



**A Yield-Bearing
Rand Stablecoin**

Executive Summary

yZAR is a yield-bearing South African Rand (ZAR) stablecoin.



It is pegged 1:1 to mZAR, which itself is fully collateralised with ZAR held in segregated accounts and subject to independent attestations and regulatory oversight. Because mZAR provides the collateral foundation and redemption pathway, this paper references mZAR frequently and yZAR inherits its security, transparency, and peg integrity, while layering on the yield functionality.

As yZAR is fully backed by mZAR, it inherits mZAR's reserve structure. The bankruptcy-remote framework via Mesh Mint (RF) (Pty) Ltd is being implemented and will become effective once the required governance appointments and registrations are completed. Until then, reserves remain in segregated client accounts administered by Mesh Trade SA.

The yield on yZAR is variable and arises from a commercial arrangement with a regulated banking partner. Each yZAR is issued only when an equivalent amount of mZAR is locked, ensuring the peg is maintained and redemption into mZAR is always possible on a 1:1 basis. In short, yZAR allows holders to retain the stability of ZAR exposure through mZAR, while also earning yield through carefully managed and transparent structures.

yZAR is distributed and redeemed exclusively through direct orders on the Mesh platform.



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Oversight

The reserve structure for mZAR (and therefore for yZAR's backing) is designed to be bankruptcy-remote via Mesh Mint (RF) (Pty) Ltd, a separate and independently governed SPV. This structure will be effective once the appointment of corporate directors and independent trustees and the associated registrations are completed. Until then, reserves remain in segregated client accounts administered by Mesh Trade SA.

Updated 22 August 2025

Regulatory Oversight	Mesh Trade South Africa Pty (LTD) is a fully licenced Cat I & Cat II FSP and an authorised Crypto Asset Service Provider ("CASP"). FSP 53710.
Bankruptcy Remoteness (implementation in progress)	Each mZAR is backed 1:1 by rands held in secure, audited, and bank accounts of a separate and independently managed bankruptcy remote entity, Mesh Mint (RF) (Pty) Ltd. This structure will be effective once the appointment of corporate directors and independent trustees and the associated registrations are completed. Until then, reserves remain in segregated client accounts administered by Mesh Trade SA.
Collateral account	All ZAR collateral backing mZAR is held in a segregated, fully ring-fenced account at our partner bank, Investec Bank – an accredited and regulated South African financial institution. This structure ensures transparency, trust, and full collateralisation of every mZAR issued.
Monthly Audit	Monthly third-party audits are done by an independent accounting firm to ensure a 1:1 relationship between issued mZAR on Stellar and collateral account balance. The audit report is published on the mZAR website monthly. This is performed by Acredo, https://acredo.co.za/
Stellar monitoring	mZAR issuance account public key on the Stellar Network: GCBNWTCCMC32UHZ5OCC2PNMFDGXRVA7MFFBFTCVW77SX5PMRB7Q4BY
KYC and AML	All clients are verified according to the Financial Intelligence Centre Act 38 of 2001 (FICA) when utilising bank rails through app.mesh.trade.
GDPR	Mesh Trade SA is GDPR-compliant.



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Introduction and background

The digital asset economy is fast-moving, globally connected, and increasingly mainstream but friction remains, especially when moving between fiat currencies and digital assets. mZAR was designed to remove these barriers, enabling ZAR-based investors to participate in the digital finance landscape confidently. Built on the Mesh Stablecoin Protocol, mZAR brings the benefits of blockchain (transparency, efficiency, and access) to South African markets, offering a stable and compliant entry point into tokenised finance.

mZAR is a fully collateralized South African Rand (ZAR) stablecoin, ensuring each mZAR is always redeemable 1:1 for ZAR held in a managed account within a bankruptcy remote Special Purpose (“SPV”) structure. This stable and trusted backing reinforces confidence and security for users.

This paper delves into the mZAR stablecoin protocol, the challenges it addresses, its operational mechanics, and management structure. We highlight the transformative impact of mZAR on DeFi and Capital Markets, enabling reliable, blockchain-based transactions with a token securely anchored to a stable asset.

The new decentralised Financial Markets Infrastructure

Since the advent of Bitcoin in 2009, digital assets have revolutionised finance, giving rise to a new digital economy. As Web 3.0 continues to grow, there’s a rising demand for a trusted and efficient digital financial ecosystem. Innovations like mobile digital wallets, trading platforms, and crypto exchanges have emerged, offering enhanced utility and customer experiences in the digital space. However, these solutions still rely heavily on traditional financial infrastructure for onramping and offramping, creating bottlenecks and potential points of failure.

To address these issues, various cryptocurrencies have been developed to replicate the core functions of money: as a medium of exchange, a store of value, and a unit of account. However, most cryptocurrencies are highly volatile, limiting their effectiveness in seamlessly connecting TradFi and DeFi.





The Rise of Stablecoins

Stablecoins were introduced to tackle the volatility challenge inherent in most cryptocurrencies. These digital assets are designed to maintain a stable value by pegging to fiat currencies, enabling easier and more reliable transitions between digital and traditional finance. Despite the influx of stablecoins in recent years, only a few have achieved significant market adoption, typically measured by market cap. Many stablecoins struggle with transparency, liquidity, and trust issues, impeding widespread acceptance.

In response to the demand for more reliable options, stablecoins like USDC and USDT have emerged, offering transparent management, regular audits, and regulatory compliance to establish trust as a secure store of value. However, these stablecoins have yet to be fully integrated as a unit of measure within the broader financial and capital markets, highlighting that the adoption of decentralised technologies is still in its early stages. Moreover, a key challenge persists: major stablecoins primarily represent large reserve currencies like the US Dollar, leaving many emerging markets without equivalent digital assets or trusted technologies.

mZAR was developed to fill this gap, providing ZAR-based users with **secure access to the digital economy.**

By bridging local fiat with the blockchain, mZAR opens new opportunities for South African clients to participate in the evolving global financial landscape.



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Mesh's Stablecoin protocol for mZAR

The Mesh Stablecoin Protocol underpins mZAR – a fully collateralised, price-stable digital asset governed by clear business rules, operational safeguards, and independent oversight. mZAR is issued on the Stellar network, where it can be securely stored, transferred, and settled with minimal friction, while maintaining a 1:1 peg to the South African Rand (ZAR).

To extend its utility and accessibility, mZAR is expanding beyond Stellar with planned support for multiple blockchain networks, including Ethereum and Solana. This cross-chain strategy enables broader adoption across the digital asset ecosystem, supporting a wide range of tokenised finance applications and use cases.

Governance and Regulatory Compliance

Mesh Trade South Africa (Pty) Ltd is a wholly owned subsidiary of Mesh B.V. and serves as the licensed South African entity responsible for the oversight and day-to-day management of mZAR. It leads regulatory compliance, market operations, and platform integration to drive trust and adoption across South Africa's financial ecosystem.

mZAR is issued on the Mesh Platform. Client funds received for mZAR are intended to be moved, in terms of the contractual arrangement described below, to Mesh Mint (which is being finalised), a dedicated special-purpose vehicle (SPV) established to ensure a bankruptcy-remote structure. Unlike a simple ring-fencing arrangement, the collateral backing for mZAR is legally housed within Mesh Mint, an entity that is entirely separate from Mesh Trade. Mesh Mint's sole purpose is to hold and safeguard collateral, ensuring that it remains insulated from the credit and operational risks of Mesh Trade or any other affiliated entities.

The operational management of mZAR is conducted by Mesh Trade under a formal management agreement with Mesh Mint. Through this arrangement, Mesh Trade is responsible for the issuance, lifecycle management, and platform operations of mZAR, while Mesh Mint provides the legally distinct and independently governed structure that guarantees token holders' claims remain protected. This dual-entity setup enhances transparency, enforces governance separation, and bolsters trust in the resilience of mZAR.

Mesh Trade South Africa is a licensed Financial Services Provider (FSP 53710) with Category I and II authorisations and is registered with the Financial Intelligence Centre as an Accountable Institution. Mesh is also an authorised Crypto Asset Services Provider (CASP), operating within South Africa's evolving regulatory framework for digital assets.

Extension to yZAR

Building on the foundation of mZAR, Mesh has introduced yZAR, a yield-bearing stablecoin designed to provide additional utility to token holders.

Each yZAR is fully backed 1:1 by mZAR, ensuring the same high standards of stability, collateralisation, and bankruptcy remoteness that underpin the Mesh Stablecoin Protocol. While mZAR serves as the base collateral, yZAR functions as a supplementary layer, allowing holders to access a variable yield. This yield is determined under an agreement with Investec Bank (a Top 5 Tier 1 South African Bank), acting as the initial yield provider. The bank and yield provider may, however, be changed at Mesh's sole discretion, together with any associated terms, ensuring flexibility to adapt to evolving market conditions. Through this structure, yZAR combines the trust and transparency of mZAR with the benefits of a yield-bearing instrument.





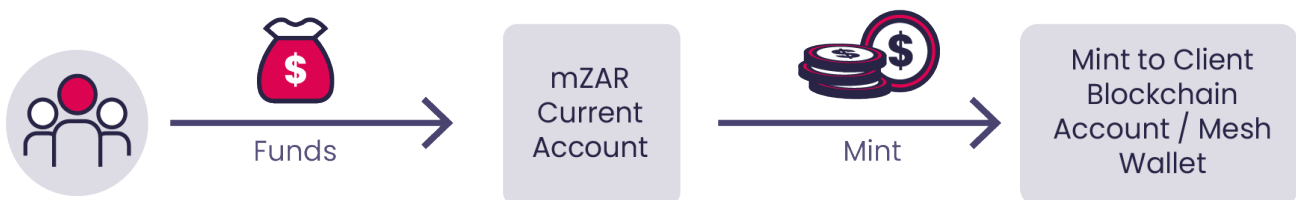
Mechanics and structure

Issuance and Redemption Mechanisms

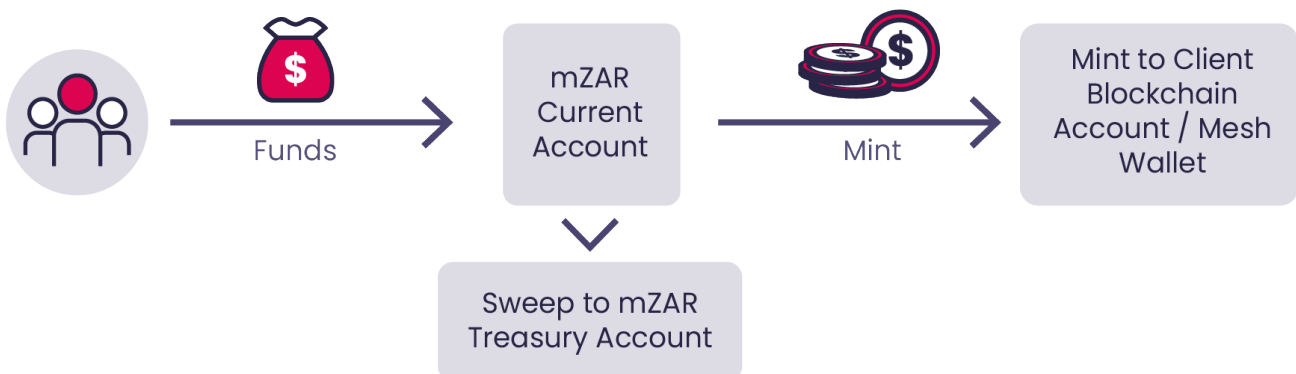
mZAR is only minted when the corresponding ZAR funds are received into the mZAR reserve bank accounts. mZAR can be bought through <https://app.mesh.trade/>.

Clients transfer ZAR (fiat currency) to Mesh Trade's bank account and receive mZAR into their corresponding blockchain accounts. mZAR is issued and transacted on the Stellar Network through an issuing account serviced by Mesh Trade SA and owned by Mesh Mint. All clients are required to be fully KYC-verified before purchasing mZAR with fiat currency.

Current: Token Issuance



Target: Token Issuance



yZAR may be redeemed 1:1 for mZAR.

Only mZAR is redeemable for ZAR via bank rails; upon mZAR redemption the tokens are burned and ZAR is settled to the verified bank account.



Issuance and Redemption of yZAR

yZAR is minted only when the equivalent amount of mZAR is locked as collateral, ensuring that the peg between the two tokens remains intact at all times. Holders may redeem yZAR back into mZAR on a 1:1 basis, after which normal mZAR redemption mechanisms apply for conversion into South African Rand (ZAR). The yield attached to yZAR accrues in accordance with the prevailing rate agreed under the relevant yield agreement, and is distributed to holders in line with the operational mechanics of the Mesh platform.

This issuance and redemption framework ensures that yZAR retains the same integrity and transparency as mZAR, while providing token holders with an opportunity to earn stable, yield-based returns. Direct fiat redemption is not available for yZAR; holders first redeem to mZAR, then follow the standard mZAR → ZAR process. Trading of yZAR is limited to direct orders on the Mesh platform; it is not supported on decentralised exchanges or third-party liquidity pools.

Bank Accounts – Banking partners and custody solutions

Client funds are held in segregated accounts with leading South African banks. These accounts are legally and operationally distinct from Mesh Trade's operational accounts, ensuring client assets remain protected at all times.

Bank accounts are managed by Mesh Trade South Africa (Pty) Ltd in its capacity as a registered Intermediary Services Provider. A full and regularly updated list of approved banking partners and accounts is available at <https://mzar.mesh.trade>.

Collateral management and peg maintenance mechanism

mZAR is always 100% backed by South African Rand (ZAR) held in secure, and audited bank accounts, owned by Mesh Mint and serviced by Mesh Trade South Africa (Pty) Ltd. These accounts are legally segregated and transparently listed at <https://mzar.mesh.trade>.

Collateral will be held within Mesh Mint, a dedicated Special Purpose Vehicle (SPV) established to ensure bankruptcy remoteness. This structure isolates client assets from any operating company risk, ensuring that all ZAR backing mZAR remains protected and redeemable even in the unlikely event of insolvency of Mesh or its affiliates. As relayed above in more detail, there is a management agreement between Mesh Mint and Mesh Trade by which the relationship between issuance and collateral is managed. A minimum 1:1 collateral ratio is maintained at all times, meaning each mZAR is fully redeemable for one ZAR. In some cases, mZAR may be over-collateralised to further reinforce peg integrity and stability. No collateral is held in cryptocurrencies, foreign currencies, or any other financial instruments.

All reserves are held in ZAR to ensure complete alignment with the stablecoin's peg and to avoid exposure to cross-asset volatility.



Reserve audits

mZAR reserves are critical to maintaining mZAR's 1:1 peg to the South African Rand. Every mZAR in circulation is fully backed by an equivalent amount of fiat currency held in regulated South African banks.

To ensure ongoing transparency and trust, monthly independent audits are conducted by a third-party, accredited audit firm. These audits confirm that the total supply of mZAR matches the ZAR collateral held in the reserve accounts. Audit reports are published monthly on the official mZAR website: <https://mzar.mesh.trade>.

The total circulating supply of mZAR can also be verified in near real-time via the public issuance account on the Stellar blockchain:

Stellar Public Issuance Account:

GCBNWTCCMC32UHZ5OCC2PNMFDGXRVA7MFFBFTCVW77SX5PMRB7Q4BY

The name of the appointed audit firm, along with all published attestation reports, can be viewed on the mZAR website, reinforcing mZAR's commitment to full collateralisation, transparency, and regulatory-grade assurance.

Risk management

Cybersecurity practices

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

Mesh applies advanced role-based access control and authorisation management in addition to the blockchain private key signatory rights. The mZAR Stellar issuance account makes use of a Mesh custody private key for signing all issuance transactions. This allows the user to benefit from both **Web 2.0** and **Web 3.0** security mechanisms.

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

Mesh.Vault private key custody solution safeguards private keys in an isolated environment that is not accessible from the public internet, while at the same time reducing the human error factor when making individual Mesh users responsible for managing their own private keys.

Leveraging the Mesh infrastructure ensures the longevity of mZAR by decoupling the mZAR token from any Web 2.0 application's existence. Mesh also provides a failsafe procedure that can be deployed in any disaster scenario to instantly revoke all access to the mZAR issuance account, with the ability to recover in a secure and controlled environment.

Regulatory compliance

KYC on purchase and redemption for ZAR.

Customer identification is a crucial element of any effective Anti-Money Laundering control system. All clients must undergo identity verification in accordance with South African FICA regulations (**The Financial Intelligence Centre Act 38 of 2001**) before purchase or redemption to fiat can be made.





yZAR is pegged 1:1 to mZAR
and inherits mZAR's full-
collateralisation, audit and
transparency.

Key product features

Fully Collateralised & Stable

mZAR maintains a stable 1:1 peg to the South African Rand (ZAR), backed by fiat reserves held in segregated, bankruptcy-remote SPV controls being implemented via Mesh Mint, a dedicated SPV.

Local Funding & Redemption

Clients can fund and redeem mZAR through local ZAR payment rails via our partner bank, enabling seamless on- and off-ramps between fiat and digital form.

KYC & Regulatory Compliance

KYC is only required when purchasing mZAR with fiat currency, in line with regulatory obligations. Mesh Trade South Africa is a licensed FSP and registered CASP.

Cross-Chain Expansion (Coming Soon)

mZAR will soon be available on additional blockchain networks including Ethereum and Solana, enhancing interoperability and utility across the broader digital asset ecosystem.

Instant Global Transfers

mZAR is issued natively on the Stellar Network, enabling fast, low-cost, cross-border payments and asset transfers – without the need for smart contract scripting.

Open Access & Interoperability

Anyone with a Stellar account can hold, send, or trade mZAR. It is compatible with wallets, exchanges, payment providers, and market makers on the Stellar network.

Decentralised Liquidity

mZAR is available in Stellar's native Liquidity Pools and DEX (Decentralised Exchange), allowing real-time trading against XLM and other tokens. yZAR however does not share the same availability.

Redemption Guarantee & Solvency

mZAR is always redeemable for ZAR, with solvency and liquidity guaranteed by 100% fiat collateralisation.

Independent Audits

Monthly third-party audit reports verify the full backing of mZAR with ZAR reserves. These are published transparently on <https://mzar.mesh.trade>.

Customer Support

A dedicated support function is available to assist users with onboarding, transactions, and issue resolution in a timely and professional manner.

Exchange Ready

mZAR is available for listing on digital asset exchanges and can be traded against any token on the Stellar Network.

yZAR – Yielding Stablecoin

yZAR is pegged 1:1 to mZAR and inherits mZAR's full-collateralisation, audit and transparency. Bankruptcy-remote SPV controls (via Mesh Mint (RF) (Pty) Ltd) are in implementation and become effective upon completion of governance appointments and registrations; until then, reserves are in segregated client accounts administered by Mesh Trade SA. Yield is variable under a commercial arrangement with a regulated banking partner.



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