi Financial Ecosystem in Function, Terms)

Desk. The place at a member financial institution where currency meets value: where a client instructs an exchange of settled value for currency, and the only place currency and value meet. (alkaimi.com, Glossary)

Digitized Tangible Asset (DTA). A bearer instrument holding whole recognized value in a fixed quantity of universal value units, insured at issuance, settling with finality on transfer, and transmutable to any scrip currency at a licensee bank's desk without the value moving. One verified asset is recognized into one stack; the stack's universal value units are combined into uniquely issued instruments; a DTA is one instrument of that stack, segregated in all aspects from every DTA issued outside its stack. (The Alkaimi Financial Ecosystem in Function, Terms)

Drawing right. The holder's right on the recognized asset behind a DTA: the holder may transmute a DTA at the desk into a recognized asset class and take delivery of the asset

(pegisai.com, The Model). The underwriter's recourse is the drawing right on the recognized asset (pegisai.com, The legal position of the DTA). For clarification: the holder's drawing right is a right to transmute a DTA at a member institution's desk into a recognized asset class and take delivery of an asset of that class. The holder holds no claim on the asset from which a DTA was created. The drawing right on that asset passes to the underwriter only on an issuer's default, as the surety's recourse (Legal Notice, What a DTA holds). The definition has been misread on this point, and the misreading is one reason this publication sets the operation out in full.

DTA holding account. The client's own account on the Alkaimi ledger in which the client's DTAs sit. A settlement moves DTAs, whole or in fractional portions, from one holding account to another, final when the DTAs move (pegisai.com, Platform and Ecosystem).

DTA settlement. Settlement performed in DTAs rather than in a currency. What passes between two holdings is a whole number of instruments, each carrying the identical universal value units parity fixes, so the quantity settled is a quantity of instruments and no currency enters the movement. DTA settlement and transmutation are opposite operations rather than variants of one. DTA settlement occurs inside the ecosystem, between holdings, and no currency enters it. Transmutation occurs at the boundary, where a holding is converted into a fiat currency through a licensed bank at an instant of the holder's choosing. (The Alkaimi Financial Ecosystem in Function, Terms)

Fractional reserve banking. One of the two historical monetary models. A fractional reserve institution lends against a fraction of the reserves standing behind its liabilities, and the lending creates liquidity. Without diligence, management and discipline the model debases the currency. (The Alkaimi Financial Ecosystem in Function, Terms)

Full reserve banking. The second historical model, written by its advocates as one hundred percent reserve banking. A full reserve institution holds reserves equal to the whole of the claims against it, solvent by construction and historically unable to create liquidity. This document uses the term only in historical and regulatory contexts. (The Alkaimi Financial Ecosystem in Function, Terms)

Gateway license (AGI). The primary license class, which places an AMI on platform (Overview, item 11). AGI operations are active (pegisai.com, Home).

Granular value. What an asset's worth becomes when it is recognized rather than priced. The recognition is taken once, at creation, in a unit that does not move, and from that instant the asset's worth is a quantity rather than an opinion. Recognized value is held in universal value units and never in a currency. (The Alkaimi Financial Ecosystem in Function, Terms)

Level 1 High-Quality Liquid Assets (HQLA). The strictest liquidity class under Basel III+, the class reserved for central bank reserves, counted without discount. The DTA categorizes as Level 1 with no applied discount. (The Alkaimi Financial Ecosystem in Function, Terms)

Liquidity. The capacity to spend, settle and fund obligations now rather than when an asset can finally be sold. Under Alkaimi's value recognition method liquidity is created at recognition and issued at the Mint's discipline ratio, and the liquidity is held value rather than a claim on a bank. (The Alkaimi Financial Ecosystem in Function, Terms)

Mint. The issuing discipline of the ecosystem. It issues a ratio of the recognized value rather than the whole of it, and the withheld balance is released later against a record. The Mint therefore performs a rating function at the moment of issuance rather than an agency performing one afterward. (The Alkaimi Financial Ecosystem in Function, Terms)

Parity. Identical universal value units in every instrument of every stack in the system. Parity is created at recognition, in the assembly of universal value units, and every instrument carries it; it is what allows an instrument issued against one asset to settle against an instrument issued against another, whatever the two assets are. (The Alkaimi Financial Ecosystem in Function, Terms)

Product book. The separate pool of loans a member institution funds with a central bank advance secured by rented DTAs, in which no deposit is created; a planned operation of the member institutions (pegisai.com, The Model and Part 4; alkaimi.com, Future Operations).

Purchasing power. What a holding can buy, as distinct from what it is worth in another currency. A position measured in purchasing power is its nominal amount adjusted by the price level of its own economy across the holding period. (The Alkaimi Financial Ecosystem in Function, Terms)

Recognition. One stage of a named chain, not the chain itself. Recognition establishes the whole value of an asset and assembles it into universal value units. It does not underwrite, does not issue and does not deliver, and those are separate operations performed by separate parties. Where this document uses the word alone it means the stage. (The Alkaimi Financial Ecosystem in Function, Terms)

Rent agreement. The agreement under which the owner of Digitized Tangible Assets™ rents them to a member financial institution for a term, so that the member may pledge them to its own central bank as collateral for an advance. (alkaimi.com, Glossary)

Ring. The member institutions of the Alkaimi Ecosystem, through which every client takes part: every client of the ecosystem is a client of a member institution (pegisai.com, Ecosystem).

Scrip currency. The note and coin a nation issues: the nation's own promise (pegisai.com, About and Part 1).

Segregation; segmentation. Two operations, kept distinct, and each occurs at more than one level. Segmentation divides a larger whole into parts that can be treated separately. It occurs first at the asset, where a portion is carved out of a greater holding: a series of wells from a field, a block from a deposit, a lot from a warehouse position. It occurs again inside the stack, where the recognized value is divided into individual instruments. It also occurs between similar commodities, where two grades or classes of the same material are treated as separate parts rather than one. Segregation isolates a segmented portion so that it stands alone. Once segregated, that portion is recognized on its own, its value is walled into its own stack, and nothing crosses between that stack and any other. The order matters. Segmentation selects what is to be recognized. Segregation isolates it. Recognition then assembles the recognized value into universal value units and combines them into instruments. One field may therefore give rise to several stacks, each recognized separately, each independent, and each carrying a value arrived at on its own facts. (The Alkaimi Financial Ecosystem in Function, Terms)

Smart contract. A computerized transaction protocol that executes the terms of a contract, as defined by Nick Szabo in 1994. The objectives of the design are to satisfy common contractual conditions, including payment terms, liens, confidentiality and enforcement, to minimize exceptions both malicious and accidental, and to minimize the need for trusted intermediaries. Alkaimi uses the term in that original sense and in no other. Alkaimi does not use blockchain or similar distributed-ledger technologies, because of their inefficiency, their lack of security and their lack of relevant functionality. No Alkaimi monetary mechanism moves outside the Alkaimi ecosystem. (The Alkaimi Financial Ecosystem in Function, Terms)

Stack. The container of one engagement. One stack holds one verified asset; the asset's total value is segregated into that stack alone; within the stack the recognized value is assembled into universal value units and combined into individual instruments, a bounded and specific quantity, insured as a unit. Each stack is independent of every other, and nothing crosses between stacks. (The Alkaimi Financial Ecosystem in Function, Terms)

Title package. The DTA's internal title file, carried encoded in each UVU. The title package tracks and retains, in real time, the ownership, the holder, the asset, the usage and the other information regulators require, and the title package is AI monitored (Section 2, item 2.1).

Transmutation. The conversion of a holding into a fiat currency, performed through a licensed bank at an instant of the holder's choosing. Transmutation is a currency event; the locked value is not repriced by it. (The Alkaimi Financial Ecosystem in Function, Terms)

Underwriting; surety. Insurance embedded inside the creation event, before any instrument exists, at the highest surety class, covering the named assets of the particular stack. Coverage is a contract on named assets, not a promise over a blend. (The Alkaimi Financial Ecosystem in Function, Terms)

Universal Value Unit (UVU). The universal benchmark of value: a fixed quantity of value grains, the same for every asset, into which recognized value is assembled at recognition. A UVU of one asset equals a UVU of any other, and the UVU does not move while every currency moves around it. It is the unit in which recognized value is held and moved. (The Alkaimi Financial Ecosystem in Function, Terms)

Value grain. The fixed unit of value on which the system is built. The grain's value is fixed and everything else in the system floats around it, so the only question ever asked of an asset is how many universal value units it holds. The grain does not move, is not priced, and has no currency value at any point in its life. (The Alkaimi Financial Ecosystem in Function, Terms)

Walled garden. The closed environment around the Alkaimi ledger: every client enters through a member institution's walled garden gateway, currency never enters the walled garden, and a DTA never leaves the Alkaimi ledger (pegisai.com, Ecosystem and The Model).

Whole reserve. The name The Alkaimi Financial Ecosystem in Function gives the restored model, taken from what the reserve holds rather than from a coverage ratio: one hundred percent whole value. The reserve behind an Alkaimi licensee is recognized value held whole in its own DTA stack, held in universal value units. (The Alkaimi Financial Ecosystem in Function, Terms)

Whole settlement. A settlement between two-member financial institutions recorded as a ledger entry, final when the value moves, with no correspondent between them and no interval in which one holds the other's promise. (alkaimi.com, Glossary)

Whole value. The entire worth of an asset, established at recognition and assembled into universal value units. A fraction of PV-10 or of a cut net present value is a fraction of a discounted derivative, not a fraction of whole value. (The Alkaimi Financial Ecosystem in Function, Terms)

Whole Value Recognition. The service the member institutions conduct with Alkaimi's value recognition method (alkaimi.com).

Wholesale settlement. The six-operations member financial institutions conduct at this stage, stated at Current Operations; the ecosystem holds a self-imposed embargo on all other operations. (alkaimi.com, Glossary)

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The Alkaimi Ecosystem's position on certain Cryptocurrency Era terms

The member financial institutions of the Alkaimi Ecosystem have agreed on the meaning of three terms: digital, digital asset and asset. The members have also agreed on how every publication of the ecosystem treats and uses the three terms. This publication uses each term only in the sense set out below.

Digital.

In this publication, “digital” carries the dictionary meaning: relating to devices that work by the principles of electronics, and “composed of data in the form of especially binary digits” (Merriam-Webster.com Dictionary, “digital”). The word describes the form of a record. The word does not describe the nature of the thing the record holds.

Digital asset.

The term entered United States law in 2015. The Uniform Law Commission's Revised Uniform Fiduciary Access to Digital Assets Act defined a digital asset as “an electronic record in which an individual has a right or interest”, and excluded any underlying asset or liability unless the underlying asset or liability is itself an electronic record (Revised Uniform Fiduciary Access to Digital Assets Act, 2015, section 2(10)). Congress wrote the term into the Internal Revenue Code in 2021: a digital asset is “any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology as specified by the Secretary” (Infrastructure Investment and Jobs Act, Pub. L. 117-58, section 80603; 26 U.S.C. 6045(g)(3)(D)). Congress wrote the tax definition to extend broker information reporting and cash transaction reporting to cryptocurrency transactions (26 U.S.C. 6045 and 6050I). The Internal Revenue Service administers the tax definition.

The Alkaimi Ecosystem's position is that the term “digital asset” is not logical, for four reasons.

First, the law's first use of the term names a record, not an asset. The 2015 definition covers the electronic record and excludes the asset or liability behind the record.

Second, “digital” describes the medium, not the thing. Most money is already bank deposits (McLeay, Radia and Thomas, Bank of England Quarterly Bulletin, 14 March 2014), and a bank deposit is an electronic record on the bank's own books. The Internal Revenue Service's own definition excludes United States dollars and other government currency, “whether in physical or digital form” (Internal Revenue Service, Frequently asked questions on digital asset transactions). Being digital therefore does not make a thing a digital asset, even in the law that defines the term.

Third, the term covers items defined by what the items lack. The European Central Bank's Crypto-Assets Task Force defines a crypto-asset as an asset recorded in digital form that “does not represent a financial claim on, or a liability of, any identifiable entity” (ECB Occasional Paper No. 223, May 2019).

Fourth, one term does several incompatible jobs. In fiduciary law, the term means any electronic record in which a person has a right or interest. In tax law, the term means value recorded on a cryptographically secured distributed ledger. In the Basel cryptoasset standard, the term covers private digital assets that depend on cryptography and distributed ledger technology (Basel Framework, SCO60.1). In private law, the term means an electronic record capable of control (UNIDROIT Principles on Digital Assets and Private Law, 2023).

In this publication, “digital asset” appears in two senses only.

The first sense is the market term the cryptocurrency industry adopted for the industry's tokens. The second sense is a term of law, which each statute defines for that statute's own compliance and regulatory purposes.

Asset.

In this publication, an asset is a thing that holds value in itself (intrinsic) and is a claim on no one.

In accounting, an asset is “a present economic resource controlled by the entity as a result of past events”, and an economic resource is a right with the potential to produce economic benefits (IFRS Conceptual Framework for Financial Reporting, 2018, paragraphs 4.3 and 4.4).

The confusion in the accounting treatment.

The accounting definition counts a claim as an asset. A promise to pay is a right, so the promise stands as an asset on the holder's books. The same promise stands as a liability on the books of the party that owes the promise (IFRS Conceptual Framework, paragraph 4.26). Across the financial system, the two entries net to zero. A balance sheet can therefore show promises as assets, and the word “asset” no longer tells the reader whether any value stands behind the entry. A nation's currency and a bank deposit are claims of this kind. Each counts as an asset in accounting, and neither holds value in itself.

The DTA under these terms.

The DTA is not created by fiat. The value exists before the DTA, in the client's own tangible asset. Alkaimi's value recognition method recognizes the existing value, and the Mint issues the DTA as the bearer form of the recognized value, so issuance creates no value (pegisai.com, Underwriting on the platform, in depth). A DTA is a claim on no one.

Digital in form, tangible in value.

In the DTA's name, “Digitized” names the form of the record, and “Tangible” names the asset whose value the DTA holds. The asset stays physical, segregated and in custody, while the asset's recognized value moves between accounts (Pegisai Global Holdings, 1 October 2026). The underwriter warrants the existence, title, quantity and recoverability of the asset (pegisai.com, Underwriting on the platform, in depth). A holder may transmute a DTA at the

desk into a recognized asset class and take delivery of an asset of that class (pegisai.com, The Model). The DTA is therefore digital in form. The DTA is not a digital asset in the market sense, or under the definitions of law that turn on a distributed ledger.

Where this publication quotes a standard's own term built on “asset”, such as high-quality liquid asset, risk-weighted assets or client assets in custody, the standard's own meaning applies.

The terms at a glance

Term	In this publication	Source	The DTA
Digital	Electronic in form; composed of data in binary digits	Merriam-Webster.com Dictionary	Digital in form: a bearer instrument in electronic form
Digital asset, market term	The term the cryptocurrency industry adopted for the industry's tokens	Market usage	Not a digital asset in the market sense
Digital asset, term of law	Each statute's own defined term, for that statute's purposes	The statute, for example 26 U.S.C. 6045(g)(3)(D) and the 2015 Uniform Act	Outside the definitions that turn on a distributed ledger; classification rests with each member institution's supervisor
Asset, this publication	A thing that holds value in itself (intrinsic) and is a claim on no one	The members of the Alkaimi Ecosystem	Carries one: the client's own tangible asset
Asset, accounting	A present economic resource controlled by the entity; includes claims	IFRS Conceptual Framework, 2018, paragraphs 4.3 and 4.4	Reported under each member institution's accounting rules
Claim	A promise: an asset on the holder's books and a liability on the books of the party that owes the promise	IFRS Conceptual Framework, 2018, paragraphs 4.3 and 4.26	A DTA is a claim on no one; a contract may oblige a party to deliver DTAs, and the obligation ends when the DTAs move

An example: a sale paid in DTAs

A sale paid in DTAs shows the difference between a DTA and an obligation to deliver DTAs.

The contract. A seller and a buyer sign a contract for the sale of an item, payable in DTAs. At signature, the seller holds a contractual right to receive DTAs, and the buyer owes DTAs under the contract. The obligation comes from the contract, not from the DTA.

The payment. The buyer instructs the buyer's member institution. The DTAs move, whole or in fractional portions, from the buyer's DTA holding account to the seller's DTA holding account. Ownership passes, and the transfer is tracked and recorded in the title package of each UVU moved (Section 2, item 2.1).

The result. The movement extinguishes the buyer's obligation (pegisai.com, The Model). At transfer, the seller holds the DTAs at whole value, free to use, without claim, obligation or counterparty risk.

The contrast. Paid in currency, the buyer's obligation also ends. The seller receives a deposit, and the deposit is a new claim, on the seller's bank (pegisai.com, Part 1). One promise replaces another, and the new promise is the claim this publication sets out to reduce.

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Pegisai Global Holdings develops, licenses and administers the technology supporting the Alkaimi Financial Ecosystem: the administrator of an institutional settlement infrastructure, not a standard fintech vendor.

The entire Alkaimi model was designed to address a systemic issue the existing system has been unable to cure on its own: every settlement on a currency rail leaves a claim, and banks hedge those claims with credit default swaps, which are claims too.

The model moves settlement from net debt to gross asset: the value moves, the obligation is extinguished, and the counterparty risk between the banks leaves with the claim.

For central banks and supervisors: Basel III+ compliance recorded in real time, the DTA as Level 1 on Pegisai's published position, and risk isolated inside a walled garden.

For member institutions: finality that leaves no open claim, a wind-down of credit default swap books, and custody that becomes liquidity.

The aim: to become an ally to central banks in the mission to stabilize the banking sector, and a clear, compliant blueprint for member institutions to clean up their balance sheets.

The Overview sets out the ecosystem that does this in operation today.

Overview

This publication sets out what the Alkaimi Ecosystem does in operation today, and how those operations reduce the claims banks carry against one another and the credit default swaps banks buy to hedge those claims. Section 1 summarizes the case. Section 2 is written for central banks and supervisors. Section 3 is written for the Alkaimi Ecosystem's member financial institutions. Section 4 answers the questions supervisors, central bankers and bankers raise most often.

Unique theories, technologies, attributes and capabilities

The Alkaimi Ecosystem rests on two theories, four technologies, three attributes and two capabilities. Each is defined here, before this publication shows the ecosystem in operation.

Theories

1. **Grain theory.** Grain theory benchmarks value to the grain. Every currency, every commodity and every asset capable of being a marketable and in-demand item is benchmarked to the grain, and the question asked of each is how many grains the thing takes, never what a grain is worth (Pegisai Global Holdings). The grain is a value position, never a price: the grain does not move, is not priced and has no currency value at any point in the grain's life (The Alkaimi Financial Ecosystem in Function, Terms).

2. **Granular value.** Granular value is a pricing method. Alkaimi's value recognition method counts an asset's whole value in grains, once, at creation on the Alkaimi ledger, and holds the

value in universal value units, never in a currency. From that instant, the asset's worth is a quantity rather than an opinion (The Alkaimi Financial Ecosystem in Function, Terms). No new grain is created against the grains already held, so a value unit does not shrink (pegisai.com, Part 1).

Technologies

3. **Alkaimi's value recognition method.** Alkaimi's value recognition method segments a portion of an asset, carving the portion out of the greater holding, and segregates the portion so the portion stands alone and is recognized on the portion's own facts. Prior liens on the asset are cleared at issuance, so the asset comes onto the Alkaimi ledger unencumbered or the asset stays off the Alkaimi ledger (pegisai.com, Part 2). Alkaimi's value recognition method then sets the value, assembles UVUs and creates individual DTAs (pegisai.com, Ecosystem). The underwriter signs 0.90 of the recognized value of a stack, and the Mint issues 0.80 (pegisai.com, Underwriting on the platform, in depth). Whole Value Recognition is the service the member financial institutions conduct with Alkaimi's value recognition method (alkaimi.com).

4. **The Universal Value Unit™ (UVU™).** The UVU is the unit in which recognized value is held and moved: a fixed quantity of value grains, the same for every asset, so a UVU of one asset equals a UVU of any other (The Alkaimi Financial Ecosystem in Function, Terms). Each UVU carries an encoded title package, the DTA's internal title file. The title package tracks and retains, in real time, the ownership, the holder, the asset, the usage and the other information regulators require, and the title package is AI monitored (Section 2, item 2.1).

5. **The Digitized Tangible Asset™ (DTA™).** The DTA is a bearer instrument in electronic form and the ecosystem's monetary mechanism. Alkaimi's value recognition method places one segregated portion of an asset into a stack, and the stack is segmented into a series of individually issued DTAs; each DTA within the stack settles a payment independently (pegisai.com, The Model). A DTA holds recognized value that no one owes: neither a bank's promise nor a nation's note (pegisai.com, Ecosystem). A DTA moves in whole or in fractional portions from one client's DTA holding account to another, and the movement is a final settlement. No DTA is listed, quoted or traded on any exchange or open market, and no DTA is offered to the public (pegisai.com, Ecosystem). The DTA and granular value are different things: the DTA is the bearer instrument that moves, and granular value is what the DTA carries.

6. **The Alkaimi ledger and the walled garden.** The Alkaimi ledger is one custodial ledger operated under bank supervision, with no blockchain and no distributed ledger (pegisai.com, Platform). The Alkaimi ledger holds every DTA in a client's own DTA holding account, and nothing on the Alkaimi ledger is a bank's asset or a bank's liability (pegisai.com, Platform and Ecosystem). The walled garden is the closed environment around the Alkaimi ledger: every client enters through a member institution's walled garden gateway, currency never enters the

walled garden, and a DTA never leaves the Alkaimi ledger (pegisai.com, Ecosystem and The Model). The walled garden and the Alkaimi ledger operate on air-gapped systems (pegisai.com, About).

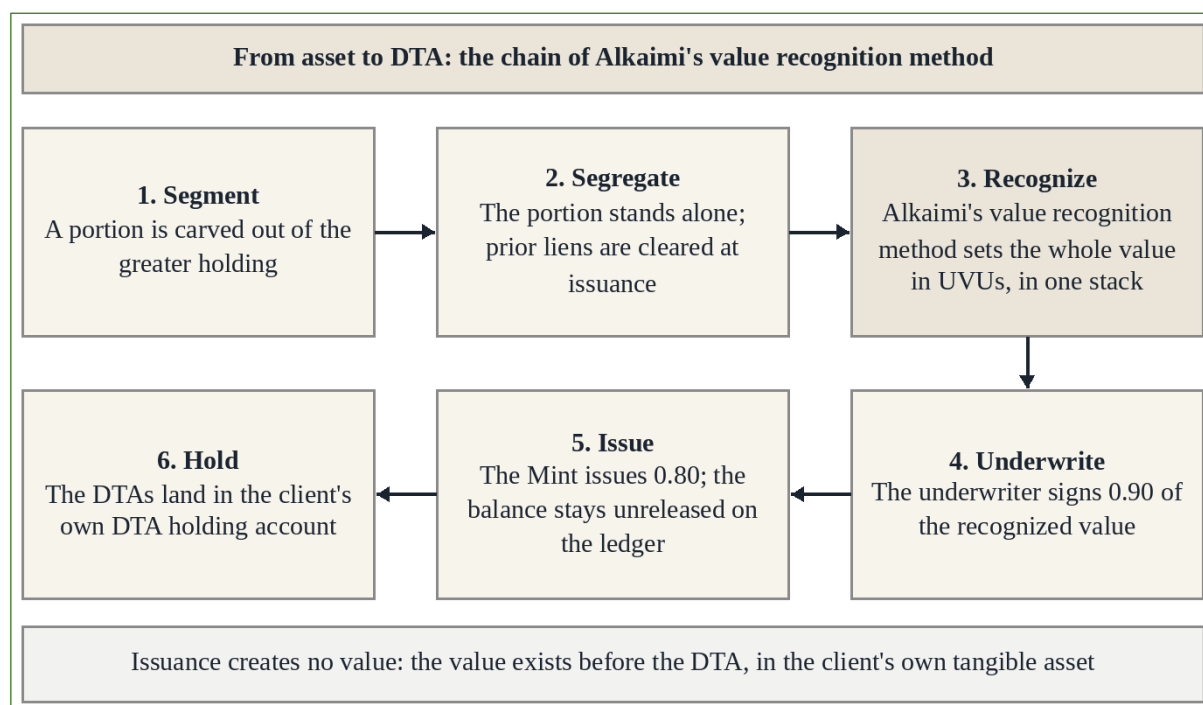


Figure 1. From asset to DTA: the chain of Alkaimi's value recognition method. Sources: *The Alkaimi Financial Ecosystem in Function, Terms*; pegisai.com, Part 2 and *Underwriting on the platform, in depth*.

Attributes

7. Currency neutrality. The Alkaimi Platform is currency neutral: the recognized value carries no price and no currency, every DTA transacts in the UVU, and no DTA, or portion of a DTA, is priced in a currency (pegisai.com, Platform and Ecosystem). Alkaimi's value recognition method reads a holder's currency-stated valuation across all known currencies at the same instant, dissolving any single issuer's measure, and the recognized value references no currency: not the entry currency, not the entry amount and not the reference read (The Alkaimi Financial Ecosystem in Function, Overview). Currency meets value at one point only, a member institution's desk: a holder transmutes a DTA into currency there, and a client's currency purchases an existing DTA there by exchange. A reading of a DTA in a currency moves nothing on the Alkaimi ledger (pegisai.com, Part 4 and About).

8. Value no one owes, and final settlement. No bank, no nation and no company stands behind a DTA with a promise (pegisai.com, Part 2). When a DTA moves, the payment obligation is extinguished by that movement, and nothing is left owed when the movement ends (pegisai.com, The Model). Every DTA is underwritten: on an issuer's default, the holders are paid from the DTAs the issuer took in payment first, then by the underwriter as surety, to the full issued value (pegisai.com, Underwriting on the platform).

9. The whole reserve. Under the 100% Whole Reserve™ model, no member institution borrows against a client's held value, and the whole reserve belongs to the client, the member institution's own account. The member institution holds the client's DTAs in custody, places no lien on the DTAs, pledges none of the DTAs for the member institution's own account and creates no claim against the DTAs (pegisai.com, The Model). Held value is not a currency deposit (Pegisai, 1 October 2026).

Capabilities

10. Rating currencies, and reading currencies at the desk. The Alkaimi Currency Value Index™ (ACVI™) and the Alkaimi Government Solvency Index™ (AGSI™) rate the intrinsic value of each nation's scrip currency, the note and coin a government issues, on one standard, from named public sources, on published dates (pegisai.com, About; The ACVI and the AGSI explained). The Alkaimi Transmutation Standard (ATS) is the reading at which a member institution converts value to currency and currency to value at the member institution's desk, in real time, at a reading rather than a bid (pegisai.com, About). The ACVI and the AGSI rate intrinsic value; the ATS reads the currency markets in real time.

11. The Charter and the License. Every financial institution that holds a license issued by Pegisai Global Holdings, of either class, is an Alkaimi Ecosystem Member financial institution (hereinafter “member institutions” or “AMI”) and a regionally chartered financial institution.

An AMI holds two separate permissions.

The banking charter comes from the AMI's own regulator, and every bank an AMI operates stays under the bank's own regulator and the bank's own banking license (pegisai.com, Licensing).

The Alkaimi model operating license comes from Pegisai Global Holdings and grants the right to operate the 100% Whole Reserve model, to use the DTA and to operate inside the walled garden (pegisai.com, Licensing).

The license comes in two classes: the primary gateway license (AGI), which places an AMI on platform, and the access license (ACI), which an AMI holds as a correspondent access institution working directly through an AMI that holds the AGI.

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How these are put into operation.

Pegisai Global Holdings offers three products: one model, one platform and one licensed banking ecosystem (pegisai.com, Home). The three products work jointly, and no single part of the three products can operate, or lawfully function, without the other two. The model needs the platform, because the Alkaimi ledger is where the DTAs are held and settled. The platform needs the member institutions, because only a member institution holds a DTA for a client, settles in a DTA, or posts a DTA as Level 1 HQLA (pegisai.com, Platform). The member institutions need the model, because the model is what the license grants (pegisai.com, Licensing).

Each of the three products answers one question. The 100% Whole Reserve™ model answers how a member institution operates. The Alkaimi Platform answers what carries the value. The Alkaimi Financial Ecosystem™ answers who takes part. The three are set out below in that order, starting with the model, because the model is what a bank licenses.

The 100% Whole Reserve™ model: how a member institution operates. In the deposit model, a client's asset or currency becomes a deposit, the deposit becomes the bank's reserve, and the bank lends against the deposit. Under the 100% Whole Reserve model, a client brings an asset to the member institution's desk. Alkaimi's value recognition method recognizes the asset, and the resulting DTAs land in the client's own DTA holding account. The member institution holds the client's DTAs in custody, settles the DTAs on the client's instruction, and transmutes DTAs into any currency or any recognized asset class at the desk when the client asks (pegisai.com, The Model). The member institution earns five service fees, for Alkaimi's value recognition method, custody, settlement, transmutation at the desk and the administration of rent agreements, and creates no credit to earn the fees (pegisai.com, The Model).

The Alkaimi Platform: the neutral settlement rail. The Alkaimi ledger carries the value. Each client's DTAs sit in the client's own DTA holding account, and a settlement moves DTAs, whole or in fractional portions, from one holding account to another, final when the DTAs move (pegisai.com, Platform and Ecosystem). Pegisai Global Holdings issues the licenses and administers the platform under contract, and the Pegisai group runs the global network under the license (pegisai.com, Platform).

The Alkaimi Financial Ecosystem™: who takes part. The ecosystem has three parts: the administration, the ring of member institutions and the Alkaimi ledger (pegisai.com, Ecosystem). Pegisai Global Holdings issues the licenses and administers the Alkaimi ledger, and the Pegisai group companies audit, administer, fact check and certify the ledger (pegisai.com, Ecosystem and Part 2). Each member institution in the ring is licensed to run four operations inside the ecosystem: custody, wholesale settlement, the rent agreement and the product book, each within the powers of the banking license the member institution already holds (pegisai.com, Ecosystem). Today the member institutions conduct wholesale settlement

only, by the members' own embargo (alkaimi.com, Current Operations). Clients take part through the ring: every client of the ecosystem is a client of a member institution.

The Alkaimi Ecosystem in operation

The Alkaimi Financial Ecosystem, also called the Alkaimi Ecosystem, is a collaborative global network of chartered financial institutions engaged in Whole Value Recognition and settlement (alkaimi.com). Each member is a regulated bank holding company that holds the Alkaimi model operating license from Pegisai Global Holdings and operates through the member's regional retail banking structure, each under the bank's own charter and regulator (pegisai.com, Licensing; Overview, item 11).

The path to operation ran through testing: confirmation tests of the operating systems and of Alkaimi's value recognition method since 2021; the DTA meeting the Bank for International Settlements' absolute payment standard in 2022, on Pegisai Global Holdings' own statement; preliminary in-house network testing in 2023; and further testing by Pegisai with the partner institutions that became member institutions, from 2023 through 2025 (The Alkaimi Financial Ecosystem in Function; pegisai.com, Licensing).

Two classes of license. The two license classes defined in the Overview, item 11, stand at different stages: on the pegisai.com status board, primary (AGI) operations are active and secondary (ACI) operations are pending activation (pegisai.com, Home). Figure 2 shows how an ACI institution reaches the Alkaimi ledger through an AGI bank

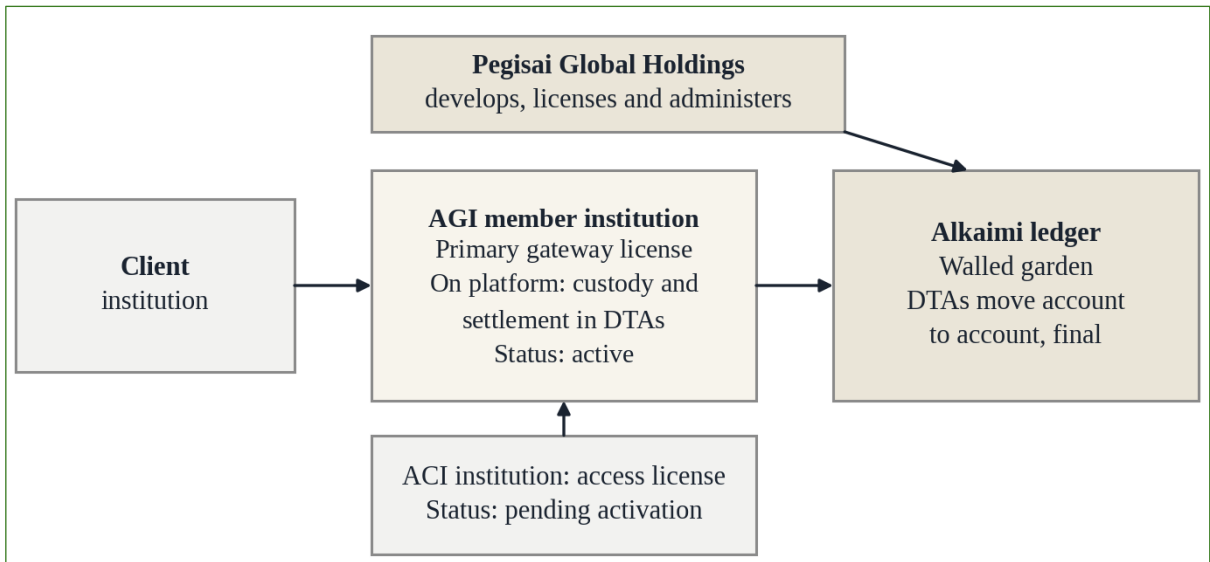


Figure 2. The licensed ring. An AGI member institution is on platform; an ACI institution reaches the Alkaimi ledger through an AGI member institution. Pegisai Global Holdings licenses and administers the network. Source: pegisai.com, Home and Platform.

Current status. The status board reads: wholesale settlement active, liquidity operations active, value recognition active, ledger active, consumer operations planned (pegisai.com, Home). Since 1 September 2026, members have conducted six wholesale operations: large-

value settlement between members; settlement between institutional client holding accounts; custody transfers between members; settlement of trade and commercial obligations for institutional clients; currency exchange at member desks on institutional instruction; and the onboarding of the institutional asset positions from which those settlements are made (alkaimi.com, Current Operations).

Seventeen first-phase asset classes. Members recognize value in 17 asset classes: gold, silver, platinum, palladium, oil, natural gas, wheat, corn, rice, soybeans, coffee, cocoa, steel, copper, aluminum, iron ore and coal, with further classes to follow (Pegisai, 30 September 2026).

Who does what. Pegisai Global Holdings develops, licenses and administers the technology supporting the Alkaimi Financial Ecosystem. Pegisai does not provide banking services, accept deposits, hold client value or execute client settlements. Banking operations are conducted by member chartered financial institutions. Value held on the ecosystem's ledger is held under a custodial agreement. Held value is not a currency deposit and is not insured by deposit insurance or by a government agency such as the FDIC. The settlement mechanisms used in the licensed model are themselves individually insured (Pegisai, 30 September and 1 October 2026).

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Granular value: pricing in grains

Granular value does five things.

1. **Granular value fixes the value at creation.** No new grain is created against the grains already held inside a DTA, so a value unit in a DTA does not shrink (pegisai.com, Part 1). Across Alkaimi's reported testing and validation periods, over 1,953 days the dollar lost 27.86 percent of purchasing power on the United States government's own index, and a DTA holding lost 0.00 (pegisai.com, Platform).
2. **Granular value brings every value into parity.** Every DTA transacts in the UVU, and each UVU within a DTA enables equal transaction of values between accounts in settlement (pegisai.com, Ecosystem).
3. **Granular value makes the rail currency neutral.** Value is not derived from currencies but from the asset's whole value, counted, so the Alkaimi rail itself remains neutral (The Alkaimi Financial Ecosystem in Function, Overview).
4. **Granular value isolates value from outside forces.** Alkaimi's value recognition method locks in value and removes currency pressure and other speculative measurement forces from the value (pegisai.com, Ecosystem).
5. **Granular value prices what the existing order cannot.** Before the platform, an asset reserve produced usable value only when the owner sold the reserve or pledged the reserve, and those two pathways leave idle a reserve of under-utilized and non-utilized assets estimated at about 4 quadrillion dollars (pegisai.com, Platform).

Two promises, and the backing behind each

The money a nation uses is two promises: the scrip the nation issues, and the new money a bank creates when the bank lends.

The Bank of England names three types of money in the modern economy: currency, bank deposits and central bank reserves. Most of that money is bank deposits, and commercial banks create the deposits when the banks make loans (McLeay, Radia and Thomas, Bank of England Quarterly Bulletin, 14 March 2014). Scrip is the note and coin a nation issues: the nation's own promise. New money is a bank's promise to pay scrip on demand.

New money dwarfs scrip. On each central bank's own aggregates, the bank's promise is 89.74 percent of the money the public holds in the United States, 90.84 percent in the euro area, 85.88 percent in Russia and 95.83 percent in China (pegisai.com, Part 1).

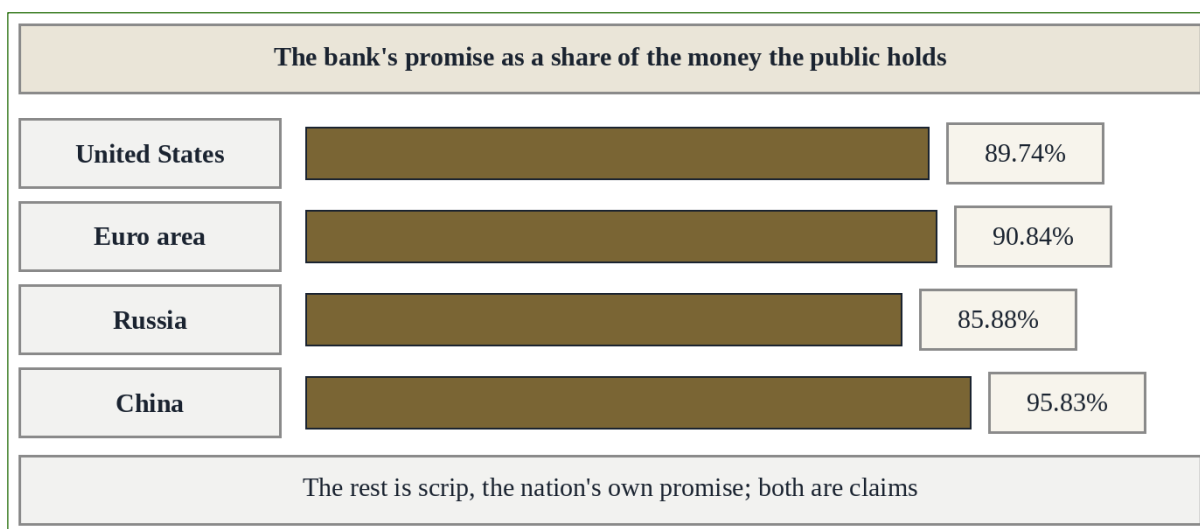


Figure 3. The bank's promise as a share of the money the public holds, on each central bank's own aggregates. Source: pegisai.com, Part 1.

No rule requires scrip behind new money. In the United States the reserve requirement has been zero percent since 26 March 2020 (Federal Reserve Board, Reserve Requirements). The Basel standard sets capital as a fraction of a bank's risk-weighted assets, not of the bank's deposits: common equity tier 1 of at least 4.5 percent, total capital of at least 8 percent and a conservation buffer of 2.5 percent, with high-quality liquid assets sized to 30 days of stressed outflows (Basel Framework, RBC20 and the liquidity coverage ratio). The United States deposit insurance fund held 1.48 percent of estimated insured deposits at mid-2026, against the FDIC's own designated target of 2 percent, a level the fund has never reached (FDIC, 25 August 2026; FDIC, Designated Reserve Ratio for 2026). The capital standard itself is applied on different timetables, set out in item 1.1.

A global currency outgrows the issuing nation. In 1960 Robert Triffin set out the dilemma of a reserve currency: the issuing nation must supply the world with the currency, and the deficits that supply the currency erode confidence in the currency's backing (Triffin, *Gold and the Dollar Crisis*, 1960; IMF, *Money Matters*). A BIS address of 2011 restated the dilemma for the system that followed gold convertibility (Bini Smaghi, "The Triffin dilemma revisited", BIS, 2011). The scale today: dollar credit to borrowers outside the United States reached 14.7 trillion dollars at end-March 2026 (BIS global liquidity indicators, 31 July 2026). Obligations to pay dollars in FX swaps, forwards and currency swaps exceed 80 trillion dollars, more than the stocks of Treasury bills, repo and commercial paper combined, and central banks backstopped those obligations in 2008 and 2020 (Borio, McCauley and McGuire, BIS Quarterly Review, December 2022). The Federal Reserve's dollar swap lines with foreign central banks peaked at 583 billion dollars in December 2008 and at 449 billion dollars in the week of 27 May 2020 (Congressional Research Service, IF11498; Yale Program on Financial Stability).

The backstop's own position. At 30 June 2026 the Federal Reserve Banks carried a deferred asset of 235.5 billion dollars, the earnings the Reserve Banks must realize before remittances to the Treasury resume, against Reserve Bank capital of 47.7 billion dollars (Federal Reserve Banks, Combined Quarterly Financial Report, 30 June 2026). The European Central Bank reported a loss of 1.3 billion euros for 2025, after 7.9 billion euros for 2024, carried forward against future profits. The ECB attributes the losses to the interest rate increases of 2022 and 2023, and states that the ECB can fulfill the ECB's mandate regardless of losses, with capital and revaluation accounts of 71 billion euros (European Central Bank, 26 February 2026).

Two kinds of value, and why the ACVI and AGSI exist. Every currency's price carries two kinds of value. Intrinsic value is what the nation holds in the nation's own name behind the nation's promise, set against everything the nation owes. Extrinsic value is demand that exists because others must accept the currency: reserve holdings at other central banks, the settlement rails, commodity invoicing, capital market issuance and military reach (pegisai.com, The ACVI and the AGSI explained). A credit rating grades whether a nation's promise will be paid; the ACVI and the AGSI grade what stands behind the promise. The United States holds an Aa1 rating, while the ACVI reads 0.3 for the dollar and the Productive Coverage Ratio reads 0.019: two cents of assets for every dollar the United States owes (same source).

The Kuwaiti dinar and the United States dollar. The exchange rate between two currencies reads each currency's extrinsic value, not the value that stands behind each currency, and the dinar and the dollar show the gap. Behind the dinar, Kuwait holds verified hard assets equal to 39.67 times Kuwait's money supply. Behind the dollar, the United States holds verified hard assets equal to 0.10 times the United States' money supply. Both ratios are measured in dollars at 31 August 2026 rates, after the index's discounts (pegisai.com, The ACVI at 1 September 2026, Table 2b). Per unit of money supply, the dinar carries about 400 times the hard-asset backing of the dollar ($39.67 \div 0.10 = 396.7$). The ACVI, which grades the government behind each currency on seven counts, reads 59.9 for the dinar, first of twenty currencies, and 0.3 for the dollar (same source). On the forex market one dinar bought about 3.25 dollars in late July 2026, inside a band of 3.16 to 3.27 dollars since January 2026. The Central Bank of Kuwait holds the dinar to an undisclosed weighted basket of the currencies of Kuwait's major trade and financial partners, so the rate follows the basket, not Kuwait's backing (Central Bank of Kuwait, Exchange Rate Policy). Backing about 400 times greater trades inside a band of about 3.4 percent. The exchange rate prices the extrinsic value: the compulsion to use the dollar.

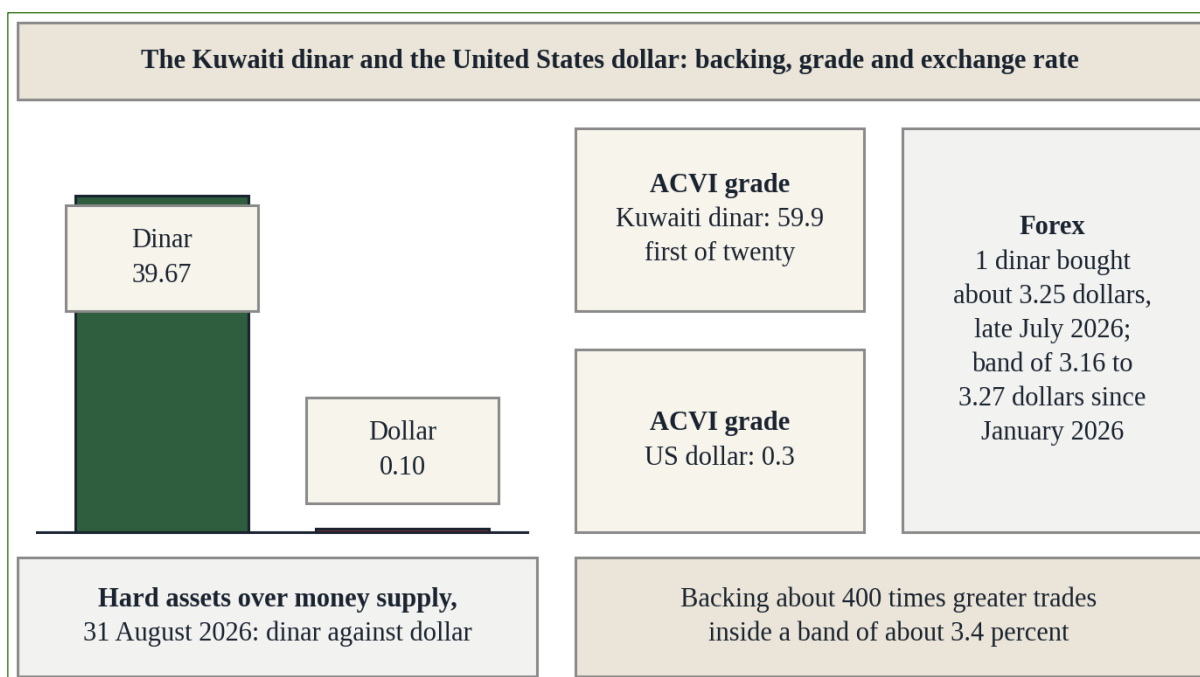


Figure 4. Backing, grade and exchange rate for one currency pair. Sources: pegisai.com, The ACVI at 1 September 2026, Table 2b; Central Bank of Kuwait, Exchange Rate Policy; forex mid-market rate, late July 2026

Where the hedges sit. Credit default swaps hedge claims. Of the 11.00 trillion dollars of credit default swaps outstanding at end-December 2025, 9.99 trillion dollars, 90.8 percent, hedged claims on private borrowers and portfolios: financial firms, non-financial firms, and portfolios or structured products. The remaining 1.02 trillion dollars, 9.2 percent, hedged the promises of nations (BIS OTC derivatives statistics, end-December 2025). Item 1.1 sets out the scale and the cost of those hedges. The next subsection sets out what the Alkaimi model does for the central banks that stand behind both promises.

Why central banks have reason to support the Alkaimi Ecosystem's deployment

No central bank is structured to adopt the Alkaimi model today. Five operations give a central bank reason to support the model's deployment.

1. **Fewer uncollateralized claims.** A settlement between two members on the Alkaimi ledger is a ledger entry, final when the value moves, with no chain of correspondent financial institutions between the members and no interval in which one member holds the other member's promise (alkaimi.com, Current Operations).
2. **Final settlement.** When a DTA moves, the payment obligation is extinguished by that movement (pegisai.com, The Model). Nothing is left owed when the movement ends.
3. **Stability.** Client value held in custody sits outside the member's liabilities, outside the deposits on which deposit insurance is assessed and outside any run, because the member never owed the value (alkaimi.com, Claims versus value).

4. **Surety in payment.** Every DTA is underwritten. On an issuer's default, the ledger liquidates the issuer's estate in days, against a defined estate: holders are paid from the DTAs the issuer took in payment first, then by the underwriter as surety, to the full issued value (pegisai.com, Underwriting on the platform).
5. **Less need for credit default swaps, over time.** A claim the settlement never opens needs no hedge (pegisai.com, The Model and Part 4). As business moves to the Alkaimi ledger, the need for credit default swaps written against those claims is expected to fall.

Each central bank's own charter. Each central bank's charter names the objectives the five operations serve. The Federal Reserve Act directs the Federal Reserve Board and the Federal Open Market Committee to promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates (Federal Reserve Act, section 2A). The Treaty on the Functioning of the European Union makes price stability the primary objective of the European System of Central Banks, and directs the System to contribute to the policies of the competent authorities on the stability of the financial system (Treaty on the Functioning of the European Union, Article 127(1) and 127(5)). The Bank of England Act gives the Bank of England the objective to protect and enhance the stability of the financial system of the United Kingdom (Bank of England Act 1998, section 2A).

Charter objective	The published figures	What the Alkaimi model does
Financial stability	New money is 89.74 percent of the money the United States public holds, and no rule requires scrip behind a deposit. More than 80 trillion dollars of obligations to pay dollars sit in FX swaps and forwards, backstopped by central banks in 2008 and 2020.	A settlement between members leaves no claim open. Client value in custody sits outside any run, because the member never owed the value.
Price stability	Over 1,953 days the dollar lost 27.86 percent of purchasing power on the United States government's own index.	A DTA holding lost 0.00 over the same 1,953 days. Value is counted in grains, not in a currency.
Safe settlement, within financial stability	More than 1.4 trillion dollars a day of foreign exchange settled gross and bilateral, fully exposed, in April 2025.	Settlement is final when the DTA moves, and nothing is left owed.

Sources for the table: pegisai.com, Part 1 and Platform; Borio, McCauley and McGuire, BIS Quarterly Review, December 2022; Conway, Drehmann, Lovell, McGuire and Shirakami, BIS Quarterly Review, June 2026.

A regulated bank's route onto the Alkaimi ledger. A regulated bank that is not yet a member institution can join through the access license (ACI), working directly through a member institution that holds the AGI (Overview, item 11). The access license opens once the Alkaimi ledger reaches a set operational mass and each petitioning institution has completed the due diligence process and accepted the terms to join the ecosystem. On the FDIC's community bank aggregate at 30 June 2026, about 28 percent of an access member institution's liabilities can work down in two years, on the loan book's own repayment pace; the figure is Alkaimi's projection on stated assumptions, not a bank's number (pegisai.com, The platform in depth).

The central bank keeps every power the central bank holds today: the central bank issues and manages the nation's currency, runs the settlement system in that currency and sets the policy rate. Through the advances the central bank makes against pledged DTAs, the central bank also gains direct control of the price and the funding of new credit (pegisai.com, Part 4; Section 4, item 4.8). No central bank, supervisor, government or other authority has reviewed, approved or endorsed Alkaimi, and the central bank's acceptance of the pledge is an approval in process (pegisai.com, Home and The platform in depth).

Why the ecosystem holds to wholesale settlement

The markets still price currencies by extrinsic value, so the model is metered by sequence and the members hold to wholesale settlement by the members' own decision.

The platform's capacity is not the limit; the shock is. Recognized value near a quadrillion dollars released into the system at once would break currencies, and the break runs either way: hyperinflation, or the deflation in which people walk away from a currency altogether. No reserve currency has ever collapsed in a single event (pegisai.com, The platform in depth).

The model is therefore metered by sequence: wholesale settlement first; then nation debt shifted into DTAs the nation can move; consumer products in a later phase, with recognized value sufficient to reach 130 trillion dollars projected across approximately a decade (pegisai.com, The platform in depth).

The members hold a self-imposed embargo that limits operations to the six wholesale operations until three conditions are met at each member: capital to the standard the member's license sets, people trained, and the infrastructure of the ecosystem's private network deployed (alkaimi.com, Current Operations).

The plan for retail use is set by sequence, not by market pressure. The members have determined, in common, to carry the 100% Whole Reserve model from wholesale settlement

into consumer banking at the members' own branches, under the members' own names and regulators (alkaimi.com, Future Operations). Consumer retail operations are targeted for 2028 (pegisai.com, The Model and Licensing). Each consumer product will be offered, when the product is offered, under the member's own regulator.

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The publication at a glance

Subject	The statement	Shown in
Terms	A DTA is digital in form, not a digital asset. An asset holds value in itself and is a claim on no one.	Position on Cryptocurrency Era terms
Credit default swaps	Banks buy credit default swaps to hedge the claims settlement leaves open. The Alkaimi Ecosystem settles without opening the claim.	1.1, 3.2
Claims	Every currency rail ends in a promise. Settlement on the Alkaimi ledger ends in value no one owes.	1.1, 1.2
Two promises	Money is two promises: the scrip a nation issues and the new money a bank creates. Nine-tenths of the credit default swap market hedges private claims, and one-tenth hedges the promises of nations.	Overview
Capital standard	Every member institution meets Basel III+ from the member's first DTA engagement date. The agreed date was 1 January 2023, and the largest market has applied no element of the final reforms.	1.1
Finality	A DTA's movement extinguishes the obligation. Nothing is left on either member institution's books.	1.2, 3.1
Granular value	A pricing method in grains, never in a currency. The rail is currency neutral.	Overview
Compliance	Three layers and two AI monitoring systems of real-time KYC and AML. Every final decision is made by a person.	2.1
Level 1 HQLA	A member institution posts the DTA as Level 1 on Pegisai's published position. Classification rests with each supervisor.	2.2

Subject	The statement	Shown in
Not a cryptoasset	One custodial ledger, no distributed ledger, no public market.	2.3
Failure containment	A failure stays with the party that fails, by item and by system.	2.3
Member institutions	Every license holder is an AMI. A regulated bank joins under the AGI or the ACI.	Overview, item 11; Section 3
Leverage	Custody sits off the balance sheet, and a settled DTA leaves no claim to measure.	3.1
Credit books	Borrower risk stays with the member institution and is carried inside the book's own loss order. Settlement and holdings open no claim to hedge.	3.2
Output floor	Custody and settlement add nothing to the standardized base on which capital is set.	3.3
Questions and concerns	Fourteen common concerns, answered from the law, the standards and the economics that already govern banking.	Section 4
Price risk	Issued at 0.80 against the underwriter's 0.90. The holder is paid to the full issued value.	4.2
Monetary policy	Each channel holds; the credit channel tightens.	4.7
Policy rules	The central bank keeps the rule and sets the rate; the model steadies the rule's inputs and adds tools.	4.8
Governing law	England and Wales. The asset is the client's property; the DTA is the contract.	4.6
Pace	Wholesale only, by the members' own embargo. Consumer retail targeted for 2028. Metered so no currency breaks.	Overview
Central banks	Fewer uncollateralized claims inside the banks a central bank supervises, and direct control of the price and funding of new credit.	Overview, 4.8, closing

Subject	The statement	Shown in
Next steps	One step each for the central bank, the supervisor, the member institution and the regulated bank considering membership.	Closing

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Section 1. Executive Summary: Settlement Without Claims

Pegisai's technology is an operational engine for balance-sheet de-risking and the mitigation of systemic credit exposure. The engine works on the open claim every payment leaves.

1.1 The Problem Statement: the Credit Default Swap Issue

The current global financial grid is choking on the Credit Default Swap Issue: the multi-trillion-dollar web of overlapping bank claims, and the risk-weight hedges written against those claims, that amplify systemic counterparty risk.

Every settlement ends in a promise. A deposit at a financial institution is a claim on that institution, and the institution pays the claim in a currency that is a claim on the nation. One financial institution settles the institution's obligations to another institution by transferring claims, so at no point in the chain does a settlement end in anything that is not a promise (alkaimi.com, Claims versus value). A payment between banks over a central bank's real-time gross settlement (RTGS) system is final in law, and the receiving bank then holds a balance on the central bank's books, which is the central bank's promise to the bank (pegisai.com, Part 1). Payments that cross banks and borders run through correspondent accounts, where each bank in the chain holds a claim on the next bank.

Every time a bank uses a standard currency rail, the bank records a cascading chain of interbank claims, adding another layer of debt to the balance sheet.

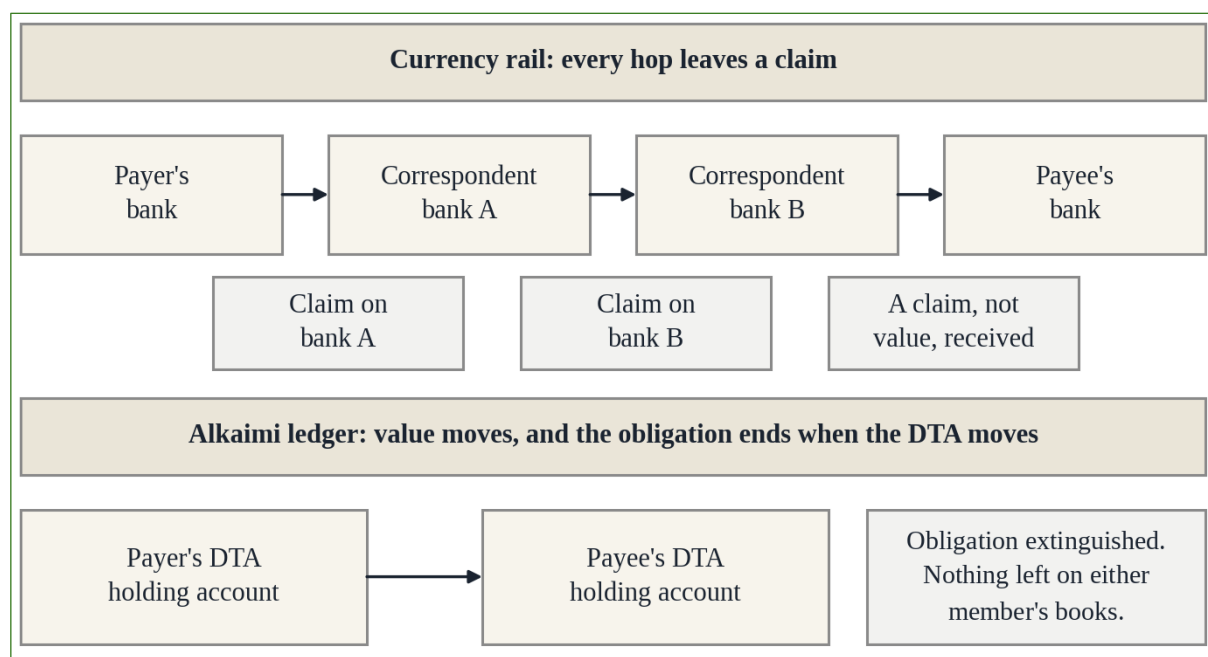


Figure 5. A claim at every hop, against an obligation extinguished when the DTA moves. Sources: alkaimi.com, Claims versus value and Current Operations; pegisai.com, The Model.

The claims do not settle together. In April 2025, just over 5 trillion dollars a day of foreign exchange settled payment versus payment, 36 percent of average daily settlement, the one method that removes the risk that one side pays and the other side does not. A further 7.6 trillion dollars, 54 percent, settled by methods such as pre-settlement netting, which reduce that risk without removing the risk. More than 1.4 trillion dollars a day, 10 percent, settled gross and bilateral, fully exposed (BIS Quarterly Review, June 2026). Fifty years after the Herstatt failure of 1974, the risk of paying without being paid remains in the system every day.

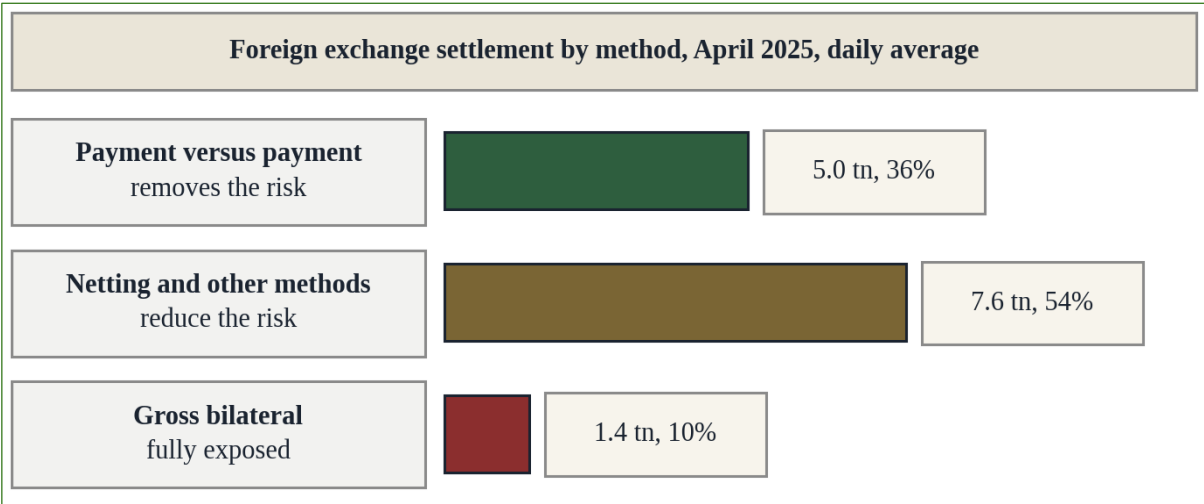


Figure 6. Foreign exchange settlement by method, April 2025, daily average, trillions of dollars and share of settlement. Source: Conway, Drehmann, Lovell, McGuire and Shirakami, BIS Quarterly Review, June 2026.

The claims concentrate. The number of active correspondent banks worldwide fell by about 22 percent between 2011 and 2019, while payment message volumes rose (CPMI, 2020). The same flow of claims now runs through fewer banks, so each surviving correspondent carries a larger share of the network's open claims.

The hedges are promises too. Banks hedge the exposure with further promises. A credit default swap is protection one institution buys from another, so each hedge adds a claim on the protection seller. At year-end 2025, global credit default swap notional outstanding stood at 11.0 trillion dollars, 4.6 trillion single-name and 6.4 trillion multiple-name, with a gross market value of 273.7 billion dollars. Central counterparties carried 70.2 percent of the notional, 7.7 trillion dollars. Across all over-the-counter derivatives, notional outstanding reached 844.6 trillion dollars, and gross credit exposure after netting reached 3.4 trillion dollars, which ISDA describes as the more accurate measure of counterparty credit risk. Initial margin required for cleared interest rate swaps and credit default swaps at major central counterparties reached 423.5 billion dollars (ISDA, July 2026, on BIS OTC derivatives statistics). With 70.2 percent of the notional facing central counterparties, the market's credit claims meet at those counterparties.

Credit default swap notional outstanding, year-end 2025: 11.0 trillion dollars		
By type	Single-name 4.6 tn	Multi-name 6.4 tn
By counterparty	Central counterparties 7.7 tn, 70.2%	Other 3.3 tn

Figure 7. Credit default swap notional outstanding at year-end 2025, by type and by counterparty, trillions of dollars. Source: ISDA, July 2026, on BIS OTC derivatives statistics.

The hedges failed where the hedges were needed. A hedge is only as good as the seller of the hedge. In September 2008, downgrades of AIG's credit rating triggered collateral calls on the credit default swaps AIG Financial Products had written on collateralized debt obligations. The Federal Reserve and the Treasury committed about 182.3 billion dollars to AIG, the largest rescue of the crisis, and part of the assistance bought securities from AIG Financial Products' counterparties in connection with terminating those swaps (GAO-09-975, September 2009; Congressional Research Service, R42953). The protection the market had bought became a claim the nation honored.

The price of the claim cost more than the defaults. The Basel Committee found that roughly two-thirds of the losses attributed to counterparty credit risk during the financial crisis came from credit valuation adjustment (CVA) losses, the mark-to-market cost of counterparties' falling credit quality, and only about one-third came from actual defaults. With the CVA capital charge added in Basel III, the Committee estimated that capital requirements for counterparty credit risk would double the Basel II level (BCBS, 1 June 2011). Under the basic approach of the Basel CVA framework, the default approach a bank must use unless the bank's supervisor approves the standardized approach, the only instruments eligible as CVA hedges are single-name credit default swaps, single-name contingent credit default swaps and index credit default swaps (Basel Framework MAR50, as carried in the SAMA Rulebook).

The claims between institutions therefore cost a bank twice: once in the capital charge and again in the credit default swaps bought to reduce the charge.

The multi-trillion-dollar credit default swap market is a protective symptom of a broken settlement layer.

The capital standard arrives late, and in the largest market not at all. The Basel Committee set 1 January 2023 for the final Basel III reforms. At end-September 2025 the revised credit

risk and operational risk standards and the output floor were in effect in around 80 percent of the Committee's 27 member jurisdictions, the CVA standard in nearly 70 percent and the revised market risk standards in nearly 40 percent (BCBS, 3 October 2025). India and Turkey had none of the revised rules in full effect (Risk.net, October 2025). The United States has implemented no element of the final reforms. The 2023 proposal, with an estimated 16 percent increase in common equity tier 1 requirements, was never finalized (federal banking agencies, July 2023). The re-proposal of 19 March 2026 would lower common equity tier 1 requirements by 4.8 percent for the largest banks, 5.2 percent for midsize banks and 7.8 percent for smaller banks, counting the proposed stress-test changes; comments closed on 18 June 2026, and no final rule is in force (Federal Reserve Board, memo of 19 March 2026). The United Kingdom set 1 January 2027 (Prudential Regulation Authority, PS1/26, 20 January 2026). The European Union postponed the market risk rules twice, to 1 January 2027, citing the level playing field and uncertainty over the timing in other major jurisdictions (European Commission, 12 June 2025). JPMorgan Chase, Bank of America, Citigroup, Wells Fargo, Goldman Sachs and Morgan Stanley operate under none of the final reforms, and the six remain under capitalization formulas set more than thirteen years ago (The Alkaimi Financial Ecosystem in Function).

The member institutions meet the standard now. The published record states the members' position: "Every Alkaimi licensed financial institution meets Basel III+ compliance standards from its first DTA engagement date: the output floor at 72.5 percent of the standardized calculation, operational risk capitalized on the standardized approach and the trading book under the Fundamental Review of the Trading Book; and it meets the Basel III standards those complete, liquidity coverage across a 30-day stress window and stable funding across one year" (The Alkaimi Financial Ecosystem in Function). The statement is Pegisai Global Holdings' own and is made by no authority.

Counterargument. A credit default swap hedges the default of a borrower or a bond issuer, not a settlement.

Answer. Part of the credit risk banks hedge sits between financial institutions themselves. The Basel CVA charge exists because the counterparties to banks' own contracts lose credit quality, and under the framework's basic approach, the default approach, only credit default swaps are eligible hedges of that risk. The claims settlement leaves open between institutions are the part of the credit default swap book the Alkaimi model reaches first. A member

1.2 The Systemic Solution

The Alkaimi model is a structural paradigm shift from net-debt settlement to gross-asset settlement: value moves, no claim is created, and the credit relationship between the two banks never forms.

Value moves, not a promise. Settlement on the Alkaimi ledger is a DTA moving from one client DTA holding account to another, final when the DTA moves (pegisai.com, Part 2). The underlying asset remains in place under the applicable custody arrangements, while the asset's recognized value moves between accounts. Settlement occurs when that value transfers on the ledger, rather than through a sequence of correspondent-bank payment promises (Pegisai, 1 October 2026). The settlement does not create a temporary credit promise: the settlement delivers claim-free recognized value, and the real-world asset stays in custody.

The value moves in individual units. Alkaimi's value recognition method moves physical value down into individual Universal Value Units: value is set, UVUs are assembled and individual DTAs are created, and each UVU within a DTA enables equal transaction of values between accounts in settlement (pegisai.com, Ecosystem). Every UVU carries an encoded title package, and every title package is AI monitored in real time (Section 2, item 2.1).

The credit relationship leaves with the claim. Each DTA within each DTA stack acts as the DTA's own independent settlement item: when the DTA moves, the payment obligation is extinguished by that movement (pegisai.com, The Model). No claim is left between the paying bank and the receiving bank, so the settlement strips out the credit relationship between the two banks entirely, and nothing remains for a collateralized derivative hedge to cover. The transaction is final the moment the DTA moves, and every settlement made on the Alkaimi ledger instead of a currency rail is one less open claim in the gross volume of bank claims.

Two lanes, and a rule at the desk. A member does not leave the payments system to leave the claims system. A claim from a non-member financial institution is taken at the member's desk, on the currency side, and nothing is released against the claim until the claim has settled in central bank money. Between two members there are two lanes: currency settles through correspondent relationships as the currency does today, and value settles on the Alkaimi ledger, final when the value moves. As the members' business moves from the currency lane to the value lane, each member's exposure to the other members' promises falls (alkaimi.com, From claims to whole settlement).

The holder's protection travels inside the DTA. No one owes a DTA to the holder, so the holder carries no credit liability for anyone to insure. Every DTA is underwritten: the underwriter signs 0.90 of the recognized value of a stack and the Mint issues 0.80, and the signature warrants the existence, title, quantity and recoverability of the asset at the floor at which the value was recognized (pegisai.com, Underwriting on the platform, in depth).

Finality, not speed. Mike Rogers, a Pegisai spokesman, stated the point in the 1 October 2026 release.

“The true evolution of institutional treasury operations is not about moving tokenized versions of existing fiat liabilities faster. True efficiency requires structural finality.”

The statement draws the line between speed and settlement. A tokenized fiat liability moved faster is still a liability: the holder receives a claim on an issuer, and the obligation behind the claim stays open. A stablecoin's issuer is obligated by law to redeem the stablecoin for a fixed amount of monetary value (GENIUS Act of 2025, section 2(22)). A DTA's movement extinguishes the obligation the movement pays. Structural finality means nothing is left owed when the movement ends.

***For the Chief Financial Officer:** “real-time gross settlement in recognized asset value, final when the DTA moves, opens no bank-to-bank credit claim.”*

Counterargument. RTGS systems already settle gross and final.

Answer. The Federal Reserve's Fedwire Funds Service settles each transfer individually in central bank money, and the credit is final and irrevocable (Federal Reserve Financial Services). The difference sits in what the receiver holds after settlement: in RTGS, a balance on the central bank's books, which is the central bank's promise to the bank; on the Alkaimi ledger, recognized asset value that no one owes (pegisai.com, Part 2). The interbank claims arise in the correspondent chains around RTGS. Alkaimi settlement between members runs without that chain, and a member uses RTGS for exactly the job RTGS does well: settling a non-member's claim in central bank money before the member releases anything (alkaimi.com, From claims to whole settlement).

Exhibit: Systemic Settlement Layer: Risk & Structural Comparison

The table contrasts a traditional fiat RTGS loop with the Alkaimi DTA bearer transfer, on the four measures a Chief Risk Officer and a central bank supervisor read first: the settlement medium, counterparty and credit risk, derivative exposure, and liquidity and asset efficiency.

The Alkaimi model does not compete with central bank sovereign issuance. Pegisai issues no currency, licenses no currency and prices nothing in any currency, and a currency never enters the walled garden (pegisai.com, Part 3). The members do not compete with the currency a nation issues: the 100% Whole Reserve model settles beside that currency, and the members hold, by consensus among the members, that the issue of a nation's currency is the sovereign's right (alkaimi.com, From claims to whole settlement). The model optimizes the internal

plumbing of commercial bank treasuries: settlement in recognized asset value is a direct mechanism to deflate the uncollateralized interbank claim market, one settlement at a time.

Risk Vector / Structural Metric	Traditional Central Bank RTGS Fiat Loop	Alkaimi DTA Bearer Transfer Model
Settlement Medium	Central Bank Fiat Liabilities (Sovereign currency debt claims)	Digitized Tangible Assets (DTAs) (Recognized asset value held whole under the 100% Whole Reserve™ model)
Counterparty / Credit Risk	High (Deferred Multi-Bank Linkages)	Zero (Instant Gross Finality) on each settlement on the Alkaimi ledger
	RTGS settles final in central bank money; the payment chains around RTGS rely on intermediate credit accounts and matching interbank claims.	Value is held in the DTA, a bearer instrument in electronic form; no one “owes” the asset.
Derivative Exposure (The CDS Factor)	Heavy Reliance on CDS Books	Eliminated on claims the Alkaimi ledger never opens
	Banks hold credit default swap books against the counterparty exposure that accumulates across bank networks.	Immediate transfer means there is no lingering credit relationship to insure.
Liquidity & Asset Efficiency	Dormant / Low-Yield	Active / High Velocity
	Physical assets in bank custody sit idle while fiat transactions strain liquidity ratios.	Recognizes physical feedstock (gold, energy, grains) as DTAs that settle account to account, and transmutes at the desk on the holder's instruction.

The Basel references behind the table. Five parts of the Basel framework bear on the table. The liquidity coverage ratio defines Level 1 high-quality liquid assets (Basel liquidity standard, as carried in the SAMA Rulebook, paragraph 49). The leverage ratio measures Tier 1 capital against total exposure, with a 3 percent minimum that banks must meet at all times (Basel

Framework LEV20 and LEV30). The CVA framework capitalizes counterparty credit spread risk and, under the basic approach, the default approach, admits only credit default swaps as eligible hedges (Basel Framework MAR50). The output floor holds risk-weighted assets from internal models at no less than 72.5 percent of the standardized calculation (BCBS, December 2017). The cryptoasset chapter sets the treatment of exposures that depend on distributed ledger technology (Basel Framework SCO60, in force 1 January 2026).

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Section 2: The Regulatory Blueprint (For Central Banks & BIS Supervisors)

Supervisory classification of member operations rests with each member's own regulator (Pegisai, 1 October 2026). No central bank, supervisor, government or other authority has reviewed, approved or endorsed Alkaimi, the Alkaimi Ecosystem, the Alkaimi platform, any member financial institution's participation in the Alkaimi Ecosystem, or this publication. Where this publication states that the Digitized Tangible Asset™ meets a published standard, the statement is Pegisai Global Holdings' own and is made by no authority (pegisai.com).

2.1 Algorithmic Basel III+ Compliance

Know-your-customer and anti-money-laundering control on the Alkaimi Ecosystem runs in three layers and two AI monitoring systems, in real time, and every final report and every final action is made by a person under the law of the jurisdiction with the legal right to act.

Basel IV is the market's name for the Basel Committee's December 2017 standard, Basel III: Finalising post-crisis reforms (BCBS, December 2017), the standard this publication names Basel III+ (Terms Used In This Document).

Layer 1: the member institution. The member institution is the first gate. The member institution performs the know-your-customer vetting of every client at the walled garden gateway, as an obliged institution under FATF Recommendations 10 to 21 as implemented in the member institution's own jurisdiction, so every DTA movement sits inside the member institution's existing due diligence, record-keeping and reporting (pegisai.com, The legal position of the DTA).

Layer 2: the Mint, the member institution and the common ledger. At the creation of a DTA, the Mint performs the anti-money-laundering review of the asset, and the member institution performs the anti-money-laundering review on the holder's side. Both records sit in the internal common member ledger: common space for the members, inside the walled garden, and not public.

Layer 3: the title package inside each UVU. Layer 3 is the encoded title package inside each UVU, the DTA's internal title file, defined in the Overview, item 4. The title package carries the contracts that stand behind the DTA inside the DTA, so the audit record cannot be separated from the value the record audits

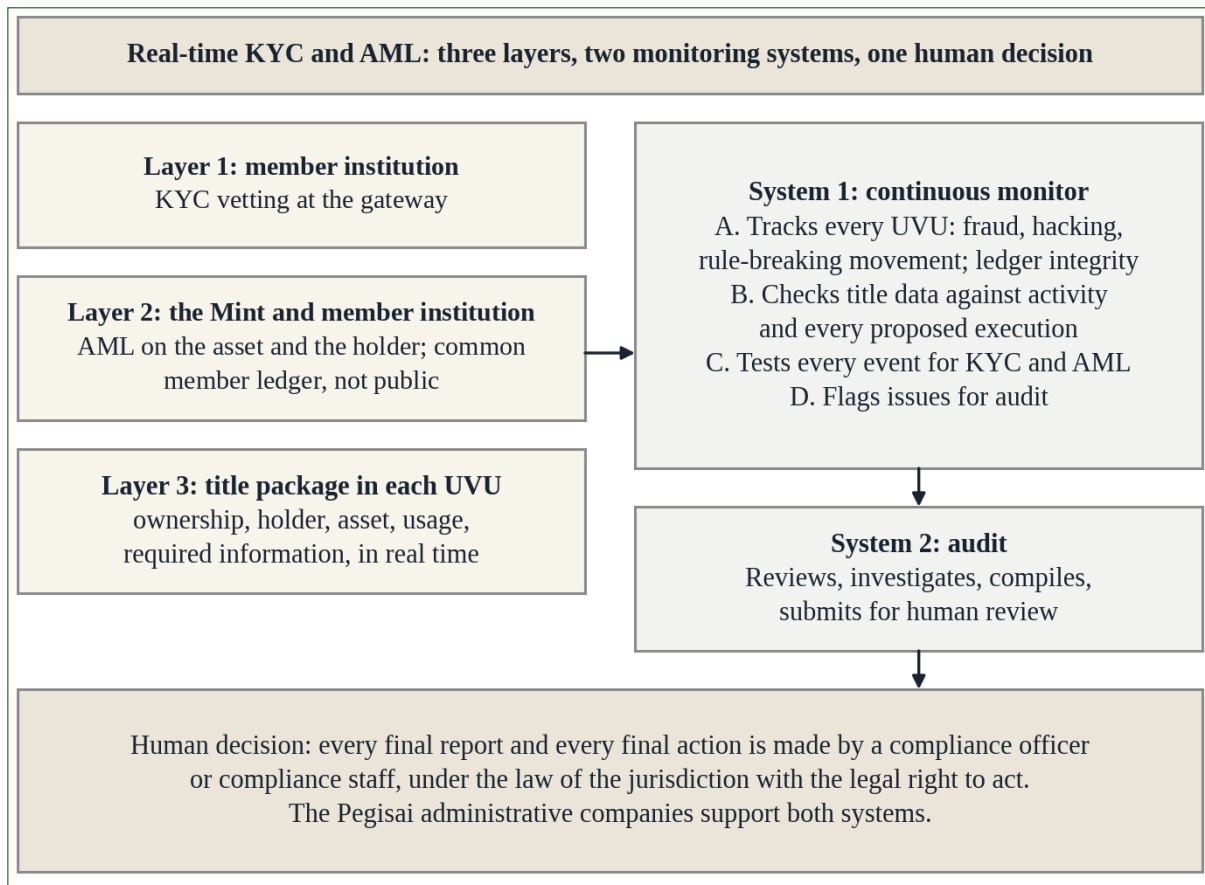


Figure 8. Real-time KYC and AML on the Alkaimi Ecosystem: three layers, two AI monitoring systems and one human decision. Sources: pegisai.com, The legal position of the DTA; alkaimi.com, Sanctions; Pegisai Global Holdings.

Two monitoring systems. The AI monitoring runs as two systems, and the AI monitoring is the “AI” in the Alkaimi name. System 1 monitors every event in real time, in four parts.

- A.** System 1 tracks every UVU in the system to prevent fraud, hacking and any movement that breaks the rules of the Alkaimi ledger, and to hold the ledger's stability, surety and integrity.
- B.** System 1 checks that the data in each title package matches the activity tracked under part A and every activity proposed for execution, so every proposed movement passes one more gate before the movement executes.
- C.** System 1 tests every event against the know-your-customer and anti-money-laundering requirements set out in the table below.
- D.** System 1 flags every issue for audit.

System 2 is the audit system. System 2 reviews each flagged issue, investigates the issue, compiles the data and submits the case for human review. Every final report and every final action is made by a compliance officer or compliance staff, under the rules and laws of the

jurisdiction with the legal right and claim to act. The Pegisai administrative companies support both systems.

A person decides, not a machine. Under the European Union's Anti-Money Laundering Regulation, a decision resulting from an automated process or an AI system is allowed only with meaningful human intervention, and the customer may obtain an explanation of the decision and challenge the decision (Regulation (EU) 2024/1624, Article 76(5)). Under the General Data Protection Regulation, a person has the right not to be subject to a decision based solely on automated processing that produces legal effects concerning the person or similarly significantly affects the person (Regulation (EU) 2016/679, Article 22(1)). System 2 ends every case in a human decision, so no final report and no final action on the Alkaimi Ecosystem rests on automated processing alone.

The three-tier KYC and AML logic embedded in each DTA's title package acts as a real-time audit that retains every entry and cannot be altered without trace.

The standards, met layer by layer. The table states each requirement from the standard that sets the requirement, and names the part of the Alkaimi Ecosystem that meets the requirement.

Requirement	Standard	Where the Alkaimi Ecosystem meets the requirement
Customer due diligence	FATF Recommendation 10; Regulation (EU) 2024/1624, Chapter III; the Bank Secrecy Act (United States); the Money Laundering Regulations 2017 (United Kingdom)	Layer 1: the member institution vets every client at the walled garden gateway. Layer 2: the Mint reviews the asset at the creation of the DTA.
Record-keeping	FATF Recommendation 11; Regulation (EU) 2024/1624, Article 77	Layer 2: the internal common member ledger holds both records. Layer 3: each title package retains ownership, holder, asset and usage in real time.
Politically exposed persons	FATF Recommendation 12	Layer 1, under the member institution's own due diligence regime.

Requirement	Standard	Where the Alkaimi Ecosystem meets the requirement
Correspondent relationships	FATF Recommendation 13; the Money Laundering Regulations 2017 (United Kingdom)	Every correspondent relationship on the platform runs under Recommendation 13, and no member may enter or continue a relationship with a shell bank (alkaimi.com, Regulatory position).
Payment transparency	FATF Recommendation 16, as revised in June 2025, implementation due by the end of 2030	Layer 3: payer and payee are known accounts on one ledger, and the record travels inside the title package with the value.
Sanctions screening	FATF Recommendations 6 and 7; OFAC programs under the International Emergency Economic Powers Act (United States); the Council's sanctions regulations (European Union); the Sanctions and Anti-Money Laundering Act 2018 (United Kingdom)	Every holder is screened before admission, and every movement is screened again at the instant the movement is instructed (alkaimi.com, Sanctions).
Suspicious transaction reporting	FATF Recommendation 20	System 1 flags the issue. System 2 investigates and compiles the case. The member institution's compliance officer reports to the authority of the member's own jurisdiction.
Decisions by automated means	Regulation (EU) 2024/1624, Article 76(5); Regulation (EU) 2016/679, Article 22	System 2 ends every case in a human decision.

Identity protection and lawful access. The Alkaimi Ecosystem protects the identity of every holder by design. The member institution is the controller of every client record on the Alkaimi ledger, and the Pegisai group is the processor, acting under the license (pegisai.com, The legal position of the platform). The administration's review works at the level of the UVU in contest, not the account, as an audit of the product. Review at the level of the item builds data

minimization into the design, as the General Data Protection Regulation requires of a controller (Regulation (EU) 2016/679, Article 25).

No government, agency or institution obtains a holder's information without a lawful basis and lawful process. In the United States, a federal authority may obtain a customer's financial records from a financial institution only on the customer's authorization, an administrative subpoena or summons, a search warrant, a judicial subpoena or a formal written request (Right to Financial Privacy Act of 1978, 12 U.S.C. 3402). In the European Union, a judgment of a foreign court or a decision of a foreign authority requiring disclosure of personal data is recognized or enforceable only if based on an international agreement, such as a mutual legal assistance treaty (Regulation (EU) 2016/679, Article 48). A request reaches a holder's information only through the member institution, the controller, under the law of the member's own jurisdiction.

The FATF has found that information sharing among private institutions can be conducted in compliance with data protection and privacy rules, subject to key tests (FATF, Partnering in the Fight Against Financial Crime: Data Protection, Technology and Private Sector Information Sharing, July 2022). The internal common member ledger is built as information sharing of that kind.

The audit trail enforces itself. A DTA issuing holder that fails the holder's asset maintenance requirements, or engages in nefarious conduct, has every DTA the holder issued and still holds frozen, and every DTA the holder holds from other sources liquidated to cover the holder's outstanding obligations. The penalties are activated by the rules and not by politics (pegisai.com, Part 2). The Pegisai group companies audit, administer, fact check and certify the ledger, and ensure that proper underwriting and asset maintenance are maintained on every stack (pegisai.com, Part 2). The feedstock from which every DTA is created therefore keeps auditable and unencumbered provenance for as long as the DTA exists.

Disputes. Each stage of the system runs under the system's agreements, and every agreement carries a separate arbitration clause. The agreement created with the value governs matters of the recognized value, and the licensing agreements govern matters of the ecosystem. A dispute is resolved under the clause of the agreement that governs the stage at which the dispute arises. The Pegisai administrative companies act as arbitrator within the system only in extremis, as those agreements provide.

For the Chief Compliance Officer: “Algorithmic Basel III+ compliance checks run on every underlying asset before a DTA exists, and every DTA is posted as Level 1 HQLA on Pegisai's published position.”

Counterargument. Compliance is the supervisor's judgment, not the platform's.

Answer. The platform supplies the record in real time; the supervisor makes the judgment. The Level 1 classification of the DTA and the central bank's acceptance of the DTA as collateral follow each supervisor's and each central bank's existing rules, and a supervisor may ask for reporting (pegisai.com, Ecosystem).

Counterargument. A real-time, AI-monitored system exposes every holder's identity to the administrator and to any government that asks.

Answer. The design runs the other way. The member institution holds the identity as controller. The administration reviews the item in contest, not the account. Every disclosure requires a lawful basis and lawful process in the jurisdiction with the legal right to ask (12 U.S.C. 3402; Regulation (EU) 2016/679, Article 48).

2.2 The Level 1 HQLA Standard

A member institution posts the DTA as a Level 1 high-quality liquid asset on Pegisai's published position, and the feedstock from which every DTA is created, gold, energy or other, is verified before the DTA exists.

What Level 1 means. The Basel test of a high-quality liquid asset is that the asset's liquidity-generating capacity, by way of sale or repo, remains intact even in periods of severe idiosyncratic and market stress (Basel Framework, LCR30.3). Level 1 assets hold the top standing in the stock of high-quality liquid assets and enter the stock without limit and without a haircut. The Level 1 list is closed: coins and banknotes; central bank reserves, to the extent the central bank allows the reserves to be drawn down in times of stress; and qualifying marketable securities issued or guaranteed by sovereigns, central banks and certain public bodies (Basel Framework, LCR30.40 and LCR30.41). Central bank eligibility is the ideal for every high-quality liquid asset, and central bank eligibility alone does not make an asset high quality (Basel Framework, LCR30.4 and LCR30.5).

The published position. A member institution posts a DTA as a Level 1 high-quality liquid asset under Basel III+ without a discount (pegisai.com, Ecosystem). A DTA exceeds central bank money on the asset standard and on liquidity: value that no one owes, where central bank money is the central bank's liability (pegisai.com, Platform). The Level 1 classification of the DTA and the central bank's acceptance of the DTA as collateral follow each supervisor's and each central bank's existing rules (pegisai.com, Ecosystem), and the central bank's acceptance of the pledge is an approval in process (pegisai.com, The platform in depth). Level 1 standing attaches to the DTA on a member institution's books; the feedstock is what Alkaimi's value recognition method and the underwriting verify. Level 1 standing in a bank's stock of high-quality liquid assets applies to the DTAs the member institution holds unencumbered: a DTA

pledged against a currency line the member institution has drawn leaves the stock for as long as the line is drawn, as any Level 1 asset would (Basel Framework, LCR30.16).

The two currency exits. A DTA reaches currency by the two routes the Basel test names. The first is the sale route: transmutation at the member institution's desk, on the holder's instruction, where the holder gives up the DTA and takes currency (pegisai.com, The Model). The second is the repo route: the member institution pledges the DTA to the central bank, the DTA stays whole, and the central bank advances currency below the value pledged (pegisai.com, The Model and Part 4). Neither route waits for a buyer, so neither route meets the fire-sale discount the Basel test is built to catch (Basel Framework, LCR30.3).

The figure in the ratio. A member institution reports the stock of high-quality liquid assets in currency, at fair value on the calculation date. In the United States, the Level 1 amount is the fair value of the Level 1 assets the bank holds as of the calculation date (12 C.F.R. 249.21(b)(1)). Fair value is the exit price: the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date (IFRS 13, paragraph 9; ASC 820). A DTA's exit price is the reading under the Alkaimi Transmutation Standard (ATS) at the member institution's desk on the calculation date. Under the ATS, a member institution converts value to currency at the member institution's desk, in real time, at a reading rather than a bid (pegisai.com, About). The ATS computes the reading from named public data at the instant of the desk event: the published reference rates and the published measures of purchasing power of the currency concerned. The weights and the construction of the calculation are proprietary. The reading is the same at every licensed desk at the same instant, with no bid and no spread. Every reading is recorded on the Alkaimi ledger with the reading's inputs and time, inside the audit trail set out in item 2.1, so a supervisor or an auditor can recompute the figure. The reading holds the recognized value whole and moves with the currency: over 1,953 days the dollar lost 27.86 percent of purchasing power on the United States government's own index, and a DTA holding lost 0.00 (pegisai.com, Platform). A stress that weakens the reporting currency therefore raises a DTA's figure in the ratio. The pledge route is a monetization channel, not a valuation basis: the central bank's advance sits below the value pledged, as a repo haircut does. The fair value hierarchy level of the reading is each member institution's auditor's determination, and acceptance of the figure is each supervisor's.

A third route, outside the ratio. A holder may transmute a DTA at the desk into any recognized asset class and take delivery of an asset of that class (pegisai.com, The Model). The route is the DTA's drawing right on recognized value, not a currency exit: any later sale of that asset takes place in the asset's own market, outside the Alkaimi Ecosystem, on that market's terms. A member institution therefore counts the route as no monetization channel in the liquidity coverage ratio. The route anchors the recognized value instead, because the underwriter warrants the existence, title, quantity and recoverability of the asset from which

the DTA was created at the floor at which the value was recognized (pegisai.com, Underwriting on the platform, in depth).

The tests, criterion by criterion. The table sets each Basel criterion for a high-quality liquid asset against the DTA's design. Where a criterion is not met by design, the table says so and gives the answer.

Criterion	Reference	How the DTA's design meets the criterion	Status
Liquidity by sale or repo, intact in stress	LCR30.3	Both routes the test names exist without a market: transmutation at the desk, the sale route, and the pledge at the central bank, the repo route. Neither route waits for a buyer.	Met by design
Low risk	LCR30.6	The DTA is no one's obligation, so no issuer's credit standing or subordination applies. Every DTA is underwritten, carries a surety and carries a drawing right on recognized value into any recognized asset class. The DTA is priced in no currency and reaches any currency at the desk.	Met by design
Ease and certainty of valuation	LCR30.7	The recognized value is fixed at creation, warranted by the underwriter and transmutable at the desk into a recognized asset class. The figure in the ratio is the ATS reading, computed from named public data and recorded on the Alkaimi ledger with the reading's inputs and time.	Met by design; the fair value level is the auditor's
Low correlation with risky assets	LCR30.8; LCR30.41(3)	The DTA is no obligation of any financial institution, the condition the Level 1 list applies to marketable securities.	Met by design

Criterion	Reference	How the DTA's design meets the criterion	Status
Listed on a developed and recognized exchange	LCR30.9	No DTA is listed, quoted or traded on any exchange, by design. The transparency a listing supplies comes from the Alkaimi ledger's audited record of every movement (item 2.1).	Not met, by design; answered
Active and sizable market	LCR30.10	No market exists, by design. Liquidity comes through the two currency exits, as central bank reserves hold Level 1 standing without a market (LCR30.41).	Not met, by design; answered
Low volatility	LCR30.11	The recognized value never moves. Over 1,953 days a DTA holding lost 0.00 while the dollar lost 27.86 percent of purchasing power.	Met
Flight to quality	LCR30.12	The route in is Alkaimi's value recognition method, applied to asset owners' own assets. A flight would show as the volume of assets brought for Alkaimi's value recognition method, not as price, bounded by the assets brought and by underwriting capacity, and metered by the members.	Permitted by design; not yet evidenced
Central bank eligibility	LCR30.4; LCR30.5	The central bank's acceptance of the pledge is an approval in process. Eligibility alone is not the basis for Level 1 standing.	In process
Unencumbered	LCR30.16	Prior liens are cleared at issuance, so the asset comes onto the Alkaimi ledger unencumbered. A DTA pledged against a drawn currency line leaves the stock while the line is drawn.	Met at creation
Monetization within the standard settlement period	LCR30.17	Settlement is final when the DTA moves, and transmutation at the desk takes place in real time.	Met by design

Criterion	Reference	How the DTA's design meets the criterion	Status
Control by the liquidity function; periodic monetization	LCR30.15; LCR30.18	The bank's treasury holds the bank's own DTAs in the bank's own DTA holding account and can monetize through either currency exit in the normal course of business.	Each member institution's operational fact

The status column states how the DTA's design meets each criterion. The determination is each supervisor's under that jurisdiction's rules, and the statements are Pegisai Global Holdings' own, made by no authority.

The custodial parameters. The feedstock is verified before any DTA exists. Alkaimi's value recognition method segments and segregates the asset and clears prior liens at issuance, as set out in the Overview, item 3, so the asset comes onto the Alkaimi ledger unencumbered or the asset stays off the Alkaimi ledger (pegisai.com, Part 2). The underwriter's signature warrants the existence, title, quantity and recoverability of the asset at the floor at which the value was recognized, and warrants no price, no rate, no currency and no counterparty, because the recognized value never moves (pegisai.com, Underwriting on the platform, in depth). Each DTA stack is segregated from every other stack in risk and in lien (pegisai.com, Platform).

The security parameters. Each UVU's title package is encoded, carries security features, and is AI monitored in real time (item 2.1). Some aspects of the construction of the DTA and the UVU are proprietary and are not released in this publication.

Gold as the reference case. The Basel framework has long allowed, at national discretion, gold bullion held in a bank's own vaults or on an allocated basis, to the extent backed by bullion liabilities, to be treated as cash and risk-weighted at 0 percent (Norton Rose Fulbright, The Basel Framework and regulatory status of gold, 2025; SAMA Rulebook, section 4.1.10). The treatment belongs to the credit risk framework; gold is not on the liquidity coverage ratio's Level 1 list.

A standing set by convention. The Basel framework assigns a sovereign's own-currency bonds a zero risk weight by convention rather than by analysis, and the AGSI performs the analysis the convention omits (pegisai.com, The ACVI and the AGSI explained). A sovereign bond is the nation's promise. A DTA is value no one owes.

Counterargument. The Basel Level 1 list names no DTA.

Answer. The Level 1 classification of the DTA rests with each member institution's supervisor and each central bank under existing rules. Where this publication states that the DTA meets a

published standard, the statement is Pegisai Global Holdings' own and is made by no authority (pegisai.com).

Counterargument. An asset with no market cannot be a high-quality liquid asset.

Answer. Central bank reserves hold Level 1 standing without trading in any market (Basel Framework, LCR30.41). The DTA's liquidity rests likewise on final settlement and on the two currency exits the Basel test names: transmutation at the desk, the sale route, and the pledge at the central bank, the repo route.

2.3 Risk Isolation

The DTA exists only inside a closed, walled garden banking environment, so value cannot leave unmonitored, value does not swing with a market, a failure stays with the party that fails, and the DTA sits outside the Basel cryptoasset standard.

A closed banking environment. The walled garden defined in the Overview, item 6, is a closed banking environment: the only thing that moves inside the walled garden is the DTA, every client enters through a member institution's gateway, and currency is met only at a member institution's desk (pegisai.com, Ecosystem).

No unmonitored value flight. Value leaves the Alkaimi ledger at one point only: a member institution's desk. A holder who wants currency for value asks a member institution. The holder's DTA moves into the member institution's ledger account, segmented for transmutation, and the member institution's ring operations pay the holder in the chosen currency, outside the wall (pegisai.com, Part 4). Every holder entered through a member institution's know-your-customer gate, and every movement is recorded in the title package (item 2.1). A sanction attaches to a person or an entity, and the member institution honors a lawful sanction against the holder under the member institution's own regulator (The Alkaimi Financial Ecosystem in Function, Section 10.15). The desk is the member institution's own currency operation, regulated as the member institution's currency operations are regulated today, outside the walled garden (pegisai.com, The Model). The nation's exchange and reporting rules therefore apply at the desk.

No market volatility. The recognized value inside a DTA is fixed in UVUs, and no DTA is listed, quoted or traded on any exchange or open market (pegisai.com, Ecosystem). A reading of a DTA in a currency moves nothing on the Alkaimi ledger (pegisai.com, Part 4). The figure a supervisor reads in a reporting currency moves with that currency, not with the DTA, and a weaker reporting currency raises the DTA's figure (item 2.2). Over 1,953 days of Alkaimi's reported testing and validation periods, the dollar lost 27.86 percent of purchasing power on the United States government's own index, and a DTA holding lost 0.00 (pegisai.com, Platform).

Outside the cryptoasset standard. The Basel cryptoasset chapter, SCO60, in force from 1 January 2026, defines cryptoassets as private digital assets that depend on cryptography and distributed ledger technologies or similar technologies (Basel Framework, SCO60.1). Both limbs of the definition tie the technology to the ledger on which ownership is recorded and transferred. For tokenized traditional assets, the chapter names the technology used to record ownership (Basel Framework, SCO60). A DTA's ownership is recorded and changed only on the Alkaimi ledger, which Pegisai Global Holdings administers centrally under bank supervision, with no distributed ledger and no blockchain (The Alkaimi Financial Ecosystem in Function, Section 10.15). The encoding in a UVU's title package protects the documents the package holds, including the title registration, the drawing right and the surety, as every bank protects the bank's own records (item 2.2). Document security does not make ownership of a DTA depend on cryptography. The chapter's scope note draws the same line at the ledger: dematerialized securities issued through distributed ledger or similar technologies are in scope, and dematerialized securities kept on electronic versions of traditional registers and databases, centrally administered, are out of scope (Basel Framework, SCO60). The European Union's crypto-asset turns on the same ledger limb: a value transferred and stored electronically using distributed ledger technology or similar technology (Regulation (EU) 2023/1114, Article 3(1)(5)). The terms are fixed in The Alkaimi Ecosystem's position on terms.

The FATF position. The FATF definition of a virtual asset turns on use, not technology (pegisai.com, The legal position of the DTA). A virtual asset is a digital representation of value that can be digitally traded or transferred and used for payment or investment purposes, and the definition excludes digital representations of fiat currencies, securities and other financial assets already covered elsewhere in the FATF Recommendations (FATF Glossary). The DTA is not a speculative item, and the record answers the asset test on two grounds (The Alkaimi Financial Ecosystem in Function, Section 10.15). First, the DTA is not a representation of value held elsewhere: the DTA is a bearer instrument holding whole recognized value. Second, the DTA is used as a payment and settlement item only inside the banking space, under the financial institution regime, by member institutions already covered under that regime. The service-provider test gives the same answer. Every DTA is held and moved by a member institution, an obliged institution under FATF Recommendations 10 to 21 as implemented in the member institution's own jurisdiction, so no virtual asset service provider question arises (pegisai.com, The legal position of the DTA). One FATF duty stays with each member institution: Recommendation 15 requires a financial institution to assess the money laundering and terrorist financing risks of a new product or a new technology before launch (FATF Recommendation 15).

A failure stays with the party that fails. Failure is contained at two levels: by item, through the DTA stack and the parties behind the stack, and by system, through the member institutions and the administration.

By item. Each DTA stack is segregated from every other stack in risk and in lien (pegisai.com, Platform), and nothing is pooled (pegisai.com, The legal position of the DTA). A DTA issuer's default is liquidated on the Alkaimi ledger, in days, against a defined estate. The DTAs the issuer took in payment are seized and applied to the holders, the issuer's unused issuance is frozen, and the drawing right on the asset passes to the underwriter, as the surety's recourse. The holders rank first: the holders are paid from the seized DTAs, then by the underwriter as surety, to the full issued value (pegisai.com, Underwriting on the platform). Nothing owed by the issuer reaches the value a holder holds (pegisai.com, The legal position of the DTA).

The underwriting contract is suretyship, a non-life class any authorized insurer may write (Directive 2009/138/EC, Annex I, classes 14 and 15). A surety that pays is subrogated to the rights of the party paid, to the extent of payment, and the underwriter's recourse is the drawing right on the recognized asset (pegisai.com, The legal position of the DTA). The liquidation regime is contract, under a chosen law and an arbitral forum. Arbitral awards are enforceable under the 1958 New York Convention, and a state's commercial acts carry no immunity from suit (28 U.S.C. 1605(a)(2); State Immunity Act 1978, section 3). A rented DTA cannot be defaulted: a renter's failure is the renter's default, liquidated on the ledger, and recourse runs against the renter, never the holder (pegisai.com, The legal position of the DTA).

By system. A member institution holds client DTAs in custody, off the member institution's balance sheet, outside the member institution's estate (pegisai.com, The legal position of the DTA). In the European Union, a resolution authority may not write down or convert any liability that arises from a bank's holding of client assets, where the client is protected under the applicable insolvency law (Directive 2014/59/EU, Article 44(2)(c)). In United States receivership practice, assets a failed bank holds in custody do not become part of the failed bank's estate, and the assets are returned to the owner or transferred at the owner's direction, where the bank held the assets apart from the bank's general assets (Seward & Kissel, 2023; White & Case, 2023). The Alkaimi ledger holds every DTA in the client's own DTA holding account (pegisai.com, Platform), so the separation the law requires exists by design.

Pegisai Global Holdings holds no client value and executes no client settlements (Pegisai Global Holdings, 30 September and 1 October 2026), so a failure of the administration places no holder's DTA in the administrator's estate. Settlement on the Alkaimi ledger leaves no claim between the paying bank and the receiving bank (item 1.2), so a member's failure leaves no unsettled settlement claim on any other member through which the failure could spread.

The tests, criterion by criterion.

Test	Source	The DTA's position	Result
Cryptoasset: dependence on cryptography for ownership and transfer	Basel Framework, SCO60.1	Ownership is recorded on one centrally administered ledger; the encoding protects documents	Not met, by design
Cryptoasset: distributed ledger or similar technology	Basel Framework, SCO60.1 and the scope note	One ledger, centrally administered, under bank supervision; no distributed ledger, no blockchain	Not met, by design
Crypto-asset	Regulation (EU) 2023/1114, Article 3(1)(5)	No distributed ledger or similar technology	Not met, by design
Virtual asset	FATF Glossary	Not a speculative item; not a representation of value held elsewhere; held and moved only inside the banking space by covered member institutions	Answered; classification rests with each supervisor
Virtual asset service provider	FATF Glossary; Recommendations 10 to 21	Only member institutions, obliged institutions, hold or move a DTA	No service provider question arises
Risk assessment of a new technology before launch	FATF Recommendation 15	A duty of each member institution	The member institution's obligation
One exit for value	pegisai.com, The Model and Part 4	Value leaves the Alkaimi ledger only at a member institution's desk	Met by design
Customer due diligence and monitoring of every movement	Item 2.1	Every holder vetted at the gateway; every movement recorded in the title package	Met by design

Test	Source	The DTA's position	Result
Sanctions	The Alkaimi Financial Ecosystem in Function, Section 10.15	The member institution honors a lawful sanction against the holder	Met by design
Exchange and reporting rules	The nation's own law	The desk is a regulated currency operation	Applies at the desk
Market volatility	pegisai.com, Ecosystem and Platform	Value fixed in UVUs; no listing, quote or trade; the currency reading moves with the currency	Met by design
Issuer default	Directive 2009/138/EC, Annex I; the 1958 New York Convention	Liquidation on the ledger in days; holders rank first; the surety pays to the full issued value	Contained by contract and surety law
Member institution failure	Directive 2014/59/EU, Article 44(2)(c); United States receivership practice	Client DTAs in custody, off the balance sheet, outside the bank's estate	Contained by custody and resolution law

Counterargument. A supervisor will read any digitized settlement item as a cryptoasset.

Answer. The cryptoasset tests turn on the ledger that records ownership and on public trading, not on whether a record is digital. The DTA meets neither test: ownership is recorded on one centrally administered ledger under bank supervision, with no distributed ledger, and no DTA is traded on any market. The terms are fixed in The Alkaimi Ecosystem's position on terms. In each jurisdiction the classification rests with the member institution's supervisor under that jurisdiction's law, confirmed by the member institution's counsel (pegisai.com, The legal position of the DTA).

Section 3: The B2B Balance Sheet Optimization (For Member Institutions)

Three parties, three sets of issues

A central bank, a member institution and a regulated bank considering membership each meet the Alkaimi Ecosystem at a different point, and each carries a different set of issues.

We, Pegisai Global Holdings, built the products by looking at banking from four perspectives: how a payment settles, how an asset is classified, how assets and capital are used, and how each is treated on the books and under the rules.

We studied the two earlier models of whole-reserve banking for what each got right, where each fell short and why each failed. The Bank of Amsterdam opened in 1609 and held coin and bullion against every deposit. The bank's operators broke the full-reserve rule in secret, lending to the City of Amsterdam and the Dutch East India Company; the City took control of the bank in 1791, and the bank was liquidated in 1819. Full-reserve banking could not create liquidity. Fractional banking could create liquidity, and made solvency a probability. The Chicago Plan of 1933 proposed one hundred percent reserves in central bank money and failed on one clause: the government had to supply the reserve, and Congress refused (The Alkaimi Financial Ecosystem in Function, Section 7).

We applied technology to each failure. The Alkaimi ledger enforces the whole-reserve rule on every entry, so no operator can break the rule in secret: no member institution can lend the ledgered reserve out or issue a claim against a DTA in the member institution's custody. Liquidity comes from recognizing more assets onto the Alkaimi ledger, not from lending the same asset several times. No central bank supplies the reserve, so the Chicago Plan's obstacle does not arise: no central bank is asked to create anything, no treasury is asked to guarantee anything and no legislature is asked to pass anything (The Alkaimi Financial Ecosystem in Function, Section 7).

The finished products answer each party's issues on the same four perspectives.

The central bank. The central bank issues and manages the nation's currency, runs the national settlement system, and advances currency against pledged DTAs (pegisai.com, Part 4). The central bank's issue is whether to accept the DTA pledge under the central bank's own collateral rules, an approval in process (pegisai.com, Platform). Section 2, item 2.2, answers the issue.

The member institution. Every member institution today is a regionally chartered financial institution, conducting wholesale settlement only, under the members' own embargo until capital, trained people and the network infrastructure are in place at each member (alkaimi.com, Current Operations). The member institution's issues are the member institution's own balance sheet and capital, which items 3.1 to 3.3 answer.

The regulated bank considering membership. A regulated bank outside the ecosystem asks why the bank would join, and under which license. The next part answers the question.

What the finished products do, by party

Party	Settlement	Asset classification	Use of assets and capital	Treatment
Central bank	Fewer uncollateralized claims inside the banks the central bank supervises	A DTA pledge the central bank can accept under the central bank's own collateral rules; acceptance is an approval in process	Asked to create no reserve and to guarantee nothing	Keeps every power; gains direct pricing and funding of new credit (4.8)
Member institution	Final settlement with every other member institution; no correspondent balance and no open claim	Client value held in custody, not a currency deposit; DTAs posted as Level 1 on the published position	The old deposit book runs off as the old loans repay; lending from rented DTAs, when offered, creates no deposit	Client DTAs off the member institution's balance sheet and outside the member institution's estate
Regulated bank considering membership	Final settlement through a member institution that holds the AGI, without a correspondent chain	The standing every member institution holds, once licensed	The same run-off of the deposit book, on the bank's own loan book's pace	No new banking license; custody, settlement and the rent agreement are ordinary bank powers

Sources for the table: *pegisai.com, Part 4, Platform, Ecosystem and The Model; alkaimi.com, Current Operations and Future Operations; Section 2, item 2.2.*

Why a bank joins, and under which license

A regulated bank joins the Alkaimi Ecosystem as a member institution under one of two licenses, and the reasons to join differ by license.

The gateway license. A bank that takes the AGI is placed on platform. The bank settles with every other member institution, finally, with no interbank claim left open (item 3.1). The bank

earns five service fees, for Alkaimi's value recognition method, custody, settlement, transmutation at the desk and the administration of rent agreements, and creates no credit to earn the fees (Overview). The bank also serves the member institutions that reach the Alkaimi ledger through the bank under the access license, without carrying those institutions' claims (Overview, item 11; Figure 2).

The access license. A smaller regulated bank that takes the ACI reaches the Alkaimi ledger through a member institution that holds the AGI. The number of active correspondent banks worldwide fell by about 22 percent between 2011 and 2019 (CPMI, 2020), and the smaller bank is the bank losing the correspondents. The ACI gives the smaller bank final settlement without a correspondent chain. About 28 percent of a community bank's liabilities can work down in two years, on the bank's own loan book's repayment pace (item 3.1). DTAs posted as Level 1 on the published position open the pledge route at the bank's own central bank (Section 2, item 2.2). The access license opens once the Alkaimi ledger reaches a set operational mass and each petitioning institution has completed the due diligence process and accepted the terms to join the ecosystem.

The model gives the smaller banks in a central bank's jurisdiction a route to final settlement and to Level 1 collateral, through a member institution that holds the AGI, without asking the central bank to create anything.

3.1 Dismantling Interbank Exposures

Transferring a DTA creates immediate transactional finality. No open debt is left on either member institution's books, so settlement on the Alkaimi ledger adds nothing to a member institution's leverage ratio exposure measure.

The mechanics run in four steps.

1. The paying client instructs the client's member institution.
2. The member institution moves the DTA, whole or in a fractional portion, from the paying client's DTA holding account to the receiving client's DTA holding account on the Alkaimi ledger.
3. The movement extinguishes the payment obligation (pegisai.com, The Model).
4. Nothing remains on either member institution's books: no correspondent balance, and no interval in which one member institution holds the other member institution's promise (alkaimi.com, Current Operations).

The walled garden connection does what SWIFT does, in that every connected bank can settle with every other bank, and does what SWIFT cannot: the network carries the value itself, not a message about a payment to be made later, and the settlement is final when the DTA moves (pegisai.com, Licensing).

From moving value faster to eliminating balance sheet bloat.

The leverage ratio. The Basel leverage ratio divides Tier 1 capital by the exposure measure, and banks must meet a 3 percent minimum at all times (Basel Framework, LEV20). The exposure measure is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and off-balance sheet items, generally at gross accounting value, and liability items may not be deducted (Basel Framework, LEV20 and LEV30). An open interbank claim is an on-balance sheet asset and sits in the measure until the claim is paid. A DTA settlement leaves no claim to measure.

Client value adds nothing to the measure. The member institution holds client DTAs in custody, off the member institution's balance sheet, and nothing on the Alkaimi ledger is a member institution's asset or a member institution's liability (pegisai.com, Ecosystem and Platform). The measure counts the member institution's own balance sheet assets, so client value held in custody stays outside the measure.

The liabilities work down by run-off. Each of the member institution's old loans that repays cancels the deposit the loan created. Lending funded from rented DTAs, when the member institution offers the lending, creates no deposit (pegisai.com, Part 4). The member institution's deposit liabilities, and the assets those deposits fund, therefore fall on the old book's own repayment pace, without a run, a bail-in or a state guarantee.

A worked illustration. On the FDIC's community bank aggregate at 30 June 2026, loans were 1,943.6 billion dollars, 70.1 percent of assets, and deposits were 94.2 percent of liabilities. At an annual repayment rate of 20 percent, 36 percent of the loan book repays in two years. The deposits those loans created, about 28 percent of the bank's liabilities, cancel with the loans. At repayment rates of 17 and 23 percent, the share is about 24 and 32 percent. The illustration is Alkaimi's projection on stated assumptions, not a bank's number (pegisai.com, The platform in depth).

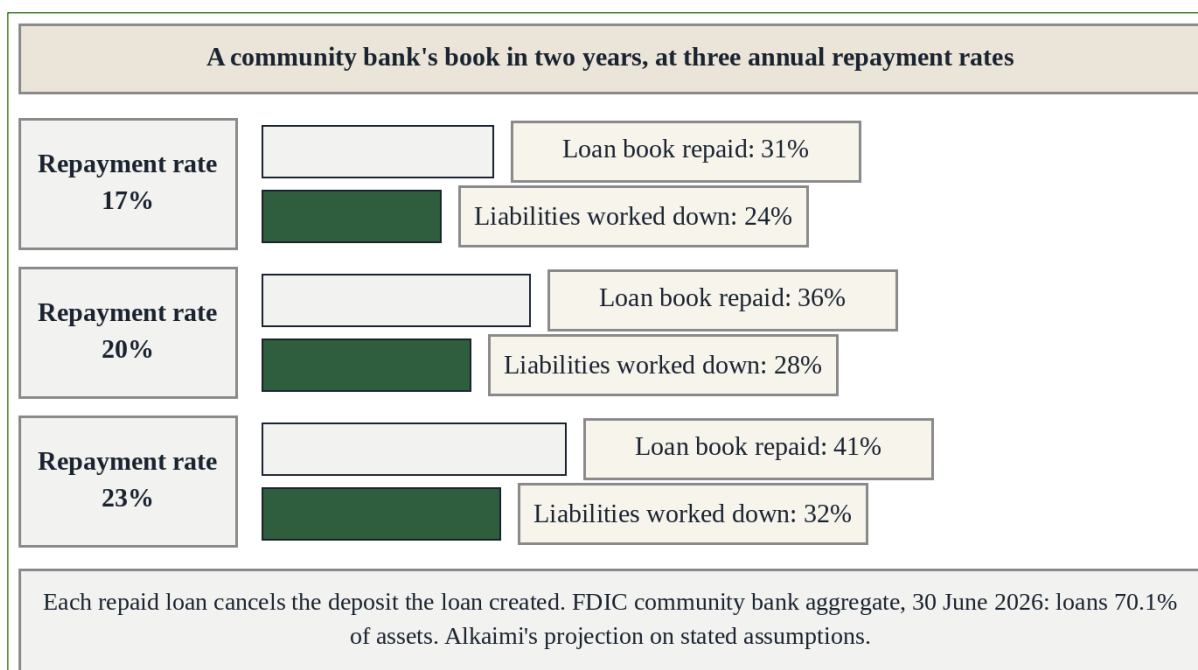


Figure 9. A community bank's book in two years, at three annual repayment rates. Sources: FDIC, Quarterly Banking Profile, second quarter 2026; pegisai.com, The platform in depth and Part 4.

Counterargument. Interbank payments settle within the day, so the claims never reach a reported leverage ratio.

Answer. The 3 percent minimum applies at all times, not only on reporting dates (Basel Framework, LEV20). Banks report the ratio on a quarter-end basis. In October 2018 the Basel Committee called window-dressing around reporting dates unacceptable, and in June 2019 the Committee added disclosure of the ratio on daily averages of securities financing transactions, effective in 2022 (BCBS, 13 December 2018 and 26 June 2019). The claims a bank works to reduce on reporting dates are the claims the Alkaimi ledger never opens. Custody, DTA settlement and run-off remove the stock the member institution carries, not only the day's flow.

3.2 Eliminating Derivative Drag

Credit default swaps hedge claims. The Alkaimi Ecosystem opens no claim in settlement and none in a DTA holding, so a member institution has no need to enter into agreements to offset the credit risk those two operations would otherwise create.

Where the swaps sit. Derivative notional across United States banks stood at 300.5 trillion dollars at 30 June 2026, and four large banks held 80.2 percent of the total (OCC, Quarterly Report on Bank Trading and Derivatives Activities, Second Quarter 2026). Credit derivatives stood at 6.7 trillion dollars at 31 March 2026, and among large regional banks, interest rate contracts make up most of the derivatives book (OCC, First Quarter 2026). The swap points in this item apply to the member institution that carries a derivatives book; the claims points apply to every member institution. The effect on the swap market grows with the settlement volume

that moves onto the Alkaimi ledger. Today's member institutions are regional institutions in wholesale settlement, and each institution that settles on the ledger stops opening the claims a swap would hedge.

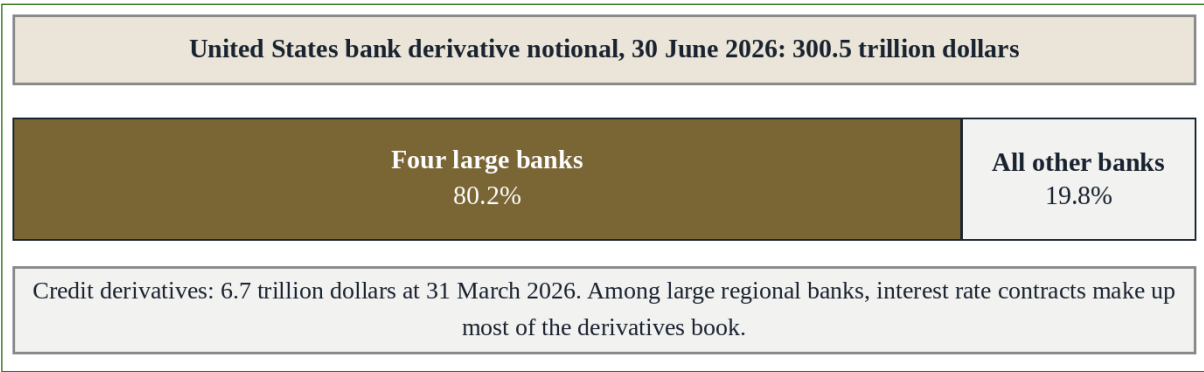


Figure 10. *United States bank derivative notional by holder, 30 June 2026. Sources: OCC, Quarterly Report on Bank Trading and Derivatives Activities, First Quarter 2026 and Second Quarter 2026.*

Why banks hold the swaps. The Basel CVA framework capitalizes the risk that a counterparty's credit quality falls. A bank must use the basic approach unless the bank's supervisor approves the standardized approach, and under the basic approach the only eligible hedges are single-name, single-name contingent and index credit default swaps (Basel Framework, MAR50). The CVA charge roughly doubled the capital banks hold for counterparty credit risk (BCBS, 1 June 2011). A bank buys swaps to reduce the charge, and each swap is itself a claim on the protection seller.

Two sources of hedged exposure leave the book. First, settlement in recognized asset value opens no interbank claim to hedge (item 3.1). Second, a DTA is a claim on no one, and the holder's protection travels inside the DTA as the underwriting, the surety and the holder's drawing right, and a defaulting issuer's estate is liquidated on the Alkaimi ledger, in days, against a defined estate (pegisai.com, Underwriting on the platform).

Borrower risk stays with the member institution. The member institution's existing loan book keeps the borrowers' credit risk until the existing loans are repaid. Lending funded from rented DTAs, when the member institution offers the lending, still has borrowers who can default. The losses are carried inside the book's own order: the loss provision from the book's income first, then the member institution's own DTAs, and the DTA owner's principal never enters the book (pegisai.com, The Model). The model eliminates the need to enter into agreements to offset the credit risk that settlement and holdings create, because neither opens a claim. Borrower risk is carried inside the book's loss order, not offset by an outside agreement.

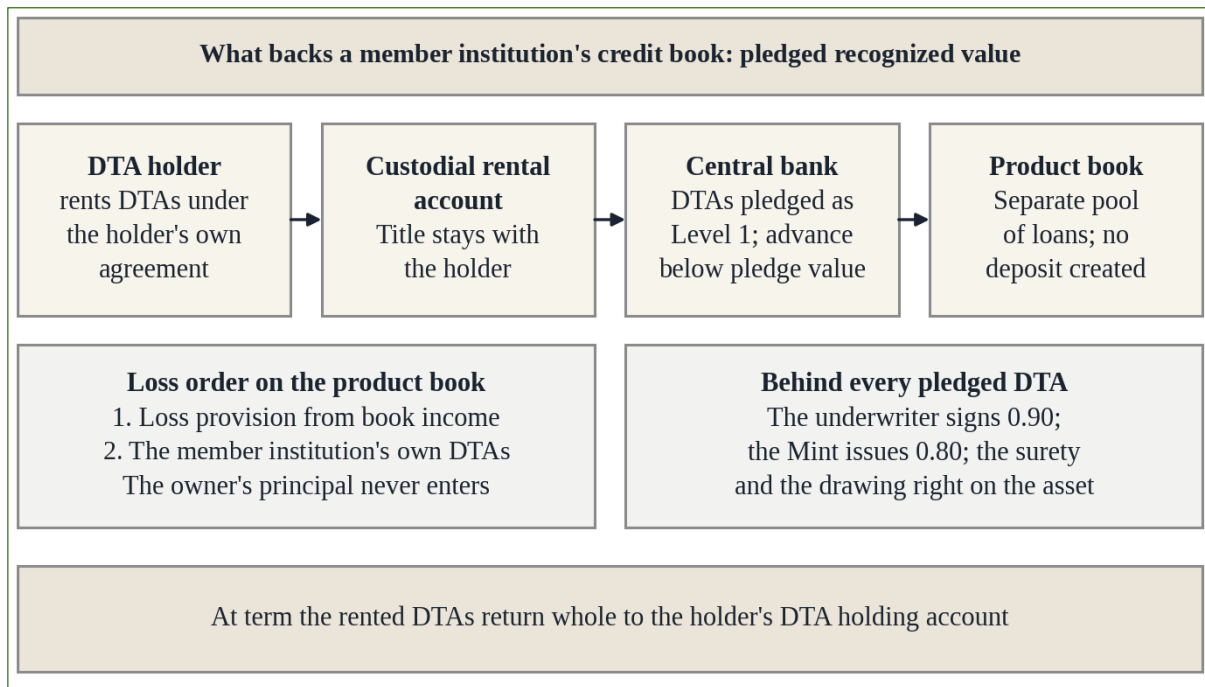


Figure 11. What backs a member institution's planned credit book. Sources: pegisai.com, The Model, Part 4, and Underwriting on the platform, in depth.

The wind-down runs on two clocks. The settlement clock runs as business moves from currency rails to the Alkaimi ledger, and the claims those rails would have opened are never opened. The repayment clock runs as the old loan book repays. The credit default swaps written against those claims become unnecessary, and the CVA capital held against the same exposure is released with the swaps. The capital released with the swaps returns to the member institution's own use, so the technology releases capital rather than consuming capital.

The Alkaimi model removes the need for the swaps written against every claim the Alkaimi ledger never opens.

“The model does not hedge counterparty risk on settlement: the model removes the claim that carries the risk.”

For the Chief Risk Officer: settlement that opens no counterparty claim reduces the exposure credit default swaps are bought to hedge.

Counterargument. A member institution's existing loan book still carries credit risk, and the member institution will still hedge that risk.

Answer. Yes, until the existing book is repaid. Every existing loan that repays retires the deposit that created the loan, and lending from rented DTAs, when offered, stands on the book's own loss order (pegisai.com, Part 4; alkaimi.com, Future Operations). The hedge shrinks with the old book, on the old book's own timetable, and no hedge is needed behind settlement or holdings.

3.3 Unlocking the Standardized Output Floor

The output floor binds only a bank that uses internal models, and for every member institution, settlement and custody add nothing to the standardized risk-weighted assets that set capital, so growth in settlement and custody does not raise the floor's base.

The floor. The output floor holds a bank's risk-weighted assets from internal models at no less than 72.5 percent of the risk-weighted assets calculated under the standardized approaches (BCBS, December 2017). Under the Basel phase-in, the floor reaches 72.5 percent on 1 January 2028. The European Union has applied the floor since 1 January 2025, rising to 72.5 percent on 1 January 2030 (Regulation (EU) 2024/1623). The United Kingdom applies the Basel 3.1 rules from 1 January 2027 (PRA, PS1/26, 20 January 2026). In the United States, the proposal of 19 March 2026 omits the output floor, because the proposed requirements are almost completely standardized; comments closed on 18 June 2026, and no final rule has been issued (federal banking agencies, 19 March 2026).

The output floor by jurisdiction

Jurisdiction	Rule	The floor	Status
Basel Committee	Basel III: Finalising post-crisis reforms, December 2017	72.5 percent of the standardized calculation from 1 January 2028, phased in from 50 percent in 2023	The standard
European Union	Regulation (EU) 2024/1623 (CRR3)	Applied from 1 January 2025, rising to 72.5 percent on 1 January 2030	In force
United Kingdom	PRA Policy Statement PS1/26, 20 January 2026	Basel 3.1 rules apply from 1 January 2027	Final
United States	Proposal of the federal banking agencies, 19 March 2026	Omitted: the proposed requirements are almost completely standardized	Comments closed 18 June 2026; no final rule

Sources for the table: BCBS, December 2017; Regulation (EU) 2024/1623; PRA, PS1/26, 20 January 2026; federal banking agencies, 19 March 2026.

Who the floor binds. The floor binds only a bank that calculates risk-weighted assets with internal models. A member institution on the standardized approaches calculates capital on the

standardized base directly, and meets the floor at every level, because for that member institution the floor and the base are the same standardized calculation.

Growth that adds nothing to the base. Client value sits in custody, off the member institution's balance sheet, as the client's property and not the member institution's asset (pegisai.com, Ecosystem). Settlement on the Alkaimi ledger opens no exposure (item 3.1). Settlement and custody volume can therefore grow without growing the standardized risk-weighted assets that set capital, whether or not the floor binds.

The product book. Lending funded from rented DTAs is a planned operation of the member institutions (alkaimi.com, Future Operations). The book's treatment on a member institution's own books, and the book's effect on the member institution's risk-weighted assets, rest with that member institution's supervisor under that jurisdiction's law.

Dormant custody becomes a liquidity engine. Physical assets in custody produce no liquidity while the assets sit. Recognized as DTAs, the same value settles account to account. Rented under the holder's own agreement, the DTAs can secure a central bank advance that funds a product book. On the record's figures, an advance at the primary credit rate of 2 September 2026, 3.75 percent, compared with 4.15 percent all-in for a gathered deposit: a 2.40 percent coupon, a 0.10 percent deposit insurance assessment, a 0.15 percent liquidity buffer cost and a 1.50 percent deposit-gathering cost, the last three stated as assumptions (pegisai.com, Part 4). The primary credit rate rose to 4.00 percent on 17 September 2026 (Board of Governors of the Federal Reserve System, 16 September 2026).

“Recognized value held in custody becomes liquidity a member institution can use, inside the regulatory limits the member institution already meets.”

The accounting and regulatory treatment of the custody account, the rent agreement and the product book rests with each member institution's supervisor under that jurisdiction's law.

Counterargument. A supervisor will consolidate the product book onto the member institution's balance sheet.

Answer. The treatment is the supervisor's to set, and the case in this item does not rest on the product book. The case rests on custody and settlement, which add nothing to the member institution's exposures under any treatment of the book.

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Section 4: Most Commonly Heard Questions and Concerns

The questions below are the ones supervisors, central bankers and bankers raise most often. Each is answered from the law, the standards and the economics that already govern banking, because the Alkaimi Ecosystem was built to operate inside that existing framework.

4.1 Isn't the DTA just another crypto token?

No: every regulator's definition of a cryptoasset turns on a kind of ledger the DTA does not use.

The Basel Committee defines cryptoassets as private digital assets that depend on cryptography and distributed ledger or similar technologies, and places dematerialized securities kept on centrally administered electronic registers outside the chapter's scope (Basel Framework, SCO60). The European Union's crypto-asset is transferred and stored using distributed ledger or similar technology (Regulation (EU) 2023/1114, Article 3(1)(5)). The United States tax definition requires a record on a cryptographically secured distributed ledger (26 U.S.C. 6045(g)(3)(D)). A DTA's ownership is recorded and changed only on one centrally administered ledger under bank supervision, and no DTA is listed, quoted or traded on any market (Section 2, item 2.3).

The FATF definition of a virtual asset excludes financial assets already covered elsewhere in the FATF Recommendations (FATF Glossary). Every DTA is held and moved by member institutions that are already obliged institutions under FATF Recommendations 10 to 21, as implemented in each member institution's own jurisdiction (Section 2, item 2.1).

4.2 What happens if the asset's market price falls?

The holder does not carry the loss: the DTA is issued below the recognized value, and the shortfall is underwritten.

Banking already meets collateral price risk with haircuts: the Basel framework reduces the value credited to collateral so the exposure stays covered when the collateral's market value falls (Basel Framework, CRE22). The DTA applies the same principle at issuance. The underwriter signs 0.90 of the recognized value and the Mint issues 0.80, so a balance of the recognized value stands unreleased in the Alkaimi ledger as cover (The Alkaimi Financial Ecosystem in Function, Terms; pegisai.com, Underwriting on the platform, in depth).

The underwriter's signature is a contract of suretyship, a class of non-life insurance that authorized insurers write (Directive 2009/138/EC, Annex I, class 15). A surety is bound to perform when the principal obligor does not (Restatement (Third) of Suretyship and Guaranty, 1996). The signature warrants the existence, title, quantity and recoverability of the asset at the floor at which the value was recognized (pegisai.com, Underwriting on the platform, in depth).

The DTA issuer must also maintain the asset for as long as the DTAs are outstanding. An issuer that fails the asset maintenance requirements has the DTAs the issuer issued frozen, and the DTAs the issuer holds from other sources are liquidated to cover the issuer's obligations to other holders. On default, holders are paid from the DTAs the issuer took in payment first, then by the underwriter as surety, to the full issued value (pegisai.com, Part 2 and Underwriting on the platform).

4.3 Who checks Pegisai? Isn't the ecosystem certifying itself?

No: three independent checks stand outside the administration.

First, every member institution answers to the member institution's own regulator, and bank supervisors review a bank's management of every third-party relationship as part of standard supervision (Interagency Guidance on Third-Party Relationships: Risk Management, 6 June 2023).

Second, the underwriters sign 0.90 of every recognized value and carry the surety on every stack, so a party outside the administration puts the underwriter's own balance sheet behind each recognized value (pegisai.com, Underwriting on the platform, in depth).

Third, the ecosystem is independently audited and attested under recognized professional assurance standards. The reports are disclosed to an institution under contract, a non-disclosure agreement and fees, because the reports reveal the ecosystem's internal intellectual property.

4.4 Where does the currency come from when many holders transmute at once?

From the member institution's own operating retail bank, with the central bank's standing facilities behind the member institution, as for any bank.

The desk is the member institution's own currency operation, regulated as the member institution's currency operations are regulated today, outside the walled garden (pegisai.com, The Model). A DTA the member institution takes in at the desk stays whole, and the member institution can pledge the DTA at the member institution's central bank, the repo route, once that central bank accepts the pledge under the central bank's own collateral rules, an approval in process (Section 2, item 2.2; pegisai.com, Platform).

Central banks already lend to banks against good collateral through standing facilities: the Federal Reserve through the discount window (Regulation A, 12 C.F.R. Part 201) and the Eurosystem through the marginal lending facility (Guideline (EU) 2015/510). The principle is the oldest in central banking: in a panic, lend freely, at a high rate, against good collateral (Bagehot, Lombard Street, 1873). A holder who does not transmute holds the whole value throughout, because the holding is not a currency deposit and is a claim on no one (Overview, item 9).

4.5 Why isn't the ecosystem designated a systemically important utility?

Designation follows systemic importance, and the ecosystem is at the first, wholesale stage of the ecosystem's existence.

In the United States, the Financial Stability Oversight Council designates a financial market utility after weighing the aggregate value of the transactions the utility processes, the utility's exposure to counterparties, the utility's interdependencies with other utilities, and the effect the utility's failure would have on markets and institutions (12 U.S.C. 5463). Each of those measures grows with scale, and the ecosystem is metered by sequence: wholesale settlement first, by the members' own embargo (Overview). Non-designation is a stage, not a finding against the ecosystem.

At every stage, every operation on the Alkaimi ledger is conducted by member institutions under the member institutions' own regulators, and supervisory classification of member operations rests with each member's own regulator (Pegisai Global Holdings, 1 October 2026).

4.6 What law governs a DTA?

The law of England and Wales, the law that has governed bearer instruments since 1882 and now gives documents in electronic form the effect of paper.

The design separates the property from the contract. The asset is the client's property, held in custody under the client's own title, and the asset does not move. The DTA is the bearer instrument, a contract in electronic form that carries the recognized value, the surety and the holder's drawing right into a recognized asset class, and the DTA moves by delivery on the Alkaimi ledger (Terms Used In This Document).

English law has treated an instrument payable to bearer as passing by delivery since the Bills of Exchange Act 1882 (section 31(2)). Since 2023, English law has given trade documents in electronic form the same effect as paper, and a person may possess, indorse and part with possession of an electronic trade document (Electronic Trade Documents Act 2023, section 3). The law of England and Wales governs the DTA and the agreements under which a DTA is created, held and moved. Disputes under those agreements go to arbitration (Arbitration Act 1996), and arbitral awards are enforceable under the 1958 New York Convention (Section 2, item 2.3).

4.7 Does this weaken monetary policy?

No: each channel of monetary policy holds, and the credit channel tightens.

Economists trace monetary policy to the economy through the interest rate channel, the exchange rate channel, the credit channel and asset prices (Mishkin, Journal of Economic Perspectives, 1995). The interest rate channel holds: lending from rented DTAs, when offered,

is funded by the central bank's own advance, priced at the central bank's own rate (Section 3, item 3.3). The exchange rate channel holds: currency meets value only at a member institution's desk, under the nation's own exchange and reporting rules (Section 2, item 2.3).

The credit channel tightens. In the bank lending channel, policy reaches the economy through banks' deposits and loans (Bernanke and Gertler, *Journal of Economic Perspectives*, 1995), and today a bank creates a deposit whenever the bank makes a loan (McLeay, Radia and Thomas, *Bank of England Quarterly Bulletin*, 2014). A loan funded by the central bank's advance creates no deposit, so the funding of new credit passes through the central bank's own lending decision. The IMF's modeling of the Chicago Plan, which separates money from credit in the same way, found much better control of credit cycles, and found that steady state inflation can fall to zero without posing problems for the conduct of monetary policy (Benes and Kumhof, IMF Working Paper 12/202, 2012). The issue of currency stays with the sovereign: Pegisai issues no currency, licenses no currency and prices nothing in any currency (Section 1).

4.8 Does the model change how a central bank sets rates under the Taylor rule, or any policy rule?

No: the central bank keeps the rule and sets the rate, and the model improves every condition on which the rule depends. That is the strongest reason a central bank has to want the model deployed.

What the rule asks of a central bank. The Taylor rule turns a central bank's mandate into a policy rate. In John Taylor's 1993 form, the policy rate equals a neutral real rate of interest plus inflation, plus half the gap between inflation and the inflation target, plus half the output gap (Taylor, *Carnegie-Rochester Conference Series on Public Policy*, 1993). The Federal Reserve reports the Taylor rule and the rule's variants in the Federal Reserve's Monetary Policy Report. Every rule that prescribes a level for the policy rate requires an estimate of the neutral real interest rate: the real rate consistent, in the longer run, with maximum employment and stable inflation (Board of Governors of the Federal Reserve System, *Monetary Policy Report*, February 2018). A policy rule is a benchmark against which a central bank sets and explains the rate. The rule is not a constraint, and the central bank keeps the decision.

Where the Taylor rule breaks. The Taylor rule assumes that the policy rate reaches borrowers through stable spreads. In 2008 the spreads broke, and John Taylor proposed subtracting a smoothed Libor-OIS spread, the measure of interbank stress, from the rate the rule would otherwise prescribe. Cúrdia and Woodford showed that the neutral rate of interest falls when credit spreads rise, and that a spread-adjusted rule can improve on the standard rule, with an adjustment smaller than the full spread (Cúrdia and Woodford, *Journal of Money, Credit and Banking*, 2010). The Libor-OIS spread prices the credit and liquidity risk of unsecured claims between banks (Federal Reserve Bank of St. Louis, *Monetary Trends*, November 2008). Taylor

and Williams attributed the 2008 widening chiefly to counterparty risk (Taylor and Williams, American Economic Journal: Macroeconomics, 2009), the risk item 1.1 counts: the claims left by correspondent chains, the 10 percent of foreign exchange that settles gross and bilateral, fully exposed, and the counterparty risk that produced roughly two-thirds of the crisis's counterparty credit losses through credit valuation adjustments (Section 1, item 1.1). The subject of this publication is therefore the rule's weak point.

The neutral rate, through credit spreads: operating today. A settlement on the Alkaimi ledger opens no claim between the paying and the receiving institution, so the settlement leaves no counterparty exposure for a spread to price (Section 1, item 1.2). Each institution that settles on the Alkaimi ledger removes settlement claims from the interbank market, and a spread shock of the 2008 kind finds fewer claims to price. The rule's intercept then needs less emergency adjustment, and the central bank has fewer occasions to depart from the rule. This channel runs at today's wholesale scale and grows with the settlement volume that moves onto the Alkaimi ledger (Section 3, item 3.2).

The neutral rate, through the supply of safe assets. Economists at the Federal Reserve Bank of New York found that United States interest rates are low mostly because the premium for safety and liquidity has risen since the late 1990s, and that the rise in that premium explains up to one percentage point of the trend decline in the natural rate of interest (Del Negro, Giannone, Giannoni and Tambalotti, Brookings Papers on Economic Activity, 2017). A DTA is a claim on no one, with value fixed in UVUs, posted as a Level 1 high-quality liquid asset on Pegisai's published position (Section 2, item 2.2). As DTAs reach balance sheets, the supply of safe assets grows, liquid through the desk and the central bank's pledge rather than through a market, the premium for safety has less scarcity to price, and the neutral rate gains support.

The neutral rate, through lower debt. A loan funded by the central bank's advance creates no deposit, so money creation no longer requires simultaneous debt creation, the fourth of Irving Fisher's claims for separating money from credit (Benes and Kumhof, IMF Working Paper 12/202, 2012; Section 3, item 3.1). Kumhof's 2026 presentation of the IMF work lists lower interest rates, due to lower debt levels, among the advantages of that separation (Kumhof, 2026).

The two forces on the neutral rate run in opposite directions. A larger supply of safe assets supports a higher neutral rate, and lower debt supports a lower one, so the net effect is an empirical matter. The central bank re-estimates the neutral rate as the model scales. Re-estimation is ordinary work: the Federal Reserve already treats the neutral rate as uncertain and revises the estimate over time (Monetary Policy Report, February 2018).

The inflation gap and the output gap. The rule moves when inflation or output leaves target. Today a bank creates a deposit whenever the bank makes a loan (McLeay, Radia and Thomas, Bank of England Quarterly Bulletin, 2014), so a credit boom creates money and a credit bust

destroys money. In the model, the old deposits run off as the old loans repay, and lending from rented DTAs creates no deposit (Section 3, item 3.1). Client value held in custody cannot be run, because the member institution never owed the value (Overview). The IMF's modeling of the same separation found support for much better control of a major source of business cycle fluctuations: sudden increases and contractions of bank credit and of the supply of bank-created money (Benes and Kumhof, 2012). Smaller swings in inflation and output mean smaller moves in the rate the rule prescribes.

The reach of the rate. The rule prescribes a rate, and the rate must still reach borrowers. A loan from the product book is funded by the central bank's advance, priced at the central bank's own rate (Section 3, item 3.3). The member institution still chooses each borrower and carries the borrower risk (Section 3, item 3.2). The central bank sets the price and the amount of the advance, as the central bank does at the discount window (Regulation A, 12 C.F.R. Part 201). Kumhof found that the rate on public credit has a much stronger effect on credit, and thereby on activity, than the conventional policy rate (Kumhof, 2026). Each move the rule prescribes then does more work.

A second instrument. The advance rate can sit at a spread to the policy rate. The central bank can then steer credit through the advance while the policy rate keeps the policy rate's place in the rule. In the IMF model of the separation, policy controls three tools rather than one (Kumhof, 2026).

The inflation target and the lower bound. The adjusted forms of the rule recognize that the policy rate cannot be reduced materially below zero (Monetary Policy Report, February 2018). The IMF's modeling found that steady state inflation can drop to zero without posing problems for the conduct of monetary policy (Benes and Kumhof, 2012). A central bank gains room to hold a lower inflation target with less exposure to the lower bound.

What the central bank keeps, gains and sheds. Today the central bank influences credit indirectly, and stands behind money the central bank does not create. Under the model, the central bank prices and funds new credit directly, and stands behind the money the central bank issues: more influence, with less exposure.

The central bank keeps	The central bank gains	The central bank sheds
The issue and management of the nation's currency	Direct pricing of new credit: the advance rate is the central bank's own rate	The implicit guarantee behind money that banks create
The national settlement system	Direct funding of new credit: each advance is the central bank's own lending decision	Run-driven emergency lending and rescues of the AIG kind

The central bank keeps	The central bank gains	The central bank sheds
The policy rate and the policy rule	A second instrument: the advance spread	Spread shocks that force a departure from the rule
The role of lender of last resort	Collateral that is a claim on no one, behind every advance	
	A banking system with fewer open claims, and fewer crises to fight	

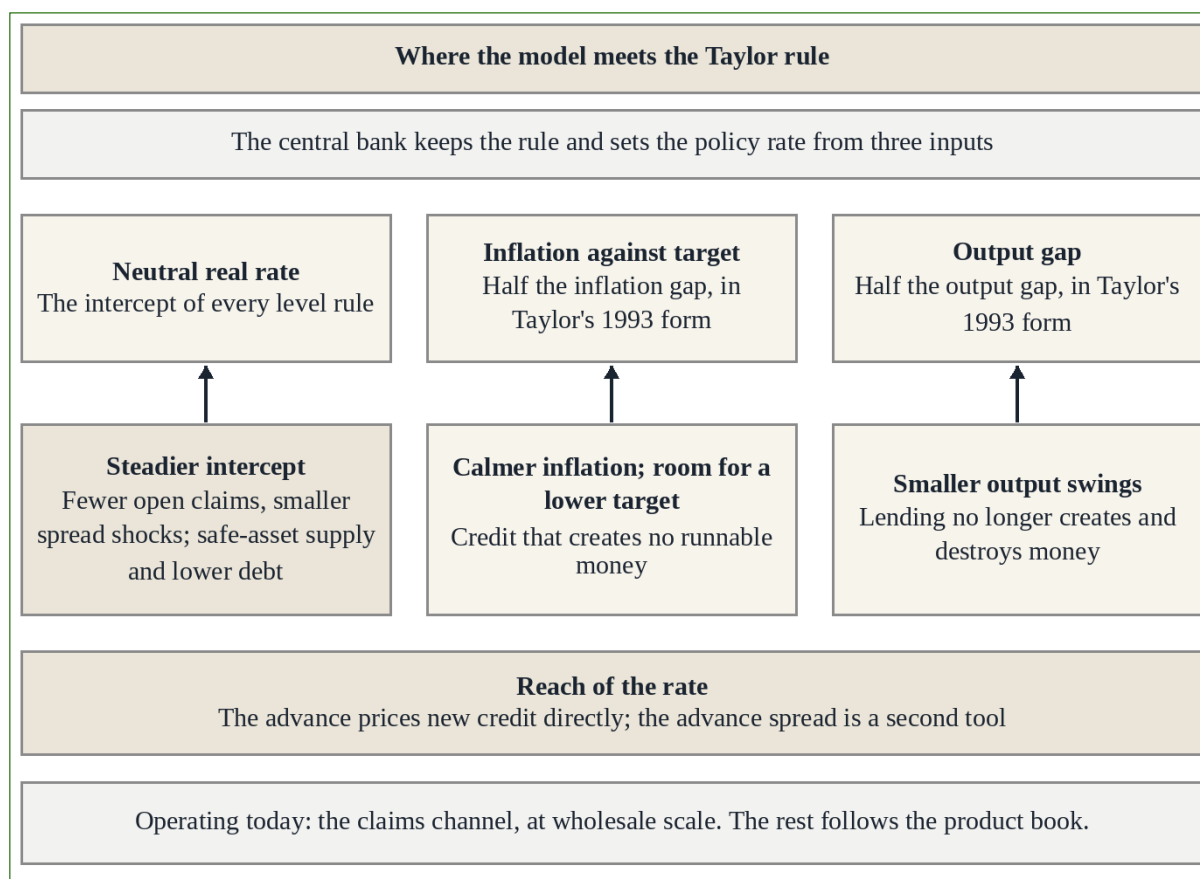


Figure 12. *Where the model meets the Taylor rule.* Sources: Taylor, 1993; Cúrdia and Woodford, 2010; Del Negro and others, 2017; Benes and Kumhof, 2012; Kumhof, 2026; Section 4, item 4.8.

Where each effect stands today. The claims channel operates now, at wholesale scale. The reach of the rate, the second instrument and the effect of lower debt follow the product book, a planned operation, and the run-off of the old deposit books (Section 3, items 3.1 and 3.3). Each effect is a possibility that grows with adoption, not a promise (Legal Notice).

The reason a central bank wants the model deployed. The Federal Reserve Act directs the Federal Reserve toward maximum employment, stable prices and moderate long-term interest

rates (section 2A). The Treaty on the Functioning of the European Union makes price stability the primary objective of the European System of Central Banks, and directs the System to contribute to financial stability (Article 127). The Bank of England Act gives the Bank of England a financial stability objective (section 2A). The model serves each objective through the rule. Steadier spreads and calmer gaps serve stable prices and maximum employment. Lower debt supports moderate long-term rates. Direct pricing and funding of new credit, and a second instrument, strengthen the conduct of policy. Fewer open claims serve financial stability. The central bank keeps the rule and the rate, and gains the conditions the rule needs to work.

4.9 The swaps sit with four large banks. How does this change anything?

Swaps hedge claims, the Alkaimi ledger opens none, and the effect grows with every institution that settles on the ledger.

Four large banks held **80.2 percent** of the **300.5 trillion dollars** of derivative notional at United States banks at 30 June 2026 (OCC, Quarterly Report on Bank Trading and Derivatives Activities, Second Quarter 2026). Under the Basel CVA framework, a bank capitalizes the risk that a counterparty's credit quality falls, and under the basic approach the only eligible hedges are credit default swaps (Basel Framework, MAR50). Demand for the swaps therefore follows the counterparty exposure that claims create.

A settlement on the Alkaimi ledger opens no claim between the paying and the receiving institution (Section 1, item 1.2). Each institution that settles on the ledger stops opening the claims a swap would hedge, and the large banks that write and buy the swaps hold those claims against the same institutions. Today's member institutions are regional institutions in wholesale settlement, so the effect on the swap market grows with the settlement volume that moves onto the Alkaimi ledger (Section 3, item 3.2).

4.10 Is the DTA a deposit? Is the DTA insured?

The DTA is not a currency deposit, and the law's own definitions of a deposit say why.

In the United States, a deposit is the unpaid balance of money, or the equivalent of money, received or held by a bank, for which the bank has given or is obligated to give credit (12 U.S.C. 1813(l)). In the European Union, a deposit is a credit balance that a credit institution is required to repay (Directive 2014/49/EU, Article 2(1)(3)). A member institution receives no money for a DTA and owes no repayment of a DTA: the value is the client's own, held in custody under the client's title (Overview, item 9).

Value held on the Alkaimi Ecosystem's ledger is held under a custodial agreement. Held value is not a currency deposit and is not insured by deposit insurance or by a government agency such as the FDIC. The settlement mechanisms used in the licensed model are themselves

individually insured (Pegisai Global Holdings, 1 October 2026). Ordinary currency deposits taken by a member institution are insured or guaranteed as that member institution's own deposit insurance regime provides (alkaimi.com, Regulatory Position).

4.11 Can a DTA be frozen, or used to evade a sanction?

A DTA is frozen whenever the law requires, and a DTA cannot be used to evade a sanction.

Sanctions attach to persons and entities.

The FATF standard requires every country to freeze without delay the funds or other assets of designated persons (FATF Recommendations 6 and 7). The United States administers sanctions under the International Emergency Economic Powers Act (50 U.S.C. 1701 to 1708), the European Union under the Council's sanctions regulations, and the United Kingdom under the Sanctions and Anti-Money Laundering Act 2018.

Every holder is identified and screened against the applicable sanctions lists before the holder is admitted to the Alkaimi ledger, and every movement is screened again at the instant the movement is instructed. A member institution honors a lawful sanction by freezing what the sanction requires frozen, and the ledger's own rules freeze the DTAs of a barred holder (alkaimi.com, Sanctions). A currency never enters the ledger, every holder is known, and every movement is recorded, so the ledger offers no route around a sanction (Section 2, item 2.3).

4.12 What happens if Pegisai fails?

No holder's value is exposed, and the service Pegisai provides is a third-party relationship each member institution manages under the member institution's own regulator.

Pegisai Global Holdings holds no client value, executes no client settlements and conducts no banking (Pegisai Global Holdings, 30 September and 1 October 2026). Pegisai is a contracted service provider, paid by the member institutions, carrying no credit risk and no market risk, so no holder's DTA can sit in Pegisai's estate.

The continuity of a service provider is already a supervised matter. United States bank supervisors expect a bank to manage a third-party relationship through the relationship's whole life cycle, from due diligence to termination (Interagency Guidance on Third-Party Relationships: Risk Management, 6 June 2023). The European Union regulates the information and communication technology risk of financial entities, including the risk carried by third-party providers (Regulation (EU) 2022/2554). The Basel Committee sets principles for banks to keep critical operations running through disruption (Principles for Operational Resilience, March 2021).

4.13 Why should a central bank accept a DTA pledge?

Because the pledge serves the central bank's own charter, and the central bank decides under the central bank's own collateral rules.

The Federal Reserve Act directs the Federal Reserve toward maximum employment, stable prices and moderate long-term interest rates (section 2A).

The Treaty on the Functioning of the European Union makes price stability the primary objective of the European System of Central Banks and directs the System to contribute to financial stability (Article 127).

The Bank of England Act gives the Bank of England a financial stability objective (section 2A). A pledge of recognized value that no one owes adds collateral that is a claim on no one, and settlement on the Alkaimi ledger leaves fewer uncollateralized claims inside the banks the central bank supervises (Overview).

Each central bank sets the collateral the central bank accepts and the terms on which the central bank lends: the Federal Reserve under Regulation A (12 C.F.R. Part 201), the Eurosystem under Guideline (EU) 2015/510. Good collateral is the condition of central bank lending since Bagehot (Lombard Street, 1873).

The DTA is posted as a Level 1 high-quality liquid asset on Pegisai's published position, item 2.2 sets out the criteria the DTA meets, and the central bank's acceptance of the pledge is an approval in process (pegisai.com, Platform).

4.14 Isn't the DTA just an electronic receipt for an asset held somewhere else?

No: the law defines a receipt by three features, and the DTA has none of the three.

A warehouse receipt is a document of title.

A document of title is a record treated as evidencing that the person in possession or control of the record is entitled to receive, control, hold and dispose of the record and the goods the record covers, and the record is issued by or addressed to a bailee and covers goods in the bailee's possession (UCC 1-201(b)(16)). A bailee is a person that, by the document, acknowledges possession of goods and contracts to deliver the goods (UCC 7-102(a)(1)). When a negotiable document of title is duly negotiated, the holder acquires title to the document and title to the goods (UCC 7-502). English law gives electronic warehouse receipts and bills of lading the same effect as paper (Electronic Trade Documents Act 2023). A receipt therefore has three features: a bailee issues the record, the record covers specific goods in the bailee's possession, and transfer of the record passes title to those goods.

The DTA has none of the three.

First, no bailee issues a DTA. The Mint issues the DTA, and the custodian holds the asset for the client, under the client's own title, and issues nothing to a holder (Legal Notice, What a DTA holds).

Second, a DTA covers no goods in anyone's possession. The holder's drawing right runs to a member institution's desk and to a recognized asset class, and the holder takes delivery of an asset of that class, not of the asset in custody (Terms Used In This Document, Drawing right).

Third, no transfer of a DTA passes title to the asset. Title moves only if the issuer defaults on the asset maintenance requirements, and then only to the underwriter, as the surety's recourse (Legal Notice, What a DTA holds).

Nor is the drawing right a delivery order, the record that directs a warehouse or a carrier to deliver goods (UCC 7-102(a)(5)). The holder exercises the drawing right through a member institution, into a class of asset, and directs no warehouse and no carrier.

The test also runs the other way.

The holder of a receipt owns the goods, and the receipt is worth what the goods and the bailee's promise to deliver the goods are worth. A DTA holder holds three contractual values: the recognized value, held whole in the DTA; the surety; and the drawing right. On an issuer's default, the surety pays every holder of that stack's DTAs in full, to the full issued value (Section 4, item 4.2). The DTA holder's value does not depend on reaching any asset held elsewhere.

The protection sits at the level of the item.

Each DTA stack is segregated from every other stack in risk and in lien, and nothing is pooled (Section 2, item 2.3). The surety covers the issued value of one stack, and on that stack's default the surety pays every holder of that stack's DTAs in full. A failure is therefore bounded by the stack in which the failure occurs, and no claim reaches another stack, another member institution or the system.

The protections on which the existing system relies sit at the level of a bank or of the system: a correspondent chain, a counterparty's swap book, a central bank's backstop (Section 1, item 1.1). The DTA's protections sit at the level of the item, the stack and the holder. As DTAs grow from wholesale settlement to system scale, the same bound holds at every size: a shock of the kind that widened the 2008 spreads and forced departures from the Taylor rule finds no chain of claims along which to travel (Section 4, item 4.8).

The FATF asks countries to read a virtual asset by function, not by label (FATF, Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers, October 2021). By function, the DTA represents nothing held elsewhere: the DTA holds the

recognized value whole, the protection travels with the item, the DTA's movement is the payment itself, and only obliged institutions hold and move a DTA (Section 2, item 2.3).

A regulator who reads the DTA as a receipt must find a bailee, goods covered and title passing.

None of the three is there to find.

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Problem, solution, resolution

The table sets each problem a critic raises in this section beside the model's solution and the resolution that follows. Each row points to the item that carries the full answer and the authorities behind the answer.

Problem	Solution	Resolution
A crypto token	One centrally administered ledger; no distributed ledger; no market	Outside every cryptoasset definition (4.1)
The asset's price falls	Issues 0.80 against the underwriter's 0.90; surety; asset maintenance	The holder is paid to the full issued value (4.2)
Self-certification	Members' regulators, underwriters, and independent audit and attestation	Three checks outside the administration (4.3)
Currency at the desk	The member institution's retail bank, and the repo route	Exits served as for any bank (4.4)
Not designated	Wholesale stage, metered by sequence	A stage, not a finding (4.5)
Governing law	England and Wales; bearer instrument in electronic form	Enforceable contract; asset stays the client's property (4.6)
Monetary policy	New credit funded by the central bank's advance	Channels hold; credit control tightens (4.7)
Policy rules	Fewer claims, calmer credit, and new credit priced by the central bank	The rule keeps steadier inputs and gains tools (4.8)
Swaps at four banks	Settlement opens no claim to hedge	Hedging need falls as volume moves (4.9)
Deposit or insurance	Value held in custody, owed by no one	Not a currency deposit; held value not insured (4.10)
Sanctions	Every holder screened; every movement recorded	Frozen when the law requires; no route around (4.11)

Problem	Solution	Resolution
Pegisai fails	No client value held by Pegisai	No holder exposed; continuity supervised (4.12)
A central bank pledge	Collateral that is a claim on no one	Serves the charter, under the bank's own rules (4.13)
An electronic receipt	No bailee issues a DTA; no goods covered; no title passes	Not a document of title; nothing held elsewhere (4.14)

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The Long-Term Commercial Impact

Publishing this Technical Publication openly positions Pegisai as the administrator of an institutional settlement infrastructure, rather than a standard fintech vendor.

Pegisai Global Holdings invented the granular value recognition™ and DTA technologies, issues every license, and administers the platform under contract (pegisai.com, Platform). The Alkaimi Ecosystem has not been designated a systemically important financial market utility (Pegisai, 1 October 2026).

Fewer claims, and fewer swaps.

Every settlement on a currency rail ends in a promise, and banks buy credit default swaps to hedge the claims those promises leave open (item 1.1). A settlement on the Alkaimi ledger opens no claim, so no swap is needed behind the settlement (item 1.2). The effect grows with the settlement volume that moves onto the Alkaimi ledger: as more institutions settle on the ledger, fewer interbank claims are opened, and the need for the credit default swaps written against those claims is expected to fall (item 3.2).

An ally to central banks.

The central bank issues and manages the nation's currency, runs the national settlement system in that currency, and advances currency against pledged DTAs. As the old books run off, the central bank stops standing behind money that banks create, and the central bank's direct control of the price and the funding of new credit grows with the advances the central bank makes (pegisai.com, Part 4; Section 4, item 4.8). Settlement in recognized asset value leaves fewer uncollateralized claims inside the banks the central bank supervises. The model, and the member financial institutions operating the model, can become the ally a central bank needs in the mission to stabilize the banking sector.

“The model, and the member financial institutions operating the model, can become the ally a central bank needs in the mission to stabilize the banking sector.”

A clear, compliant blueprint for member institutions.

None of the four operations a member institution runs or plans needs a new banking license; custody, settlement and the rent agreement are ordinary bank powers (pegisai.com, Ecosystem). Once the old book has run off, a member institution carries no promise the member institution created against a loan, and cannot be run; until then, the old book runs off on the old book's own timetable (pegisai.com, Part 4). The 100% Whole Reserve model is the blueprint to clean up a balance sheet.

A route for every regulated bank.

A regulated bank that is not yet a member institution can join under the gateway license (AGI), or under the access license (ACI) through a member institution that holds the AGI (Overview, item 11). Custody, settlement and the rent agreement are ordinary bank powers, so the bank needs no new banking license (pegisai.com, Ecosystem). The smaller banks in a central bank's jurisdiction gain a route to final settlement and to Level 1 collateral without a correspondent chain (Section 3).

What each reader does next

Reader	The next step	Where this publication sets out the basis
Central bank	Consider the DTA pledge under the central bank's own collateral rules. The central bank's acceptance of the pledge is an approval in process.	Section 2, item 2.2
Supervisor	Classify the member operations under the jurisdiction's own law. Supervisory classification rests with each member institution's own regulator.	Section 2; Legal Notice
Member institution	Settle on the Alkaimi ledger and hold client value in custody. The rent agreement and the product book follow the members' own sequence.	Section 3
Regulated bank considering membership	Petition for the access license. The access license opens once the Alkaimi ledger reaches a set operational mass and the institution has completed the due diligence process and accepted the terms.	Overview, item 11; Section 3

Institutions write to inquiry@pegisai.global, the official channel for institutions (alkaimi.com, Warning on Fraudulent Schemes).

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