
NFS Registry Vault Facility

Introduction

The NFS Registry provides a full trace-to-source issuance, tracking and registry system for all Natural Capital Credits (NCCs) issued under the Natural Forest Standard (NFS). The NFS Registry function is to provide a secure platform which allows complete traceability of all NCCs issued, transacted and retired on the NFS Registry.

The NFS recognises the value of providing a secure, transparent and credible mechanism for Project Developers and NFS Registry Account Holders to establish a blockchain-based token that enables the transition of all carbon, social and biodiversity values attributed to NCCs to an on-chain token, upholding the integrity of NCCs and their underlying environmental value.

Purpose of the Vault

There may be circumstances where Project Developers and/or NFS Registry Account Holders wish to have the ability to transition NCCs for tokenization within a blockchain platform.

The NFS recognises the value of providing a responsible and legitimate function to provide project developers and NCC account holders with the option to transition NCCs and their underlying carbon, social and biodiversity values into a separate platform.

To ensure against double-counting and singularity of issuance for all NCCs, there must be a procedure in place for this transition, removing the associated NCCs from circulation within the NFS Registry and securely locking them away. The NFS Registry Vault can provide this function for NCCs to be transitioned, tokenized and transacted on a blockchain ledger.

To enable NCCs to be locked away from circulation within the NFS Registry, and tokenized for transaction within a third-party ledger (particularly suited to blockchain and Web3 technologies), the NFS Registry offers a Vault function.

NCCs that transition to the Vault are neither cancelled nor retired and can therefore retain their existing carbon, social and biodiversity attributes and values for inclusion into the third-party ledger and tokenization.

Vault Function Overview

Any NCCs that are transferred to the NFS Vault are removed from circulation, meaning they are no longer available to be transacted in any way, by any account holder on the NFS Registry. The NCCs in the Vault are securely stored in perpetuity within a null sub-account within the NFS Registry under NFS Registry Administration control.

To ensure full lifespan traceability of every NCC issued to the NFS Registry, NCCs cannot disappear from the Registry entirely, as this would cause an anomaly for the full trace-to-source nature of the NFS Registry. They must retain full auditability. The Vault function provides a fully auditable record of NCCs transitioned to the Vault secure storage facility. This ensures there is end-to-end tracking of

all transactions within the NFS Registry, and logs the transfer of the NCCs that are transitioned from within the NFS Registry to the Vault, for tokenization on a third-party ledger or blockchain platform via smart contract.

Vault Requirements

NCCs that are transferred to the Vault must be active, tradable NCCs that have not been retired. This enables the retention of their existing and underlying carbon, social & biodiversity attributes and values.

Any NCCs that are to be tokenized for trading outside the NFS Registry must be placed into the Vault prior to commencement of tokenization on the blockchain platform. The transaction shall carry a timestamp to retain integrity of the NCCs and enable verification of the Vault transaction.

The transfer of NCCs to the Vault will generate the unique source transaction ID that provides the proof of transfer into the Vault. This unique transaction ID can then be entered into the smart contract and/or token metadata for transparency, integrity and traceability of the NCCs, providing provenance of the transaction source, their eligibility for tokenization and for the underlying values of the NCCs to be added to the third-party ledger.

Vault Storage

The Vault is a null sub-account within the NFS Registry. The NFS Registry Administrator(s) hold the secure Vault account, but explicitly have no rights to circulate, release or sell these NCCs.

The NCCs entered into the Vault are securely removed from circulation within the NFS Registry for perpetuity. There is no access to the Vault sub-account.

Process for Vaulting NCCs

This process ensures that there remains one singular source of truth for the transaction and retirements of all NCCs. For transparency, integrity and assurance against double-counting and negating the possibility of transacting in tandem on multiple platforms, the process for Vaulting NCCs is as follows:

1. The Account Holder makes a written request via email to the NFS Registry Administration account that they wish to avail of the Vault function of the NFS Registry.
 - a. At the time of the written request, the NCC Account Holder must hold the corresponding number of NCCs in their NFS Registry account.
 - b. The written request will state the exact date and time that the transaction will be executed as well as the exact number of NCCs that will be transferred to the Vault.
2. The NFS Registry Administration will provide written confirmation via email to the Account Holder that the transaction is approved for execution.
3. On the agreed date and time, the Account Holder will transfer the agreed number of NCCs to the Vault sub-account on the NFS Registry.
 - a. This transaction will provide the Account Holder with the unique ID number and timestamp, which provides the source and proof of transaction.

-
4. Once this transaction has been claimed by the Vault account (completed within 10 minutes of transfer), the NCCs from that point onwards are securely stored in the NFS Vault for perpetuity and are inaccessible by the Account Holder or any other entity within the NFS Registry.
 5. Upon completion of the Vault transaction, the Account Holder is then permitted to transition the off-chain value of the NCCs into the blockchain Smart Contract for tokenization.
 6. From the point of the timestamped transaction forward, the Account Holder shall assume responsibility for keeping full and immutable transaction records to retain the integrity and singularity of use for all NCCs. All transactions should be recorded on a recognised blockchain explorer for full traceability.
 7. For transparency total Vault Volumes shall be displayed in the Public View of the NFS Registry.

Vault Transaction Fees

All transactions to the Vault account shall incur Registry Vault Transaction Fees.