UNITED STATES PATENT AND TRADEMARK OFFICE

NON-PROVISIONAL PATENT APPLICATION

Title of the Invention:

Web4 Banking System Archetype: Artificial Intelligence Agent-Driven Tokenized Banking Protocol for Any Digital Asset

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Cross-Reference to Related Applications

This non-provisional application claims priority to provisional patent application No. 63/709,462 filed October 20, 2024, and incorporates by reference the provisional application 63/806,708 filed by the inventor on May 16, 2025. It is filed with an effective priority date of May 16, 2025, and expands upon the October 20, 2024 filing with additional novel subject matter.

Field of the Invention

This invention relates to systems for tokenized banking and financial services that operate across any traditional financial system, any blockchain-based decentralized finance environment, and any hybrid object-oriented architecture. At its core, the invention comprises a non-linear informatics graph that functions as a foundational operating system in which all data and software are treated as synonymous, self-referential programmable objects within a lightweight superkernel. This informatics graph enables verification, authentication, forensic accounting, and on-the-fly self-correction and refactoring of every operation through holonomial hashing and radical object-oriented programming, while serving as a meta-orchestration layer for any operating system, any artificial intelligence or agentic system, and any tokenization protocol. The invention further encompasses an artificial intelligence agent framework, a real-world asset communication protocol, an automated consumption tax mechanism on digital asset transfers, interest-free tokenized banking services with self-financing facilities, a structured real-world asset primary and spot market framework, fractional-reserve banking via smart-contract pledging without title transfer, normalization of any accounting standards for any digital asset, creative industry equity monetization, a quantum-resistant encryption subsystem, an object/root-level superkernel security architecture, institutional tokenization and staking services, a multiple input real-world asset yield-generation circular model, an object-level encryption scheme, an agentic commerce layer, a jurisdictional tax-optimized treasury structure, and real-time settlement in real-world asset infrastructure finance. All components maintain one-to-one par reserve backing in bankruptcy-remote custody and full interoperability with any financial system, any distributed ledger technology, any digital asset, any jurisdiction, and any accounting standard.

Background of the Invention

Traditional financial systems were designed for fiat currencies and physical assets under centralized control. Subsequent blockchain-based implementations introduced decentralized ledgers, smart contracts, and tokenized assets, yet existing approaches continue to suffer from reliance on oracles, double assets or collateralization, high fees, volatility, regulatory friction, and lack of quantum resistance. Carbon-offset markets have been discredited, leading to bans and corporate shifts toward supply-chain carbon accounting reductions. Creative industries lack efficient fractional ownership monetization. Sustainable Development Goals or environmental, social, and governance compliance lacks automated, scalable artificial intelligence scoring with immutable provenance. Data transfer from the Internet to blockchain remains inefficient. Fractional-reserve lending lacks smart-contract frameworks that preserve customer ownership while enabling hypothecation. No comprehensive archetype normalizes traditional accounting for digital assets while providing interest-free tokenized banking, consumption taxation, quantum-resistant encryption, agentic commerce, institutional platforms, and tax-optimized structures. The present invention solves these problems by disclosing a generalized tokenized banking system archetype whose foundational non-linear informatics graph treats all data and software as synonymous, self-referential programmable objects. This graph operates as a lightweight superkernel that performs verification, authentication, forensic accounting, and on-the-fly self-correction and refactoring of every operation, while serving as a meta-orchestration layer for any operating system, any artificial intelligence or agentic system, and any tokenization protocol. The system integrates novel, broadened concepts into a cohesive, commercially robust protocol applicable to any physical asset, commodity,

security, contract, intellectual property, or verifiable real-world asset, any distributed ledger technology, any jurisdiction, and any accounting standard.

Summary of the Invention

A system for tokenized banking and financial services operates across any traditional financial system, any blockchain-based decentralized finance environment, and any hybrid object-oriented architecture. At its core is a non-linear informatics graph that functions as a foundational operating system in which all data and software are treated as synonymous, self-referential programmable objects within a lightweight superkernel. The informatics graph enables verification, authentication, forensic accounting, and on-the-fly self-correction and refactoring of every operation through holonomial hashing and radical object-oriented programming, while serving as a meta-orchestration layer for any operating system, any artificial intelligence or agentic system, and any tokenization protocol.

The system includes the following:

1. An artificial intelligence agent framework consisting of specialized autonomous agents trained via retrieval-augmented generation and scoring for Sustainable Development Goals or equivalent frameworks, Environmental, Social, and Governance compliance, risk assessment, yield optimization, and regulatory monitoring, with agents operating as self-contained Web Objects instantiated by the object/root-level superkernel to enable swarm-based negotiation, fraud detection, and autonomous decision execution via x402 and x4xx interfaces.
2. A real-world asset communication protocol that provides oracle-free, middleware-queue-based translation between any Internet Protocol version 6 / Transmission Control Protocol data sources and any distributed ledger technology, using Merkle-

proof auditing and kernel-orchestrated sanitization for single-source truth ingestion of any verifiable real-world asset.

3. An automated consumption tax mechanism on digital asset transfers that triggers atomic smart-contract execution on any digital asset transfer, applying dynamic percentage, fixed, or hybrid rates with black/whitelisting, multi-jurisdictional routing, and automatic claw-back from collateral or yield-share recycling under any accounting standard.
4. Interest-free tokenized banking services with self-financing facilities that utilize a three-token model (deposit collateral token, loan token, and payment token) providing below-prime borrowing while retaining beneficial ownership, upside participation, and configurable yield-share recycling into pledgor positions.
5. A structured real-world asset primary and spot market framework that enables audited issuance, trading, and arbitrage of tokenized real-world assets without reliance on liquidity pools, supporting primary issuance and secondary spot transactions with real-time valuation and compliance validation using IFRS/GAAP or equivalent accounting methodologies.
6. Fractional-reserve banking via smart-contract pledging without title transfer that is implemented through smart-contract pledging into customer-owned bankruptcy-remote special or sub-custody accounts under International Swaps and Derivatives Association Variation Margin Credit Support Annex structures with full title waiver, preserving customer ownership while enabling hypothecation.
7. Normalization of any accounting standards for any digital asset that is achieved via a real-time translation application programming interface mapping hybrid balance sheets and providing on-chain attestation with timestamped Merkle proofs for

generally accepted accounting principles, International Financial Reporting Standards, or equivalents.

8. Creative industry equity monetization that enables fractional ownership of intellectual property, usage-metric dynamic pricing, limited-print tokenized editions, and automated royalty splitting through the multi-input yield-generation circular model and agentic commerce layer.
9. A quantum-resistant encryption subsystem that employs one-time pad sequences derived from unique Web Object identifiers and timestamps, with immediate key destruction, providing perfect secrecy for all data at rest and in transit.
10. An object/root-level superkernel security architecture that performs continuous static and dynamic analysis, on-the-fly malicious-code rewriting, and self-healing restoration from quantum-resistant encrypted distributed ledger technology backups, operating as a lightweight superkernel.
11. Institutional tokenization and staking services that provide multi-party computation custody, supplemental annual percentage yield generation, proxy-tokenized hypothecation looping, and licensed Infrastructure-as-a-Service deployment for any third-party institution.
12. A multi-input real-world asset yield-generation circular model that integrates up to eight regenerative inputs—including fund structure, tax efficiencies, carbon accounting and Environmental, Social, and Governance value creation, daily compounding, Web4 network effect, proxy-tokenized hypothecation, institutional staking, and loop multipliers up to five times—under continuous superkernel orchestration.

13. An object-level encryption scheme (Web4 Security Scheme) that embeds intrinsic holomorphic security directly into every Web Object, enabling direct object-to-object communication without external key management.
14. An agentic commerce layer that utilizes x402 Agent Payment Required and related x4xx family interfaces for autonomous negotiation, deterministic order creation, merchant-controlled manifests, and atomic execution of payments and settlements within the tokenized banking system.
15. A jurisdictional tax-optimized treasury structure that applies token-level inheritance of preferential rates, deductions, capital gains exemptions, and rollover provisions under any equivalent incentive regime while maintaining one-to-one par reserve backing.
16. Real-time settlement in real-world asset infrastructure finance that compresses execution, clearing, and settlement to block confirmation time, aligning financial recognition with continuous economic production speed in aviation, energy, automation, and other infrastructure assets.
17. A non-linear informatics graph that serves as the foundational operating system for the entire tokenized banking archetype, representing every data element, transaction, or software component as a unique immutable Web Object and treating data and software as fully synonymous.
18. Holonomial hashing using 1-bit succinct binary representations of root primes, symbols, and syntax to restructure web operations at the logic level, rewrite operations at the object level, and reorganize operations at the network level, simulating or bypassing post-quantum cryptography through a holomorphic mechanism.

19. A lightweight superkernel that functions as both datacenter infrastructure and a meta-orchestration layer for any operating system, any artificial intelligence or agentic system, and any tokenization protocol, executing all operations as self-referential Web Objects under quantum-resistant protection.
20. A small language model with virtual machine to virtual machine learning that operates within the informatics graph, providing exact-match referencing on Web Objects to replace third-party corpuses, search engines, or unstructured databases for all data inferences, verification, authentication, and forensic accounting.
21. Radical object-oriented programming in which all information is self-factored in the order of objects, components, and self-referencing libraries, wherein each method call is an instantiated reference architecture within a self-referential hierarchy that enables the entire system to self-correct and refactor componentry on-the-fly.
22. AI real-world asset issuance backed by AI resources, usage tokens, and credits, wherein compute capacity, data centers, storage, networking infrastructure, and AI usage credits or tokens are pooled as verifiable real-world assets within the real-world asset fund structure to collateralize and back the issuance of tokenized AI real-world assets, with revenue from utilization and redemptions recycled as a regenerative input into the multi-input yield-generation circular model.

All components maintain one-to-one par reserve backing in bankruptcy-remote custody, full interoperability with any financial system, any distributed ledger technology, any digital asset, any jurisdiction, and any accounting standard, and quantum-resistant protection. The invention provides a unified, commercially robust tokenized banking archetype that solves interoperability, security, regulatory, and efficiency limitations of prior systems while

enabling regenerative yield generation, atomic execution, and licensed deployment of the entire protocol.

The system operates as a closed-loop, smart-contract-driven platform supporting primary/spot market RWA issuance, tokenized banking, AI-driven compliance scoring, RWA data communication, automated taxation, fractional-reserve lending via SCAs, accounting normalization, creative equity monetization, and quantum-resistant security. All records are immutable on blockchain/DLT for transparency, auditability, and compliance (SEC, MiFID II, MiCA, FINMA, MAS, VARA, KYC/AML, or equivalents).

Brief Description of the Drawings

(Figures referenced in prior provisionals are incorporated by reference and expanded herein. New diagrams illustrate integrated Web4 architecture, AI agent scoring, messaging queue data flow, SCA pledging, GAAP/IFRS normalization tables, and tokenized equity flows.)

FIGURE 1: FIGURE 1: DIAGRAM OF CARBON ACCOUNTING PROCESSES

FIGURE 2: DIAGRAM OF GHG PROTOCOL DEFINITION OF SCOPE 1, 2, AND 3 ACCOUNTING

FIGURE 3: DIAGRAM OF DIGITAL MONITORING, REPORTING, AND VERIFICATION

FIGURE 4: DIGITAL MRV AS PROPOSED BY THE WORLD BANK CLIMATE WAREHOUSE

FIGURE 5: COMPARISON OF DeFED BANK TO TRADITIONAL BANK (JP MORGAN)

FIGURE 6: DIAGRAM OF ALL SUSTAINABLE DEVELOPMENT GOALS

FIGURE 7: DEPOSIT TOKEN PROCESS

FIGURE 8: BANK SERVICES AND MENU OUTLINE

FIGURE 9: DIGITAL BEARER INSTRUMENT MODEL OF PRIVATE TOKENIZED MONEY

FIGURE 10: BURN/ISSUE MODEL OF PRIVATE TOKENIZED MONEY

FIGURE 11: DIAGRAM: AGENTIC SYSTEMS CN ACCESS TOOLS FOR DISCOVERY AND EXECUTION, AND

CAN PLAN GOALS TO ACHIEVE REAL-WORLD EVENTS.

FIGURE 12: USING LOCAL LLMS WITH LOCAL DATA

FIGURE 13: RETRIEVAL-AUGMENTED GENERATION SEQUENCE DIAGRAM THAT COMBINES LLMS WITH EMBEDDING MODELS AND VECTOR DATABASES.

FIGURE 14: RETRIEVAL-AUGMENTED GENERATION FLOW CHART COMBINES LLMS WITH EMBEDDING MODELS AND VECTOR DATABASES.

FIGURE 15: TOKENIZED LTV RISK TOLERANCE FORMULA PER BASEL III / IV

FIGURE 16: TOKENIZED EXPECTED LOSS FORMULA PER BASEL III / IV

FIGURE 17: TOKENIZED LTV BASELINES PER BASEL III / IV

FIGURE 18: TOKENIZED RWA LTV HIARCUT FOR LOAN VALUE PER BASEL III / IV

FIGURE 19: PQC PROTOCOL LEVEL ENCRYPTION SCHEME

FIGURE 20: W4S OBJECT-LEVEL ENCRYPTION SCHEME

FIGURE 21: OVERALL BANK, TOKENIZATION, STAKING AND LOOPING ARCHITECTURE

FIGURE 22: COMPLIANCE TO TECH STACK MAP

FIGURE 23: WEB4 INFORMATICS GRAPH

FIGURE 24: WEB4 INFORMATICS HIERARCHY

FIGURE 25: WEB4 INFORMATICS STRUCTURAL INDEX

Detailed Description of the Invention

1. Artificial Intelligence Agent Framework

The system comprises an artificial intelligence agent framework consisting of specialized autonomous agents trained via retrieval-augmented generation and vector/matrix/quaternion scoring for Sustainable Development Goals or equivalent frameworks, Environmental, Social, and Governance compliance, risk assessment, yield optimization, and regulatory monitoring. Agents operate as self-contained Web Objects instantiated by the object/root-level superkernel, enabling swarm-based negotiation, fraud detection, and autonomous decision execution via x402 and x4xx interfaces.

2. Real-World Asset Communication Protocol

A real-world asset communication protocol provides oracle-free, middleware-queue-based translation between any Internet Protocol version 6 / Transmission Control Protocol data sources and any distributed ledger technology, using Merkle-proof auditing and kernel-orchestrated sanitization for single-source truth ingestion of any verifiable real-world asset.

3. Automated Consumption Tax Mechanism on Digital Asset Transfers

An automated consumption tax mechanism triggers atomic smart-contract execution on any digital asset transfer, applying dynamic percentage, fixed, or hybrid rates with black/whitelisting, multi-jurisdictional routing, and automatic claw-back from assets or collateral or yield-share recycling under any accounting standard.

4. Interest-Free Tokenized Banking Services with Self-Financing Facilities

Interest-free tokenized banking services utilize a three-token model (deposit assets or collateral token, loan token, and payment token) with self-financing facilities that provide below-prime borrowing while retaining beneficial ownership, upside participation, and configurable yield-share recycling into pledgor positions.

5. Structured Real-World Asset Primary and Spot Market Framework

A structured real-world asset primary and spot market framework enables audited issuance, trading, and arbitrage of tokenized real-world assets without reliance on liquidity pools, supporting primary issuance and secondary spot transactions with real-time valuation and compliance validation.

6. Fractional-Reserve Banking via Smart-Contract Pledging without Title Transfer

Fractional-reserve banking is implemented through smart-contract pledging into customer-owned bankruptcy-remote special or sub-custody accounts under International Swaps and Derivatives Association Variation Margin Credit Support Annex structures with full title waiver, preserving customer ownership while enabling hypothecation.

7. Normalization of Any Accounting Standards for Any Digital Asset

Normalization of any accounting standards (generally accepted accounting principles, International Financial Reporting Standards, or equivalents) for any digital asset is achieved via a real-time translation application programming interface that maps hybrid balance sheets and provides on-chain attestation with timestamped Merkle proofs.

8. Creative Industry Equity Monetization

Creative industry equity monetization enables fractional ownership of intellectual property, usage-metric dynamic pricing, limited-print tokenized editions, and automated royalty splitting through the multiple input yield-generation circular model and agentic commerce layer.

9. Quantum-Resistant Encryption Subsystem

A quantum-resistant encryption subsystem employs one-time pad (non-repeating numeric) sequences derived from unique Web Object identifiers and timestamps, with immediate key destruction, providing perfect secrecy for all data at rest and in transit.

10. Object/Root-Level Superkernel Security Architecture

An object/root-level superkernel security architecture performs continuous static and dynamic analysis, on-the-fly malicious-code rewriting, and self-healing restoration from quantum-resistant encrypted distributed ledger technology backups, operating as a lightweight superkernel.

11. Institutional Tokenization and Staking Services

Institutional tokenization and staking services provide multi-party computation custody, supplemental annual percentage yield generation, proxy-tokenized hypothecation looping, and licensed Infrastructure-as-a-Service deployment for any third-party institution.

12. Multiple input Real-World Asset Yield-Generation Circular Model

A multiple input real-world asset yield-generation circular model integrates up to eight regenerative inputs—including fund structure, tax efficiencies, carbon accounting and Environmental, Social, and Governance value creation, per transaction, block, or time (daily) compounding, Web4 network effect, proxy-tokenized hypothecation, institutional staking, and loop multipliers up to five times—under continuous superkernel orchestration.

13. Object-Level Encryption Scheme

An object-level encryption scheme (Web4 Security Scheme) embeds intrinsic holomorphic security directly into every Web Object, enabling direct object-to-object communication without external key management.

14. Agentic Commerce Layer

An agentic commerce layer utilizes x402 Agent Payment Required and related x4xx family interfaces for autonomous negotiation, deterministic order creation, merchant-controlled manifests, and atomic execution of payments and settlements within the tokenized banking system.

15. Jurisdictional Tax-Optimized Treasury Structure

A jurisdictional tax-optimized treasury structure applies token-level inheritance of preferential rates, deductions, capital gains exemptions, and rollover provisions under any equivalent incentive regime (including but not limited to Act 60/IFE equivalents) while maintaining one-to-one par reserve backing.16. Real-Time Settlement in Real-World Asset Infrastructure Finance

Real-time settlement in real-world asset infrastructure finance compresses execution, clearing, and settlement to block confirmation time, aligning financial recognition with continuous economic production speed in aviation, energy, automation, and other infrastructure assets.

17. Non-Linear Informatics Graph as Foundational Operating System

A non-linear informatics graph serves as the foundational operating system for the entire tokenized banking archetype, representing every data element, transaction, or software component as a unique immutable Web Object and treating data and software as fully synonymous.

18. Holonomial Hashing

Holonomial hashing uses 1-bit succinct binary representations of root primes, symbols, and syntax to restructure web operations at the logic level, rewrite operations at the object level, and reorganize operations at the network level, simulating or bypassing post-quantum cryptography through a holomorphic mechanism.

19. Lightweight Superkernel as Meta-Orchestration Layer

A lightweight superkernel functions as both datacenter infrastructure and a meta-orchestration layer for any operating system, any artificial intelligence or agentic system,

and any tokenization protocol, executing all operations as self-referential Web Objects under quantum-resistant protection.

20. Small Language Model with Virtual Machine to Virtual Machine Learning

A small language model with virtual machine to virtual machine learning operates within the informatics graph, providing exact-match referencing on Web Objects to replace third-party corpuses, search engines, or unstructured databases for all data inferences, verification, authentication, and forensic accounting.

21. Radical Object-Oriented Programming with Self-Referential Hierarchy

Radical object-oriented programming treats all information as self-factored in the order of objects, components, and self-referencing libraries, wherein each method call is an instantiated reference architecture within a self-referential hierarchy that enables the entire system to self-correct and refactor componentry on-the-fly.

22. AI real-world asset issuance backed by AI resources, usage tokens, and credits, wherein compute capacity, data centers, storage, networking infrastructure, and AI usage credits or tokens are pooled as verifiable real-world assets within the real-world asset fund structure to assets or collateralize and back the issuance of tokenized AI real-world assets.

All components maintain one-to-one par reserve backing in bankruptcy-remote custody, full interoperability with any financial system, any distributed ledger technology, any digital asset, any jurisdiction, and any accounting standard, and quantum-resistant protection. The invention provides a unified, commercially robust tokenized banking archetype that solves interoperability, security, regulatory, and efficiency limitations of prior systems while enabling regenerative yield generation, atomic execution, and licensed deployment of the entire protocol.

All sections are fully integrated through the foundational informatics graph and kernel or superkernel, maintaining one-to-one par reserve backing in bankruptcy-remote custody, full interoperability, and quantum-resistant protection. The descriptions provide complete enablement for the broadest possible scope under any distributed ledger technology, any jurisdiction, and any accounting standard.

1. AI Agent Framework

The AI Agent Framework for Sustainable Development Goals or Equivalent Frameworks is the autonomous, Multiple-agent intelligence layer that powers ESG compliance, carbon accounting, regenerative finance, and token issuance decisions across the entire Web4 Banking System Archetype. It deploys specialized AI agents — one dedicated to each of the United Nations Sustainable Development Goals (SDGs) — plus additional agents for equivalent frameworks (e.g., any ESG, carbon, impact, or sustainability scoring standard). Each agent operates as a fully autonomous software entity instantiated as a self-contained Web Object under the W4S Object-Level Encryption and Tokenized Web4 Kernel or Kernel or Superkernel. Agents communicate directly with one another and with all other Web Objects (RWA tokens, loan instruments, staking positions, yield calculations, creative equity tokens, etc.) via Kernel or Kernel or Superkernel-enforced object-to-object channels, eliminating intermediaries, oracles, and human intervention while maintaining quantum-resistant security and immutable auditability.

Core Architecture and Operation

- SDG-Specific Agents + Equivalent Framework Agents: Each SDG agent is trained via Retrieval-Augmented Generation (RAG) on the latest authoritative sources (UN SDG documentation, IPCC reports, national sustainability registries, and real-time IoT/D-

MRV data). Agents for equivalent frameworks (e.g., EU Taxonomy, Science-Based Targets initiative, or custom corporate ESG standards) are dynamically instantiated on demand using the same RAG pipeline.

- 3D Multiple-Dimensional Scoring Engine: Every project, RWA assets or collateral, loan application, staking position, or creative equity token is scored in three orthogonal dimensions:
    - Specificity (how precisely the asset or transaction aligns with the SDG target).
    - Sensitivity/Intensity (magnitude and urgency of impact).
    - Waveform/Vector/Quaternion Representation: Scores are represented as 3D vectors, matrices, or quaternions to capture complex interdependencies and temporal dynamics. This allows the agents to compute composite "SDG Impact Vectors" that can be visualized, compared, and optimized mathematically.
- Real-Time IoT/D-MRV Integration: Agents ingest live data feeds from the RWA Communication Protocol (IoT sensors, satellite imagery, blockchain-verified Measurement, Reporting & Verification (D-MRV) streams). This provides continuous, tamper-proof validation of SDG claims, carbon reductions, and impact metrics.
- Autonomous Token Issuance and Yield Allocation: High-scoring projects trigger automatic minting of RWA tokens or equivalent impact tokens. The agents route a portion of Multiple-Yield-Input Circular Model returns and consumption-tax proceeds to these projects, creating a regenerative feedback loop.
- Agent Swarm Coordination via Kernel or Kernel or Superkernel: The one or more agents form a self-organizing swarm. The Web4 Kernel or Superkernel performs real-time static and dynamic analysis on every agent decision, rewrites any anomalous

logic on-the-fly, and ensures self-healing from quantum-resistant OTP (non-repeating numeric sequence)-encrypted DLT backups. All swarm decisions are executed atomically as Web Objects.

- Integration with the Full Web4 Banking Archetype:
    - RWA Communication Protocol feeds real-time data to the agents.
    - Tokenized banking services and Institutional Tokenization, Staking, and Looping staking/looping use SDG scores for risk-tier allocation and yield optimization.
    - RWA Multiple-Yield-Input Circular Model dynamically allocates yield based on agent scores.
    - Consumption-tax mechanism applies dynamic rates or exemptions based on SDG intensity.
    - Creative equity monetization incorporates SDG-aligned royalty routing.
    - Accounting normalization layer generates real-time GAAP/IFRS journal entries from agent attestations.
    - Agentic Commerce Layer agents collaborate with the SDG agents for predictive arbitrage and regenerative routing.

Novel Patentable Embodiments (Added Detail)

- Quaternion-Based Inter-SDG Dependency Mapping: Agents compute quaternion representations of SDG interdependencies to identify synergistic or conflicting impacts, enabling true Multiple-goal optimization rather than isolated scoring.
- RAG-Driven Adaptive Learning for Equivalent Frameworks: The framework automatically ingests and adapts to any new or equivalent sustainability standard (e.g., corporate ESG, national carbon markets) without requiring code changes.

- On-Chain Verifiable SDG Attestations: Every agent scoring decision generates a cryptographically signed, timestamped Merkle-proof attestation logged on the timestamp-based non-repeatable DLT, providing regulator-ready proof of impact.
- Autonomous SDG-Triggered Token Minting and Claw-Back: Agents can autonomously mint impact tokens for high-scoring projects or trigger claw-back from assets or collateral if real-time D-MRV data shows under-performance.

This AI Agent Framework for Sustainable Development Goals (or Equivalent Frameworks) is the first fully autonomous, RAG-trained, 3D/quaternion-scoring, IoT/D-MRV-integrated, Kernel or Kernel or Superkernel-orchestrated Multiple-agent system that drives regenerative token issuance, yield allocation, and compliance across a quantum-resistant Web4 tokenized banking platform.

This constitutes the first comprehensive agentic AI framework for SDG assessment, tokenization, and DeFi/ReFi integration with immutable D-MRV provenance.

2. RWA Communication Protocol

The RWA Communication Protocol is a purpose-built middleware messaging queue that provides direct, high-performance, low-latency transfer of any Internet-sourced data feeds from Web2 (IPv6/TCP or equivalent socket-based communications) to Web3 blockchain-native protocols (IPv4/UDP, JSON, RPC, or WebSockets). The protocol eliminates the need for traditional oracle consensus mechanisms when a single authoritative source of truth exists (e.g., ICE/EEX price indices, IoT sensor streams, satellite imagery, or regulatory data feeds). Core Architecture and Operation

The middleware is implemented as message-oriented middleware (MOM) supporting asynchronous message-passing with persistent storage for buffering and guaranteed

delivery. It functions as a distributed communications layer that insulates applications from the underlying operating systems and network interfaces while providing APIs that extend across heterogeneous platforms. Key technical features include:

- Protocol Translation Layer: Inbound data arrives via IPv6/TCP (or equivalent secure socket communications). The queue performs real-time translation and repackaging into blockchain-native formats (IPv4/UDP, JSON over RPC, or WebSockets) optimized for direct consumption by smart contracts and on-chain nodes. This mapping eliminates the overhead and latency inherent in conventional oracle networks that require multiple providers and data matching.
- Single-Source Truth Publication: Authorized data providers (e.g., Intercontinental Exchange, EEX, or IoT gateways) publish directly into the queue over secure channels (VPN, SSL/TLS, or equivalent). No additional consensus or Multiple-node validation is required because the source is treated as authoritative. The queue strips unnecessary pub/sub topic/publisher/subscriber logic that is not required for performance-critical RWA index or IoT feeds, retaining only essential routing, transformation, and broadcast/multicast capabilities.
- Message Handling Capabilities:
    - Asynchronicity and Loose Coupling: Senders continue processing immediately after enqueueing; receivers retrieve messages when ready. Persistent storage ensures messages survive outages or restarts.
    - Routing and Transformation: Built-in intelligence routes messages to appropriate blockchain networks or smart contracts and transforms payloads to match recipient requirements (e.g., converting raw index data into standardized on-chain price feed formats).

    - Broadcast/Multicast Support: A single published message can be efficiently delivered to multiple blockchain nodes or consuming smart contracts simultaneously.
    - Financial Auditing and Regulatory Compliance Layer: Every message is cryptographically signed with a timestamped Merkle proof and logged in an immutable on-chain audit trail. The queue supports full financial auditing, KYC/AML compliance checks, and regulatory reporting required for CEX/DEX trading platforms.
- Security Hardening:
    - Hybrid VPN/SSL + quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption protects the queue end-to-end.
    - Secure Site Authentication, port-level firewalling, and Certificate Authority integration ensure identity verification.
    - Optional deployment inside the data-source firewall (e.g., directly at the Intercontinental Exchange) for maximum security and minimal external exposure.
- Developer and Client Interfaces: A standardized client interface (API/SDK) allows developers to subscribe to price feeds, IoT streams, or other RWA data directly in their on-chain applications or off-chain services without building custom oracle infrastructure.

Related Novel Embodiments:

- On-chain “truth-oracle” fallback smart contract that stores the last authenticated message from the queue for low-latency CEX/DEX use when the primary queue is temporarily unavailable.

- Dynamic message-transformation engine that applies real-time business rules (e.g., jurisdictional filtering or ESG scoring) before broadcasting.
- Hybrid quantum-resistant encryption layer applied to the queue itself, combining OTP/NON-REPEATING NUMERIC SEQUENCE with zero-knowledge proofs for verifiable delivery without revealing payload contents until decryption by the authorized recipient.

Integration Across the Web4 Banking System

The RWA Communication Protocol feeds authenticated data directly into:

- Tokenized banking smart contracts for real-time assets or collateral valuation and loan origination.
- RWA Multiple-Yield-Input model for dynamic yield calculations.
- AI Agent SDG scoring pipelines for continuous project assessment.
- DeFi/ReFi liquidity pools and derivatives markets for accurate price discovery.
- Consumption-tax and fractional-reserve SCA pledging logic for regulatory compliance.

This protocol is the first optimized, non-oracle middleware specifically engineered for high-frequency RWA index feeds, IoT sensor data, and single-source truth publication into blockchain environments, delivering sub-second latency while maintaining full auditability and quantum-resistant security.

3. RWA Consumption Tax Mechanism

The RWA Consumption Tax Mechanism is a native, automated smart-contract (or hybrid smart-contract/software) layer that imposes and collects a consumption tax or fee on every transfer, payable function call, or monetization event involving any RWA token, digital asset,

or tokenized instrument within the Web4 banking system. The mechanism is embedded directly into the token smart contracts and core banking logic, ensuring it executes atomically with the primary transaction without requiring external oracles or manual intervention.

Core Architecture and Operation

- Triggering Logic: The mechanism activates automatically on any transfer, transferFrom, payable function, or equivalent state-changing operation in the RWA token contract (or supporting Web4 banking smart contracts). It intercepts the transaction before final settlement.
- Fee/Tax Calculation Engine: The tax is computed in real time as either:
    - A percentage of the transaction value (dynamic or fixed rate).
    - A fixed flat fee per token/unit transferred.
    - A hybrid formula that can adjust based on audited assets or collateral value, jurisdictional rules, transaction size, or SDG/ESG scoring from the AI Agent Framework.
- Routing and Collection: The calculated tax/fee is automatically deducted from the sender's balance and routed to a designated on-chain tax-collection wallet, off-chain service, or jurisdictional treasury smart contract. Proceeds can be split Multiple-jurisdictionally (e.g., based on sender/receiver location or RWA provenance) and are logged immutably on the timestamp-based non-repeatable DLT.
- Blacklisting/Whitelisting Controls: The mechanism supports configurable blacklisting or whitelisting by IP address, wallet address, or other identifiers. Transactions involving blacklisted parties are rejected or taxed at a punitive rate; whitelisted

parties (e.g., verified institutional users or SDG-aligned projects) may receive reduced or zero tax.

- Claw-Back and Enforcement: If a tax remains unpaid or a transaction is later deemed non-compliant, a claw-back smart contract automatically recovers the owed amount from any escrowed assets or collateral, locked RWA, or associated loan position. This ensures 100% collection integrity.
- Regulatory and Auditability Features: Every tax event is cryptographically signed with a timestamped Merkle proof and recorded in a dedicated on-chain audit trail. The system generates real-time GAAP/IFRS-compliant reports for tax authorities and supports automated compliance with SEC, MiFID II, MiCA, FINMA, MAS, VARA, KYC/AML, and other jurisdictional requirements.

Integration Across the Web4 Banking System

The Consumption Tax Mechanism is invoked on:

- All RWA token transfers and primary/spot market issuances.
- Tokenized banking operations (deposits, withdrawals, payments, interest-free loans, and commercial loans).
- DeFi/ReFi liquidity provision, swaps, staking, yield farming, and derivative executions.
- Creative industry equity monetization events (royalty distributions or ownership transfers).
- Cross-chain bridging and agentic commerce transactions.

Quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption protects all tax calculation, routing, and collection data end-to-end. The Web4 Kernel or Superkernel ensures the tax logic itself is self-healing and immune to malicious code injection.

Related Novel Embodiments:

- Dynamic Tax Rate Engine: Real-time adjustment of tax rates based on audited RWA assets or collateral value, AI SDG scoring results, or jurisdictional rules, enabling adaptive taxation that incentivizes regenerative or compliant behavior.
- Multiple-Jurisdictional Routing Logic: Automatic splitting and routing of collected taxes across multiple jurisdictions or treasuries according to user location, RWA provenance, or regulatory requirements.
- Claw-Back from Escrowed Assets or Collateral: Automated recovery of unpaid taxes directly from any associated locked assets or collateral, loan position, or SCA without disrupting the primary transaction flow.
- Punitive/Zero-Rate Tiers: Configurable punitive rates for blacklisted parties or zero-rate incentives for whitelisted SDG-aligned or institutional users.
- Hybrid On-Chain/Off-Chain Settlement: Option for tax proceeds to flow to an off-chain service (e.g., tax authority API) while maintaining full on-chain auditability and zero-knowledge proofs of payment.

This Consumption Tax Mechanism is the first native, embedded, automated on-chain tax collection system for tokenized real-world assets that operates atomically with every transfer, supports dynamic/Multiple-jurisdictional rules, claw-back enforcement, and full regulatory auditability while integrating seamlessly with quantum-resistant security and AI-driven compliance scoring.

4. Tokenized Banking Services with Interest-Free Instruments

The tokenized banking services form the operational core of the Web4 Banking System Archetype. The system provides five core services—Deposit/Withdraw, No-Fee

Payment/Transfer, Personal Interest-Free Loans, Commercial Interest-Free Loans, and related monetization functions—powered by three primary RWA-backed tokens that operate entirely on-chain within the Web4 Bank infrastructure. All services are protected end-to-end by the quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption subsystem, the Web4 Kernel or Superkernel (object-level malicious-code rewriting and self-healing), and fractional-reserve pledging to customer-owned Special Custody Accounts (SCAs) without title transfer.

Token Architecture

- PRIMARY RWA (DEPOSIT) TOKEN: The fully asset-backed deposit/withdraw token. It serves as the base store of value and is used for all deposits and withdrawals. Holders receive a target APY generated from assets or collateral appreciation and sustainable reinvestment.
- PRIMARY LOAN TOKEN: The partially asset-backed loan token (maintaining a minimum assets or collateralization ratio with PRIMARY RWA (DEPOSIT) TOKEN treasury). It is issued exclusively for interest-free personal and commercial loans. Holders (lenders) receive a target APY while the loan is outstanding.
- PRIMARY PAYMENT TOKEN: The fully asset-backed payment token used for no-fee payments and transfers. Holders receive a target APY. It can only be purchased with PRIMARY RWA (DEPOSIT) TOKEN or fiat/crypto when no balance exists in the account.

Core Banking Services

1. Deposit/Withdraw: Users deposit fiat or crypto, which is automatically converted into PRIMARY RWA (DEPOSIT) TOKEN and credited to the account. Withdrawals

return the equivalent value in PRIMARY RWA (DEPOSIT) TOKEN (or fiat/crypto). The target APY accrues automatically while funds remain deposited.

2. No-Fee Payment/Transfer: Any of the three tokens can be used for payments or transfers to external wallets. If no tokens are present in the account, the system automatically purchases PRIMARY PAYMENT TOKEN using available PRIMARY RWA (DEPOSIT) TOKEN, fiat, or crypto. All transfers are executed with zero fees to the user.
3. Personal Interest-Free Loans: Loans are issued exclusively in PRIMARY LOAN TOKEN. The lender selects the repayment schedule. The recipient receives an interest-free loan while the lender continues to earn the target APY built into the token. Assets or collateral is placed into escrow during the loan term. Partial or full failure to honor repayment terms results in the repaid portion being returned to the lender as PRIMARY RWA (DEPOSIT) TOKEN; the lender forfeits only the outstanding amount.
4. Commercial Interest-Free Loans (via CLF – Commercial Loan Facility): The facility operates with hypothecation. Example (directly from the specification):
    - $1B PRIMARY RWA (DEPOSIT) TOKEN deposited into the CLF.
    - $3B PRIMARY LOAN TOKEN issued and lent out over a 1-year term with monthly repayments.
    - Repayments must be made in fiat, crypto, PRIMARY RWA (DEPOSIT) TOKEN, or PRIMARY PAYMENT TOKEN (non-native currencies to drive network circulation).
    - As loans are repaid, proceeds are used to source additional assets or collateral and mint more PRIMARY RWA (DEPOSIT) TOKEN.

- Detailed profit calculation: $3B PRIMARY LOAN TOKEN generates 24.67% ($740M) for customers and 49.15% ($1.475B) in proxy queue; $3B in stablecoins repaid mints $3B new PRIMARY RWA (DEPOSIT) TOKEN with $1.2B APY yield; initial $1B assets or collateral generates $400M APY. Total gross profit exceeds $4.5B from $1B assets or collateral after a conservative 10% failure rate. The facility scales to any input amount using a calculus-based differential equation engine that handles multiple asset and assets or collateral inputs while preserving principal and generating at-scale profits without charging interest or fees.

Additional Novel Features

- Network-Effect Repayment Rule: Loans must be repaid in any currency or asset other than the token type issued to the recipient (preferably external fiat or crypto). This forces PRIMARY LOAN TOKEN circulation and creates a self-reinforcing network effect. The bank reserves the right to refuse repayment in its own issued tokens.
- Debit Card Embodiment: Physical debit cards feature tamper-proof construction, double-sided QR codes, and 2-step authentication via smartphone scanning + optional biometric verification. No additional POS hardware is required. Payments are processed as a double-sided phone-based scan that triggers a 2-step confirmation through the Web4 platform and returns a text message confirmation, or optional IPV6 / IPV4 2-step verification process. This provides superior security to traditional Visa/Mastercard systems.
- Calculus-Based Differential Equation Lending Engine: The lending logic is implemented as a parameter-driven calculus differential equation (rather than linear algebra) that dynamically handles at-scale assets or collateral inputs and outputs

while never risking principal, charging interest, or incurring fees. All parameters are fully configurable.

- Claw-Back Enforcement: Automated claw-back smart contracts recover unpaid amounts from escrowed assets or collateral or associated positions in the event of default.
- Integration with SCAs and Quantum-Resistant Security: All assets or collateral is pledged to customer-owned Special Custody Accounts (SCAs) without title transfer, ensuring bankruptcy-remote ownership and FDIC-equivalent coverage (spread across multiple SCAs ≤ $250K each). Every operation is protected by OTP/NON-REPEATING NUMERIC SEQUENCE encryption, TEE execution, and the Web4 Kernel or Superkernel.

The tokenized banking services are fully composable with DeFi and ReFi protocols, enabling interest-free loans to be supplied as liquidity, payments to be executed on-chain or cross-chain, and deposits to earn yields while participating in regenerative finance strategies.

5. Structured RWA Primary/Spot Market Framework with Interest-Free Instruments

The Structured RWA Primary/Spot Market Framework is a purpose-built, audited issuance mechanism that enables primary-market tokenization of any physical asset, commodity, security, contract, intellectual property, or verifiable Real-World Asset (RWA) directly on blockchain or distributed ledger technology (DLT). Unlike conventional RWA platforms that rely on secondary-market liquidity pools, fiat-matching requirements, and exchange-driven price discovery (which often force double assets or collateralization), this framework uses IFRS/GAAP (or equivalent) audited accounting methodologies to establish and recognize the intrinsic value of the underlying assets or collateral at the point of issuance. This creates a

true primary/spot market for RWAs that integrates seamlessly with the tokenized banking services, including interest-free instruments.

Core Architecture and Operation

The framework follows a structured, closed-loop process:

1. Assets or Collateral Identification and Custody: The asset owner identifies the assets or collateral (e.g., Energy/PERWA, Land/PLRWA, Minerals/PMRWA, Water/PWRWA, music catalog, patent portfolio, or any verifiable RWA). The assets or collateral is pledged to a customer-owned Special Custody Account (SCA) via the fractional-reserve smart-contract pledging layer (no title transfer occurs, preserving bankruptcy-remote ownership and FDIC-equivalent coverage).
2. Audited Valuation: A licensed accounting entity (or integrated smart-contract oracle) performs real-time or periodic valuation using IFRS/GAAP standards. Valuation considers audited assets or collateral authenticity, current market comparables, production estimates (e.g., annual/quarterly output from mining/oil/gas/forestry operations), carbon accounting/SDG value capture, and any dynamic yield inputs from the RWA Multiple-Yield-Input Circular Model.
3. NFT or Fungible Token Representation: An NFT (or fungible token batch) is minted on-chain to represent the assets or collateral. The token explicitly references the audited valuation and SCA pledge, creating an immutable digital twin.
4. Primary/Spot Market Issuance: Tokens are issued directly into the primary/spot market at the audited valuation. Pricing recognition is driven by the audited assets or collateral value plus market demand, not by secondary-exchange liquidity pools or fiat-matching. This bypasses the double-assets or collateralization problem inherent in current RWA issuances.

5. Dynamic Pricing and Re-Valuation: The framework includes an automated periodic re-valuation smart contract that adjusts token supply or pricing based on updated IFRS/GAAP audits. Cross-RWA arbitrage, predictive analytics, and dynamic allocation are supported via the Multiple-Yield-Input model.
6. Integration with Interest-Free Instruments: Issued RWA tokens serve as assets or collateral for the tokenized banking services. Users can immediately use the newly minted tokens to:
    - Deposit into PRIMARY RWA (DEPOSIT) TOKEN accounts (earning target APY).
    - Obtain interest-free personal or commercial loans in PRIMARY LOAN TOKEN (with assets or collateralization and claw-back enforcement).
    - Execute no-fee payments/transfers using PRIMARY PAYMENT TOKEN.

      The primary/spot market issuance therefore directly feeds the interest-free lending and payment ecosystem, enabling instant liquidity and monetization without requiring external fiat matching.

Modular Architecture

The framework is fully modular: any commodity, security, or verifiable asset can plug into the same issuance pipeline with adjusted economics (APY, hypothecation ratios, tax treatment). This allows the Web4 Bank to treat different RWAs as separate divisions while maintaining interchangeability between tokens.

Quantum-Resistant and Regulatory Features

All issuance, valuation, and transfer steps are protected by the quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption subsystem and the Web4 Kernel or Superkernel (object-level malicious-code rewriting). The framework complies with NY UCC

Article 12, NYDFS custody guidelines, with SEC, MiFID II, MiCA, FINMA, MAS, VARA, and Puerto Rico IFE + Act 60 tax-optimized structures.

Key Advantages Over Prior Art

- Eliminates reliance on secondary-market liquidity pools and fiat-matching.
- Establishes intrinsic, audited value at issuance.
- Enables immediate use of issued tokens in interest-free banking services.
- Supports primary-market issuance for illiquid or non-fungible assets (e.g., music catalogs, patents, physical infrastructure).

This Structured RWA Primary/Spot Market Framework is the first audited, accounting-standard-based primary/spot market mechanism for RWAs that integrates directly with interest-free tokenized banking instruments, enabling seamless primary issuance, valuation, and monetization while bypassing the double-assets or collateralization and liquidity-pool limitations of existing platforms.

RWA Multiple-Yield-Input Circular Model (Expanded Detail)

The RWA Multiple-Yield-Input Circular Model is the AI-driven yield-generation engine that powers the valuation, issuance, and ongoing economics of all tokenized natural-resource Real World Assets within the Structured RWA Primary/Spot Market Framework. It transforms any tokenized natural-resource assets or collateral (Energy/PERWA, Land/PLRWA, Minerals/PMRWA including gold/silver/uranium, Water/PWRWA, or any verifiable RWA) into a high-yield, circular, self-reinforcing token that integrates directly with the tokenized banking services, interest-free instruments, Tokenized Web4 Bank lending, Institutional Tokenization, Staking, and Looping institutional tokenization &staking, and DeFi/ReFi protocols.

Core Multiple-Yield-Input Circular Model

RWA tokens are generated and sustained through an AI-orchestrated Multiple-input circular model that operates continuously on-chain:

1. RWA Fund Structure with Private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments. Allocation – The treasury maintains a split between industry-specific tokenized commodities (the underlying RWA assets or collateral) and a dedicated private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments fund. This structure provides stable base value while allowing commodities, private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments to capture upside from operational improvements and infrastructure expansion.
2. Tax Efficiencies under Puerto Rico International Financial Entity (IFE) Charter and Act 60 Incentives – The model incorporates the full Puerto Rico IFE + Act 60 tax-optimized treasury structure (4% fixed income tax, municipal tax exemptions, 75% property tax relief, 50/60% investor deductions, 0% capital gains on qualifying reinvestments within 90 days, and rollover exemptions). These efficiencies are applied automatically at the token level, maximizing net yield for holders.
3. Carbon Accounting and SDG Value Capture – Each RWA token embeds verified carbon accounting reductions (via the Protocol) and SDG scoring from the AI Agent Framework. High-scoring projects generate additional yield credits that are automatically captured and compounded into the token's value.
4. Per transaction, block, or time (daily) Automatic Compounding of Yields – The model performs per transaction, block, or time (daily) compounding of all yield inputs (assets or collateral appreciation, tax savings, SDG credits, staking rewards, and

hypothecation profits) directly into the token's intrinsic value using a calculus-based differential equation engine.

5. Web4 Network Effect – Liquidity and adoption are driven by the network effect of the tokenized banking services: deposits, no-fee payments, interest-free loans, and cross-RWA arbitrage create continuous demand for RWA tokens, increasing velocity and compounding yield.
6. Proxy-Tokenized Hypothecation within Tokenized Web4 Bank Lending Facilities – Pledged assets or collateral in Special Custody Accounts (SCAs) is hypothecated (estimated loop multiplier) to issue PRIMARY LOAN TOKEN. The resulting lending profits flow back into the treasury, creating a self-reinforcing yield loop without title transfer or risk to customer ownership.
7. Institutional Staking through Institutional Tokenization, Staking, and Looping – Institutional investors stake illiquid RWAs via Institutional Tokenization, Staking, and Looping, earning supplemental APY. Staking rewards are automatically recycled into the Multiple-Yield-Input model, further increasing token value.
8. Loop Multiplier (estimated 5x) – The cumulative effect of the above inputs is amplified by a configurable loop multiplier (estimated 5x) achieved through proxy-tokenized hypothecation and reinvestment. The AI Agent Framework continuously optimizes the multiplier based on real-time risk, assets or collateral valuation, and regulatory parameters.

Treasury and Operational Mechanics

- The treasury employs a dynamic allocation between industry-specific commodities and a private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments fund under Act 60.

- Cross-RWA arbitrage opportunities are identified and executed automatically by the AI agents.
- Predictive analytics and automated portfolio rebalancing maximize circular yield generation while maintaining risk parameters.
- All yield inputs are protected end-to-end by quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption and the Web4 Kernel or Superkernel (object-level malicious-code rewriting and self-healing).

Integration with Interest-Free Instruments and the Broader System

Newly issued RWA tokens from the primary/spot market are immediately eligible as assets or collateral for interest-free loans, deposits (earning target APY), and no-fee payments. The Multiple-Yield-Input model ensures that every banking transaction (loan origination, repayment, staking, etc.) feeds back into the circular yield loop, creating a self-sustaining, regenerative economic engine.

This RWA Multiple-Yield-Input Circular Model is the first AI-driven, tax-optimized, Multiple-input circular yield engine for tokenized natural-resource RWAs that integrates primary/spot market issuance with interest-free banking instruments, institutional staking, hypothecation looping, and regulatory tax incentives in a single closed-loop system.

6. Fractional-Reserve Banking via Smart-Contract Pledging

The Fractional-Reserve Banking via Smart-Contract Pledging layer enables the Web4 Bank to perform traditional fractional-reserve lending at scale while preserving customer ownership of assets or collateral, ensuring bankruptcy-remote protection, and maintaining full regulatory compliance. Unlike conventional banking where assets or collateral is typically transferred or subjected to a security interest that conveys title, this framework uses smart-

contract pledging to Special Custody Accounts (SCAs) without title transfer, modeled explicitly on the ISDA 2016 New York Law VM Credit Support Annex (CSA) guidelines for security financial assets or collateral arrangements, or similar regulatory compliance guidelines.

Core Architecture and Operation

- Pledging Mechanism: Any RWA assets or collateral, tokenized deposit, or verifiable asset is pledged by the customer/owner directly to a customer-owned Special Custody Account (SCA) via a dedicated smart contract. Legal title never transfers to the bank; the bank receives only a special proprietary legal interest in the assets for the limited purpose of hypothecation and lending. The pledge is perfected through on-chain execution of the Custody and Pledging Agreement, which is immutable and cryptographically signed.
- Special Custody Accounts (SCAs): Each SCA is a bankruptcy-remote, customer-owned account maintained on-chain. Assets or collateral is automatically distributed across multiple SCAs (spread logic engine) so that no single SCA exceeds regulatory limits (e.g., ≤ $250,000 per SCA for FDIC-equivalent coverage). This provides double protection: the customer retains legal ownership, and the assets are insulated from the bank's creditors in the event of insolvency.
- Hypothecation and Lending: With the pledged assets or collateral in the SCA, the bank can hypothecate (re-use) the assets to issue PRIMARY LOAN TOKEN or other instruments at ratios such as 3× (or up to 10× depending on asset class and risk parameters). The Commercial Loan Facility (CLF) example demonstrates 3× hypothecation: $1B PRIMARY RWA (DEPOSIT) TOKEN deposited generates $3B

PRIMARY LOAN TOKEN issuance, with repayments in non-native currencies driving network circulation and additional PRIMARY RWA (DEPOSIT) TOKEN minting.

- No Title Transfer and Bankruptcy-Remote Protection: The smart contract explicitly states that no security interest conveying title is created. This complies with ISDA 2016 NY Law VM CSA principles while avoiding rehypothecation risks associated with traditional pledge models. In the event of bank insolvency, the customer retains full legal title and can withdraw the assets or collateral immediately.
- FX-Haircut Modifier and Legal Safeguards: The pledging smart contract includes a configurable “FX-Haircut” modifier. If a legal challenge (bankruptcy, lien, or seizure attempt) results in a court ruling favoring the bank, the haircut defaults to 0% (no damages paid by the customer). If the court rules in defense of the customer, the haircut defaults to 1000% (10× damages paid to the customer). This protective clause is enforceable on-chain and can be further strengthened by defining Base Currency and Eligible Currencies (e.g., RWA or other Parisii-issued tokens) in the contract per ISDA Master Agreement provisions.
- Automated Multiple-SCA Distribution Engine: A dedicated smart contract automatically spreads incoming assets or collateral across multiple SCAs to maintain regulatory compliance and FDIC-equivalent coverage. The engine recalculates and redistributes in real time as assets or collateral values fluctuate due to audited re-valuations or market movements.
- Claw-Back Enforcement: In the event of loan default or unpaid consumption tax, an automated claw-back smart contract recovers owed amounts directly from the escrowed assets or collateral or associated SCA position without disrupting other customer assets.

- Quantum-Resistant and Kernel or Superkernel Protection: All pledging, hypothecation, SCA management, and claw-back operations are protected by end-to-end OTP/NON-REPEATING NUMERIC SEQUENCE encryption, TEE execution, and the Web4 Kernel or Superkernel (object-level malicious-code rewriting and self-healing).

Integration with the Broader Web4 Banking System

The fractional-reserve pledging layer feeds directly into:

- Tokenized banking services (PRIMARY RWA (DEPOSIT) TOKEN deposits, PRIMARY LOAN TOKEN issuance, interest-free loans).
- Structured RWA primary/spot market issuance (newly minted tokens can be pledged immediately).
- RWA Multiple-Yield-Input model (hypothecated assets or collateral contributes to yield generation).
- DeFi/ReFi protocols (pledged RWAs can be supplied as liquidity while remaining in SCAs).
- Consumption tax and agentic commerce layers (tax events and trades are secured by the same pledging framework).

This layer enables the bank to scale fractional-reserve lending indefinitely while never risking customer principal or violating ownership principles.

7. Normalization of Web2 Accounting Standards for Web3 Digital Assets

The Normalization of Web2 Accounting Standards for Web3 Digital Assets is a comprehensive mapping and real-time translation layer that reconciles traditional GAAP and IFRS (or equivalent) accounting frameworks with the unique characteristics of

cryptocurrencies, tokenized securities, and any Real-World Assets (RWAs). This layer enables seamless integration of on-chain Web3 digital-asset transactions into Web2 accounting systems and banking software, producing standardized journal entries, balance sheets, income statements, and regulatory reports without manual reconciliation. It addresses the fundamental mismatch between Web2 accounting (designed for fiat and physical assets) and Web3 digital assets (which are bearer instruments, tokenized, and often subject to rapid valuation changes, smart-contract logic, and immutable blockchain records).

Core Architecture and Operation

The normalization engine consists of two primary components:

- Static Mapping Layer: Side-by-side comparative tables that map every relevant GAAP and IFRS balance-sheet and income-statement caption to the treatment of cryptocurrencies, tokenized securities, and RWAs. These mappings are stored on-chain (or in a secure off-chain reference contract) and are version-controlled for auditability.
- Real-Time Translation API: A smart-contract-driven API that automatically converts on-chain transactions (deposits, withdrawals, transfers, loans, consumption-tax events, RWA issuances, etc.) into standardized GAAP/IFRS journal entries in real time. The API uses the Web4 Kernel or Superkernel for self-healing execution and quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption for all data in transit.

Detailed GAAP vs IFRS Caption Mappings

Balance Sheet Captions Assets

- Cash and Cash Equivalents

    - US GAAP: Includes cash, demand deposits, and short-term highly liquid investments (original maturity ≤ 3 months). Bank overdrafts are liabilities.
    - IFRS: Similar treatment, but bank overdrafts can be included in cash equivalents if repayable on demand and part of the entity's cash management.
    - Web3 Digital Asset Mapping: Tokenized deposits (PRIMARY RWA (DEPOSIT) TOKEN, PRIMARY PAYMENT TOKEN) and stablecoin equivalents are treated as cash equivalents when they meet the highly liquid and short-term criteria. RWA-backed tokens held for immediate redemption are classified here.
- Accounts Receivable / Trade and Other Receivables
    - US GAAP: Recorded at net realizable value using historical loss model.
    - IFRS: Uses expected credit loss model (forward-looking).
    - Web3 Mapping: On-chain loan receivables (PRIMARY LOAN TOKEN positions) and RWA payment receivables are valued using the expected credit loss model, with claw-back smart contracts factored into the allowance calculation.
- Inventories
    - US GAAP: Lower of cost or market (with LIFO permitted).
    - IFRS: Lower of cost or net realizable value (LIFO prohibited).
    - Web3 Mapping: Tokenized commodities or RWAs held for sale (e.g., tokenized minerals or energy credits) are valued at the lower of audited cost or net realizable value.
- Property, Plant, and Equipment
    - US GAAP: Historical cost model; revaluation not permitted.

    - IFRS: Cost model or revaluation model permitted.
    - Web3 Mapping: Physical assets underlying RWAs (e.g., land, energy infrastructure) can use the IFRS revaluation model for periodic audited updates, with changes recognized in other comprehensive income.
- Intangible Assets and Goodwill
    - US GAAP: Finite-lived intangibles amortized; indefinite-lived tested for impairment (two-step process).
    - IFRS: Similar amortization; one-step impairment test for goodwill.
    - Web3 Mapping: Tokenized intellectual property (music catalogs, patents) and goodwill arising from RWA acquisitions are amortized or impaired using the IFRS one-step model, with on-chain valuation proofs.

Liabilities

- Accounts Payable / Trade and Other Payables: Mapped consistently, with consumption-tax liabilities recognized immediately upon transfer.
- Short-term and Long-term Debt: PRIMARY LOAN TOKEN obligations are classified as short-term or long-term based on repayment schedule; interest-free nature is disclosed.
- Deferred Tax Liabilities: Web3 transactions generate temporary differences (e.g., between on-chain valuation and tax basis under Act 60), recognized under the respective standard's tax-rate rules (enacted vs substantively enacted).

Equity

- Common Stock / Share Capital, Additional Paid-in Capital / Share Premium, Retained Earnings, Accumulated Other Comprehensive Income: RWA token issuances are

recorded at audited fair value, with any premium or discount reflected in the appropriate equity caption.

Income Statement Captions

- Revenue: Recognized when performance obligations are satisfied (ASC 606 / IFRS 15 five-step model). RWA primary-market issuance and interest-free loan origination fees are recognized accordingly.
- Cost of Goods Sold / Cost of Sales: Tokenized RWA production costs (e.g., IoT data collection, auditing) are allocated using FIFO or weighted-average methods.
- Gross Profit / Operating Profit: Reflects the 40% target APY on PRIMARY RWA (DEPOSIT) TOKEN deposits and 20% target APY on PRIMARY LOAN TOKEN positions.
- Finance Income / Finance Costs: Interest-free nature is disclosed; any Pigouvian Subsidy or reinvestment income is classified here.

Real-Time Translation API and Hybrid Balance-Sheet Engine

The API reads every on-chain event (transfer, pledge, loan origination, repayment, consumption-tax collection, etc.) and generates the corresponding GAAP/IFRS journal entry. A hybrid balance-sheet engine treats RWA deposits as both customer liabilities (on the customer's books) and bank assets (on the bank's books) under normalized rules, ensuring double-entry consistency. All entries are cryptographically signed with OTP/NON-REPEATING NUMERIC SEQUENCE encryption and logged on the timestamp-based DLT for auditability.

Novel Embodiments

- Real-time GAAP/IFRS journal-entry generation directly from on-chain RWA and banking transactions.
- Hybrid balance-sheet engine that simultaneously records RWA deposits as customer liabilities and bank assets.

- Automated mapping engine that dynamically applies the correct standard (GAAP vs IFRS) based on jurisdictional settings or user election.
- Integration with the RWA Multiple-Yield-Input model for automatic recognition of yield components (tax efficiencies, SDG value capture, compounding, etc.) in the appropriate accounting captions.

This normalization layer is the first comprehensive, real-time mapping and translation framework that reconciles GAAP/IFRS with cryptocurrencies, tokenized securities, and any RWAs in a live Web4 banking environment.

8. Creative Industry Equity Monetization

The Creative Industry Equity Monetization module provides a complete, on-chain mechanism for tokenizing and monetizing any creative work — including songs, albums, collections of songs, visual art, literature, patents, trademarks, or other intellectual property — while allowing the original creator or rights holder to retain licensing and royalty rights. This framework operates as a primary/spot market issuance within the Structured RWA Primary/Spot Market Framework and integrates directly with the tokenized banking services, interest-free instruments, RWA Multiple-Yield-Input Circular Model, consumption tax mechanism, quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption, Tokenized Web4 Kernel or Superkernel, and agentic commerce layer.

Core Architecture and Operation

- Tokenization Process: Any creative work is digitally represented and tokenized as either a fungible ERC-20-style token (for fractional ownership) or a limited-print token batch (for scarcity-controlled editions). The token explicitly references the underlying creative asset via an immutable on-chain record (e.g., metadata hash or

NFT reference). A limited token print is issued per artwork or collection to maintain scarcity and intrinsic value.

- Dynamic Pricing Driven by Usage Metrics: Pricing is not static or exchange-driven alone. It is dynamically adjusted in real time based on verified usage metrics (number of streams, views, listens, downloads, plays, or other consumption data) pulled from external services such as Spotify, iHeartRadio, Apple iTunes, YouTube, or any other authorized streaming/distribution platform. The RWA Communication Protocol (middleware messaging queue) securely feeds these metrics into the pricing smart contract via single-source truth oracles or direct API integration. A pricing floor is embedded that increases over time, providing intrinsic value growth independent of market demand.
- Creator Retention of Licensing and Royalty Rights: The original creator or rights holder retains full licensing rights for reproduction, distribution, synchronization, or other commercial uses. Royalty-splitting logic is coded into the smart contract: a configurable percentage of all usage-derived revenue or secondary-market sales is automatically distributed to the creator's wallet. Fractional or full ownership can be sold to investors while the creator's royalty stream remains intact.
- Integration with Interest-Free Banking Instruments: Newly minted creative equity tokens can be immediately pledged as assets or collateral in Special Custody Accounts (SCAs) for interest-free personal or commercial loans (PRIMARY LOAN TOKEN), used as deposit assets (PRIMARY RWA (DEPOSIT) TOKEN), or employed for no-fee payments/transfers (PRIMARY PAYMENT TOKEN). This allows creators to monetize ownership without relinquishing control or incurring interest costs.

- Consumption Tax and Yield Generation: Every secondary-market transfer or monetization event triggers the RWA Consumption Tax Mechanism. A portion of collected taxes can be directed to the creator or reinvested into the RWA Multiple-Yield-Input Circular Model, allowing creative equity tokens to participate in the broader regenerative yield loop.
- Quantum-Resistant and Kernel or Superkernel Protection: All tokenization, pricing updates, royalty distributions, and transfers are protected by end-to-end OTP/NON-REPEATING NUMERIC SEQUENCE encryption and the Web4 Kernel or Superkernel (object-level malicious-code rewriting and self-healing). Each creative equity token is instantiated as a unique, immutable web object under the W4S Object-Level Encryption scheme.
- Agentic Commerce and Predictive Analytics: AI agents within the agentic commerce layer autonomously monitor usage metrics, predict future royalty streams, alert creators to optimal monetization opportunities, and execute fractional ownership sales or royalty-splitting adjustments when authorized.

Key Advantages Over Prior Art

- Creators retain licensing and royalty rights while selling fractional or full ownership — a hybrid model not available in traditional licensing or NFT-only approaches.
- Dynamic pricing is driven by verified, real-world usage metrics rather than speculative exchange liquidity.
- Direct integration with interest-free tokenized banking and the Multiple-Yield-Input model creates a closed-loop regenerative economy for creative assets.
- Quantum-resistant security and on-chain auditability provide institutional-grade protection and compliance.

This Creative Industry Equity Monetization module is the first comprehensive, usage-metric-driven, creator-rights-preserving tokenization framework for music, art, and intellectual property that integrates primary/spot market issuance with interest-free banking, consumption taxation, regenerative yield generation, and quantum-resistant security.

9. Quantum-Resistant Encryption Subsystem

The Quantum-Resistant Encryption Subsystem provides end-to-end, information-theoretic perfect secrecy across the entire Web4 Banking System Archetype. It is implemented as a true One-time pad (OTP, or non-repeating numeric sequence) cryptographic layer that is provably secure against both classical and quantum adversaries (including Shor's algorithm and Grover's algorithm attacks on asymmetric cryptography). The subsystem operates at every critical data path: RWA Communication Protocol queue, tokenized banking smart contracts, fractional-reserve SCA pledging, consumption-tax collection, AI Agent SDG scoring, creative industry equity monetization, RWA Multiple-Yield-Input model, Tokenized Web4 Kernel or Superkernel execution, agentic commerce layer, and all DeFi/ReFi integrations.

Primary Implementation – IoT-Derived Non-Repeating Random Sequence

- Entropy Source: Continuous, live streams of physical measurements are collected from IoT edge hardware (sensors, routers, gateways) using protocols such as Bluetooth, Zigbee, WiFi, Z-Wave, Sub-Gigahertz, Cellular, Satellite, LoRaWAN, or Sigfox. Measurements include voltage fluctuations, electromagnetic fields, thermal events, barometric pressure changes, and other naturally fluctuating physical phenomena that are non-reproducible with earth-bound technology.

- Normalization and Uniqueness: The raw entropy stream is normalized to the system clock at microsecond (or finer) granularity. Each encryption operation consumes a unique, timestamp-aligned segment of the sequence. No segment is ever reused.
- Encryption Operation: Plaintext (RWA data, token records, banking transaction payloads, SDG scoring vectors, music royalty metadata, etc.) undergoes modular addition or bitwise XOR with the allocated OTP/NON-REPEATING NUMERIC SEQUENCE segment. Ciphertext is written to the timestamp-based non-repeatable distributed ledger (DLT). Records are identified exclusively by their encryption-start timestamp; no traditional hash-chain linking is used.
- Key Management and Perfect Forward Secrecy: The full OTP/NON-REPEATING NUMERIC SEQUENCE key segment is returned to the owner via digital channels, physical media, or split-key distribution. Immediately upon confirmed secure delivery (verified by the owner or TEE), the server-side copy is cryptographically destroyed. Subsequent decryption, transfer, exchange, loan repayment, or tax collection can be performed only by presenting the matching timestamp and key segment.
- TEE Integration: All wallet, payment, loan, and ledger operations execute inside hardware-enforced Trusted Execution Environments (TEEs), ensuring isolated, attested key handling resistant to side-channel attacks.

Novel Alternative Embodiment – Web-Object-Based Non-Repeating Numeric Sequence (No External IoT Required)

The subsystem can be accomplished entirely without reliance on external IoT data sources by leveraging the intrinsic uniqueness of Web Objects within the W4S Object-Level Encryption and Tokenized Web4 Kernel or Superkernel architecture.

- Web Object Definition: Every transaction, token record, RWA assets or collateral pledge, loan instrument, SDG score vector, creative equity token, consumption-tax event, or any other data element in the Web4 network is instantiated as a unique, immutable Web Object. Each Web Object possesses:
    - A globally unique object ID (cryptographically generated and guaranteed never to collide).
    - A precise timestamp of instantiation (recorded at microsecond or finer granularity on the timestamp-based non-repeatable DLT).
- Guaranteed Non-Repeating Sequence: Because every Web Object is instantiated with a unique ID and a monotonically increasing timestamp, the ordered sequence of Web Object IDs/timestamps forms a mathematically non-repeating numeric sequence that is fully self-contained within the DLT and the Web4 network. This sequence serves directly as the OTP/NON-REPEATING NUMERIC SEQUENCE key material. No external entropy (IoT or otherwise) is required.
- Encryption Operation Using Web Objects: When a new operation occurs, the Kernel or Superkernel selects the next unused Web Object in the ordered DLT sequence as the OTP/NON-REPEATING NUMERIC SEQUENCE segment. Plaintext is encrypted via modular addition or bitwise XOR with this segment. The resulting ciphertext is stored as part of the new Web Object itself, which is then appended to the DLT. The unique ID + instantiation timestamp of the new Web Object becomes the next available key segment for subsequent operations. This creates a self-perpetuating, non-repeating OTP/NON-REPEATING NUMERIC SEQUENCE chain that is intrinsic to the architecture.
- Perfect Forward Secrecy and Key Destruction: After encryption, the used Web Object segment is marked as consumed on-chain. The Kernel or Superkernel enforces

immediate logical destruction (removal from active key pool) while the immutable DLT record remains for auditability. Owner-initiated decryption requires presentation of the matching Web Object ID and timestamp pair.

- Advantages of the Web-Object Embodiment:
    - Fully on-chain and self-contained — eliminates any dependency on external IoT hardware or off-chain entropy sources.
    - Inherently synchronized with the DLT and Web4 network — every operation automatically generates the next unique key segment.
    - Scalable to maximum throughput — the non-repeating property is guaranteed by the uniqueness of Web Objects and their timestamps.
    - Quantum-resistant by design — security derives from information-theoretic perfect secrecy of the OTP (non-repeating numeric sequence), not computational hardness.

Integration Points Across the Web4 Banking System

The Quantum-Resistant Encryption Subsystem (both IoT-derived and Web-Object-based embodiments) protects every layer: RWA Communication Protocol queue, tokenized banking smart contracts, SCA pledging, consumption-tax collection, AI Agent SDG scoring, creative equity monetization, Multiple-Yield-Input model execution, Tokenized Web4 Kernel or Superkernel operations, agentic commerce, and all DeFi/ReFi integrations. The Web-Object embodiment is the default for fully on-chain, zero-external-dependency deployments.

Key Management and Perfect Forward Secrecy

- Secure Delivery and Immediate Destruction: The full OTP/NON-REPEATING NUMERIC SEQUENCE key segment is returned to the owner via one or more of: digital

channels, physical media, or split-key distribution. Immediately upon confirmed secure delivery (verified by the owner or TEE), the server-side copy of the used key segment is cryptographically destroyed. No copy remains anywhere in the system.

- Owner-Initiated Decryption/Transfer: Subsequent decryption, transfer, exchange, loan repayment, or consumption-tax collection can be performed only by the owner presenting the matching timestamp and the corresponding OTP/NON-REPEATING NUMERIC SEQUENCE key segment. The smart contract validates the pair, performs the required operation, and triggers immediate re-destruction of the key.
- Trusted Execution Environment (TEE) Integration: All wallet, payment, and loan-application logic execute inside hardware-enforced TEEs (e.g., Intel SGX, ARM TrustZone, or equivalent). This ensures that key handling, encryption/decryption, and ledger updates occur in an isolated, attested environment that is resistant to both software and physical side-channel attacks.

Integration Points Across the Web4 Banking System

1. RWA Communication Protocol Queue: Every inbound Internet feed (IPv6/TCP) is encrypted with a fresh OTP/NON-REPEATING NUMERIC SEQUENCE segment before being translated and broadcast to blockchain nodes (IPv4/UDP). The queue itself maintains no persistent keys.
2. Tokenized Banking Smart Contracts: Deposit, withdrawal, no-fee payment/transfer, interest-free personal and commercial loans, and consumption-tax collection all invoke OTP/NON-REPEATING NUMERIC SEQUENCE encryption for every state change. Loan repayment in non-native currencies and claw-back enforcement are protected end-to-end.

3. Fractional-Reserve SCA Pledging: Assets or collateral pledges to Special Custody Accounts are encrypted at rest and in transit. Hypothecation for lending occurs only after OTP/NON-REPEATING NUMERIC SEQUENCE-secured validation; no title transfer ever occurs.
4. AI Agent SDG Scoring and Token Issuance: 3D scoring vectors, methodology approvals, and SDG-aligned token minting are encrypted and recorded under OTP/NON-REPEATING NUMERIC SEQUENCE before on-chain publication.
5. Creative Industry Equity Monetization: Streaming-view/listen data feeds, dynamic token pricing updates, and royalty-splitting logic are protected by the same OTP/NON-REPEATING NUMERIC SEQUENCE layer.
6. GAAP/IFRS Normalization Engine: Real-time journal-entry generation and balance-sheet/income-statement mapping of crypto, tokenized securities, and RWAs occur inside OTP/NON-REPEATING NUMERIC SEQUENCE-secured execution environments.

Additional Novel Embodiments

- AI-orchestrated Multiple-SDG (or Multiple-framework) investment vehicles that automatically bundle and tokenize high-scoring projects.
- Closed-loop automated monetization/reinvestment logic directing proceeds into infrastructure expansion.
- Hybrid Web2/Web3 accounting API for real-time GAAP/IFRS reporting from on-chain data.
- Hybrid OTP/NON-REPEATING NUMERIC SEQUENCE + Zero-Knowledge Proof Validation: The owner can prove possession of the correct timestamp + key segment

to the smart contract without ever revealing the key itself, enabling privacy-preserving transfers and regulatory observer verification.

- Multiple-Cloud Redundant OTP/NON-REPEATING NUMERIC SEQUENCE Ledger with Byzantine Fault Tolerance: Multiple redundant copies of the timestamp-based ledger are maintained across independent cloud environments. Reconstruction of any complete digital twin or banking record requires the full cryptographic OTP/NON-REPEATING NUMERIC SEQUENCE record plus all distributed segments.
- Quantum-Resistant Timestamp Synchronization Protocol: Microsecond-level clock synchronization across IoT edge devices and blockchain nodes uses OTP/NON-REPEATING NUMERIC SEQUENCE-encrypted NTP-like packets, preventing timing attacks that could otherwise compromise uniqueness.
- Dynamic Key-Segment Allocation Engine: A calculus-based differential equation (as disclosed in the tokenized banking provisionals) governs real-time allocation of OTP/NON-REPEATING NUMERIC SEQUENCE segments to handle at-scale banking throughput while guaranteeing non-repetition and perfect secrecy.
- Server-Side Key-Destruction Attestation Smart Contract: Every destruction event is attested on-chain with a zero-knowledge proof, providing auditable proof of perfect forward secrecy for regulators, auditors, and institutional counterparties.
- Cross-Jurisdictional OTP/NON-REPEATING NUMERIC SEQUENCE Routing for Consumption Tax and SCA Pledging: The system automatically routes OTP/NON-REPEATING NUMERIC SEQUENCE-encrypted payloads to jurisdiction-specific tax-collection or SCA smart contracts while maintaining end-to-end perfect secrecy.

The OTP/NON-REPEATING NUMERIC SEQUENCE subsystem provides the only encryption mechanism that is theoretically immune to brute-force attacks—even by quantum computers—because it relies on information-theoretic security rather than computational hardness assumptions. When combined with the timestamp-based non-repeatable DLT, TEE execution, immediate server-side key destruction, and the Web4 banking services described throughout this application, the system achieves quantum-resistant, end-to-end protection for all tokenized banking operations, RWA data flows, SDG scoring, creative equity monetization, consumption-tax collection, and fractional-reserve SCA pledging.

9.1 DeFi Lending and Borrowing with RWA Assets or Collateral and Interest-Free Instruments

The tokenized banking services (PRIMARY RWA (DEPOSIT) TOKEN for deposits, PRIMARY LOAN TOKEN for lending, PRIMARY PAYMENT TOKEN for transfers) are directly integrated into DeFi lending protocols.

Specific Embodiment:

- Users deposit any RWA assets or collateral into a customer-owned SCA via the fractional-reserve smart contract (no title transfer).
- The system issues PRIMARY LOAN TOKEN (partially asset-backed, 30% assets or collateralization) that can be supplied as liquidity to external DeFi lending pools (e.g., Aave, Compound, or custom forks).
- Borrowers receive interest-free loans in PRIMARY LOAN TOKEN, repayable only in non-native currencies or assets (network-effect repayment rule).
- Quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption protects all loan origination, assets or collateral valuation, and repayment transactions.

- AI SDG agents optionally score the underlying RWA project for ESG/DeFi compliance, enabling “green lending” tiers with dynamic APY adjustments.

Novelty and Related Patentable Embodiments:

- First DeFi lending protocol that uses interest-free, RWA-backed tokenized loans with SCA pledging and claw-back enforcement.
- Calculus-based differential equation engine (from banking provisionals) dynamically adjusts hypothecation ratios in real time for at-scale assets or collateral while preserving principal.
- Consumption tax automatically applied to every DeFi borrow/repay transaction, routed on-chain to jurisdictional collection services.

9.2 DeFi DEX Liquidity Pools and Automated Market Makers (AMMs) with RWA-Backed Tokens

Specific Embodiment (supported by InternetBlockchainRWAProtocol101124Provisional.docx and TokenizedFrameworkRWA061025Provisional.docx):

- RWA tokens (minted via the structured primary/spot market framework) are paired in DEX liquidity pools (Uniswap V2/V3 forks, or custom AMMs).
- The RWA Communication Protocol supplies real-time, single-source price/index feeds (e.g., ICE/EEX) directly into the AMM via the messaging queue, eliminating oracle latency and manipulation risk.
- Every swap or liquidity provision triggers the consumption tax mechanism, with proceeds automatically distributed to treasury, reinvestment, or SDG-aligned pools.
- Music-industry equity tokens (from the creative equity monetization module) can be added as trading pairs, with dynamic pricing updated via streaming metrics oracles.

Novelty and Related Patentable Embodiments:

- First RWA-native DEX integration using direct middleware feeds instead of oracles, combined with embedded consumption taxation.
- AI SDG agents score liquidity pools in real time, automatically routing a portion of fees to high-scoring SDG projects (Pigouvian Subsidy mechanism from reflex index provisionals).

9.3 Yield Farming, Staking, and Liquid Staking with AI SDG Scoring

Specific Embodiment:

- Users stake PRIMARY RWA (DEPOSIT) TOKEN or any tokenized RWA into yield farming pools.
- The AI SDG agents continuously score the underlying assets or collateral or project using the 3D vector system (specificity, sensitivity/intensity).
- High-scoring stakes receive boosted yields via Pigouvian Subsidy logic (reinvestment of a configurable percentage of transaction proceeds or loan repayments into IoT infrastructure or physical asset expansion).
- Quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption secures all staking transactions, reward distributions, and un-staking events.
- Fractional-reserve SCA pledging allows staked assets or collateral to remain in customer-owned accounts while still participating in DeFi yield strategies.

Novelty and Related Patentable Embodiments:

- First yield-farming protocol that uses Multiple-agent 3D SDG scoring to dynamically allocate and boost rewards.

- Hybrid Web2/Web3 accounting API automatically generates GAAP/IFRS-compliant yield reports from on-chain staking data.

9.4 Derivatives, Synthetics, and Options Markets Using RWA Reflex Indexes

Specific Embodiment (supported by RWA reflex index descriptions in multiple provisionals):

- The structured RWA primary/spot market framework issues reflex-index tokens (non-pegging, volatility-dampened synthetics backed by any RWA assets or collateral).
- These tokens are listed on DeFi derivatives platforms for options, futures, forwards, and swaps.
- The RWA Communication Protocol supplies price discovery feeds; quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption protects order books and settlement.
- Consumption tax applies to every derivative execution, with AI SDG agents optionally filtering instruments to ESG-compliant underlying.

Novelty and Related Patentable Embodiments:

- First DeFi derivatives market natively using audited RWA reflex indexes with embedded consumption taxation and SDG scoring filters.

9.5 Cross-Chain and ReFi DeFi Bridges

Specific Embodiment (supported by RWA communication and tokenized banking provisionals):

- The messaging queue protocol enables secure cross-chain bridging of RWA tokens between any L1/L2 blockchains.

- Tokenized banking services (interest-free loans, no-fee transfers) are exposed as composable DeFi primitives via standardized smart contract interfaces.
- AI SDG agents orchestrate ReFi (regenerative finance) applications, automatically bundling high-scoring projects into cross-chain tokenized baskets.

Novelty and Related Patentable Embodiments:

- First cross-chain RWA bridge using direct middleware translation combined with quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE and consumption tax enforcement.

10. Tokenized Web4 Bank and Institutional Tokenization, Staking, and Looping Platform

The Web4 Bank is a fully tokenized on-chain Web4 banking infrastructure that achieves 30–40% operational efficiency gains through smart-contract automation of hypothecation, profit-sharing, and all core banking services. The Web4 Kernel or Superkernel operates at the object/root level of the system, autonomously rewriting malicious code on-the-fly and enabling fully decentralized, counterparty-driven transactions without intermediaries. Institutional Tokenization, Staking, and Looping provides institutional-grade tokenization and staking services for illiquid RWAs (including Energy/PERWA, Land/PLRWA, Minerals/PMRWA, and Water/PWRWA), utilizing bankruptcy-remote pledging via a Custody and Pledging Agreement (no title transfer), Multiple-party computation (MPC) secured custody, supplemental APY through institutional staking, and estimated looping via proxy-tokenized hypothecation, all while maintaining full compliance with NY UCC Article 12, NYDFS custody guidelines, and Puerto Rico IFE charter requirements.

Tokenized Web4 Kernel or Superkernel Functionality (Expanded Detail):

The Web4 Kernel or Superkernel is an object-level/root-level kernel that executes at the lowest architectural layer of every smart contract, transaction object, and digital asset instance within the Web4 banking system. It operates autonomously as a self-contained, immutable execution environment that:

- Inspects and Rewrites Malicious Code On-the-Fly: Upon any code execution or transaction initiation, the Kernel or Superkernel performs real-time static and dynamic analysis of the incoming bytecode or smart-contract logic. Any detected malicious, anomalous, or non-compliant code (e.g., reentrancy attempts, unauthorized state modifications, or backdoor injections) is automatically rewritten or sanitized at the object level before execution proceeds. This rewriting occurs without interrupting the transaction flow and leaves an immutable on-chain audit log of the modification.
- Object-Level Isolation and Self-Healing: Every transaction, RWA token, loan instrument, or banking operation is instantiated as a unique, self-contained web object. The Kernel or Superkernel enforces strict object-level isolation, ensuring that no object can access or modify another object's state unless explicitly authorized via W4S object-level encryption rules. If an object detects corruption or attack, the Kernel or Superkernel triggers an autonomous self-healing routine that restores the object from a quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE-encrypted backup stored in the timestamp-based non-repeatable DLT.
- Decentralized Counterparty-Driven Transactions: The Kernel or Superkernel enables direct counterparty-to-counterparty (first-party) communication and execution, bypassing all traditional intermediaries, oracles, and centralized validators.

Transactions are validated and settled entirely at the object level using W4S encryption and the Kernel or Superkernel's root-level consensus rules, eliminating single points of failure and reducing latency to sub-second levels.

- Intrinsic Quantum Tolerance: By operating at the object/root level and combining W4S object-level encryption with the quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE subsystem, the Kernel or Superkernel renders the entire banking architecture immune to classical and quantum attacks (including Shor's and Grover's algorithms) because security is intrinsic to each data object rather than reliant on computational hardness assumptions.
- Integration with All System Components: The Kernel or Superkernel is embedded in every layer of the Web4 banking system:
    - RWA Communication Protocol queue (protects inbound data translation).
    - Tokenized banking smart contracts (deposit, loan, payment, and consumption-tax functions).
    - Fractional-reserve SCA pledging logic (ensures no title transfer occurs).
    - AI Agent SDG scoring and token issuance pipelines.
    - RWA Multiple-Yield-Input model execution.
    - Agentic commerce layer (secures autonomous negotiation and execution).
    - Puerto Rico IFE + Act 60 tax-optimized treasury operations.

All Kernel or Superkernel actions are logged immutably on the timestamp-based non-repeatable DLT with zero-knowledge attestations for regulatory auditability.

Institutional Tokenization, Staking, and Looping provides institutional-grade tokenization and staking services for illiquid RWAs (including Energy/PERWA, Land/PLRWA,

Minerals/PMRWA, and Water/PWRWA, or any other RWA), utilizing bankruptcy-remote pledging via a Custody and Pledging Agreement (no title transfer), Multiple-party computation (MPC) secured custody, 5–20% supplemental APY through institutional staking, and estimated looping via proxy-tokenized hypothecation, all while maintaining full compliance with NY UCC Article 12, NYDFS custody guidelines, and Puerto Rico IFE charter requirements. The Kernel or Superkernel ensures all INSTITUTIONAL TOKENIZATION, STAKING, AND LOOPING operations remain quantum-tolerant and self-healing.

Kernel or Superkernel Integration with RWA Communication Protocol (Novel Patentable Embodiment)

A core novel innovation of the Web4 Bank is the deep, object-level integration between the Web4 Kernel or Superkernel and the RWA Communication Protocol (Section 2). This integration transforms the middleware messaging queue from a passive data-transfer layer into an active, self-protecting, self-healing component of the Web4 banking infrastructure.

- Object-Level Instantiation of RWA Messages: Every inbound data feed (IPv6/TCP price index, IoT sensor stream, regulatory dataset, or single-source truth publication) is immediately instantiated by the Kernel or Superkernel as a unique immutable Web Object upon arrival at the queue. The Web Object carries its own globally unique ID and microsecond-precision instantiation timestamp, which serves as the next available segment in the Web-Object-based OTP/NON-REPEATING NUMERIC SEQUENCE non-repeating sequence (Section 9).
- On-the-Fly Malicious Code Rewriting and Message Sanitization: As the RWA Communication Protocol performs protocol translation (IPv6/TCP → IPv4/UDP/JSON/RPC/WebSocket), the Kernel or Superkernel simultaneously performs real-time static and dynamic analysis of the message payload and any

associated transformation logic. Any detected malicious, anomalous, or non-compliant code (e.g., injected reentrancy vectors, unauthorized state modifications, malformed JSON that could exploit downstream smart contracts, or backdoor attempts) is automatically rewritten or sanitized at the object level before the message is broadcast or delivered to consuming smart contracts. This rewriting is logged immutably on the timestamp-based non-repeatable DLT with zero-knowledge attestations.

- Self-Healing of the RWA Queue: If the middleware queue itself or any in-flight message is corrupted (e.g., due to network attack or Byzantine fault), the Kernel or Superkernel triggers an autonomous self-healing routine that restores the affected Web Object from a quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE-encrypted backup stored in the DLT. The restored message is then re-validated and re-broadcast without interrupting downstream banking operations (tokenized loans, SCA pledging, consumption-tax calculation, Multiple-Yield-Input model execution, or Institutional Tokenization, Staking, and Looping staking/looping).
- Oracle-Free, Counterparty-Driven Data Ingestion: The Kernel or Superkernel enables direct object-to-object communication between RWA Web Objects and Tokenized Web4 Bank smart contracts. Because every message is a self-contained Web Object protected by W4S Object-Level Encryption and the Kernel or Superkernel's root-level consensus rules, no traditional oracle consensus is required—even for high-frequency single-source truth feeds. This eliminates latency, single points of failure, and external trust assumptions while maintaining sub-second delivery.
- Dynamic Business-Rule Enforcement at Object Level: The Kernel or Superkernel applies configurable transformation rules (jurisdictional filtering, SDG scoring

integration, consumption-tax pre-calculation, or risk-tier allocation for Institutional Tokenization, Staking, and Looping staking) directly to the RWA Web Object before broadcast. These rules are executed atomically within the Kernel or Superkernel's isolated environment, ensuring that only compliant, sanitized data reaches tokenized banking services, fractional-reserve pledging logic, or institutional looping mechanisms.

- Quantum-Resistant and Regulatory Auditability: All RWA protocol operations inherit the full quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE subsystem (both IoT-derived and Web-Object-based embodiments) and TEE execution. Every sanitized or healed message generates a timestamped Merkle-proof audit trail that feeds directly into the GAAP/IFRS accounting normalization layer and regulatory reporting.

This Kernel or Superkernel–RWA Communication Protocol integration is the first architecture in which a root-level Kernel or Superkernel autonomously secures, sanitizes, and self-heals a middleware messaging queue at the Web-Object level, enabling fully on-chain, oracle-free, quantum-tolerant ingestion of any RWA data directly into a tokenized Web4 banking system while preserving object-level isolation and counterparty-driven execution.

The expanded Kernel or Superkernel integration with the RWA Communication Protocol constitutes additional novel, non-obvious subject matter that materially strengthens the Web4 Bank's security, efficiency, and regulatory robustness.

Institutional Tokenization, Staking, and Looping Staking Mechanism

Institutional investors enroll illiquid RWAs via a Custody and Pledging Agreement executed through smart contracts. No title transfer occurs; the assets remain in customer-owned

Special Custody Accounts (SCAs) that are bankruptcy-remote. The staking process is fully on-chain and automated:

- Enrollment and Tokenization: The RWA is tokenized as a RWA token (or equivalent) and staked into the Institutional Tokenization, Staking, and Looping pool. MPC-secured custody (Multiple-party computation) ensures institutional-grade protection against single-point failures.
- Supplemental APY Generation: Stakers earn a supplemental 5–20% APY on top of the base RWA yields. This supplemental yield is generated from a combination of: (i) proxy-tokenized hypothecation profits recycled from the Web4 Bank lending facilities, (ii) institutional staking rewards from the Multiple-Yield-Input Circular Model, and (iii) cross-RWA arbitrage opportunities executed autonomously by the AI Agent Framework.
- Reward Distribution and Recycling: All staking rewards are automatically compounded per transaction, block, or time (daily) and recycled back into the Multiple-Yield-Input Circular Model, creating a closed-loop regenerative flow that increases the intrinsic value of the staked tokens. Stakers may elect to receive rewards in PRIMARY RWA (DEPOSIT) TOKEN, PRIMARY PAYMENT TOKEN, or fiat/crypto equivalents.
- Risk-Adjusted Staking Pools: The Kernel or Superkernel dynamically allocates staked assets across multiple risk-tiered pools based on real-time audited assets or collateral valuation, SDG scoring, and jurisdictional parameters, ensuring optimal yield while maintaining regulatory capital requirements.

Institutional Looping Mechanisms

The looping mechanisms enable estimated (or higher, configurable) leverage on staked

assets or collateral without title transfer or additional risk to the customer. This is achieved through proxy-tokenized hypothecation, which is a core novel innovation of the platform:

- Proxy-Tokenized Hypothecation Process: When an institutional staker pledges an RWA to an SCA, the Web4 Kernel or Superkernel instantly creates a proxy token that represents the pledged assets or collateral. This proxy token is hypothecated (re-used) estimated within the tokenized banking services to issue PRIMARY LOAN TOKEN or other instruments. The original assets or collateral remains locked in the bankruptcy-remote SCA, and legal title never transfers. The proxy token is a unique Web Object under W4S Object-Level Encryption, ensuring isolation and quantum-resistant security.
- Loop Multiplier Enforcement: The Kernel or Superkernel autonomously manages the loop multiplier (default 5×, adjustable based on risk parameters). Each loop iteration generates additional yield that flows back into the staker's position and the Multiple-Yield-Input Circular Model. The calculus-based differential equation lending engine (Section 4) handles the at-scale asset and assets or collateral inputs/outputs while preserving principal and enforcing the network-effect repayment rule.
- Automated Loop Optimization and Safeguards: AI agents within the agentic commerce layer continuously monitor loop performance, assets or collateral volatility, and regulatory thresholds. If risk parameters are breached, the Kernel or Superkernel automatically reduces the multiplier or triggers partial unwinding while preserving bankruptcy-remote status. All loop operations are protected end-to-end by quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption (both IoT-derived and Web-Object-based embodiments) and logged immutably on the timestamp-based non-repeatable DLT.

- Regulatory and Compliance Features: The looping mechanism complies with NY UCC Article 12 (CERs), NYDFS custody guidelines, and Puerto Rico IFE + Act 60 tax incentives. An FX-Haircut modifier (Section 6) provides additional legal safeguards in the event of any challenge. Proof-of-reserves attestations and real-time GAAP/IFRS reporting are generated automatically via the accounting normalization layer.

Seamless Integration

Institutional tokens and stakes from Institutional Tokenization, Staking, and Looping flow directly into the tokenized banking services (interest-free loans, no-fee payments, deposits), the RWA Multiple-Yield-Input Circular Model, consumption-tax collection, and DeFi/ReFi protocols, creating a closed-loop institutional regenerative finance ecosystem. The Web4 Kernel or Superkernel ensures all staking and looping operations are self-healing and object-level isolated.

The Institutional Tokenization, Staking, and Looping mechanisms represent novel, non-obvious subject matter that enables institutional-scale, bankruptcy-remote, Multiple-x leveraged staking of illiquid RWAs within a fully tokenized Web4 banking environment while preserving customer ownership, quantum tolerance, and regulatory compliance.

11. RWA Multiple-Yield-Input Circular Model

The RWA Multiple-Yield-Input Circular Model is the AI-orchestrated, self-reinforcing yield-generation engine that powers the valuation, issuance, ongoing economics, and regenerative growth of all tokenized natural-resource Real World Assets within the Structured RWA Primary/Spot Market Framework. It transforms any tokenized natural-resource assets or collateral (Energy/PERWA, Land/PLRWA, Minerals/PMRWA including gold/silver/uranium, Water/PWRWA, or any verifiable RWA) into a high-yield, circular, self-

improving token that integrates directly with the Web4 Bank, Institutional Tokenization, Staking, and Looping, tokenized banking services (interest-free instruments), RWA Communication Protocol, consumption-tax mechanism, accounting normalization layer, creative industry equity monetization, quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption subsystem, Tokenized Web4 Kernel or Superkernel, agentic commerce layer, and all DeFi/ReFi protocols.

Core Multiple-Yield-Input Circular Model (Expanded Detail)

RWA tokens are generated and sustained through an AI-orchestrated Multiple-input circular model that operates continuously on-chain as a closed-loop system. Each input feeds into the others, creating exponential compounding without external fiat matching or liquidity-pool dependency. The model is executed atomically by the Web4 Kernel or Superkernel (object/root-level malicious-code rewriting and self-healing) and protected end-to-end by quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption (both IoT-derived and Web-Object-based embodiments).

1. RWA Fund Structure with Private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments Allocation – The treasury maintains a dynamic split between industry-specific tokenized commodities (the underlying RWA assets or collateral) and a dedicated private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments fund. This allocation is rebalanced in real time by AI agents based on audited assets or collateral valuation, SDG scoring, and market demand, providing stable base value while capturing upside from operational improvements and infrastructure expansion.

2. Tax Efficiencies under Puerto Rico International Financial Entity (IFE) Charter and Act 60 Incentives – The model incorporates the full Puerto Rico IFE + Act 60 tax-optimized treasury structure (4% fixed income tax, municipal tax exemptions, 75% property tax relief, 50/60% investor deductions, 0% capital gains on qualifying reinvestments within 90 days, and rollover exemptions). These efficiencies are applied automatically at the token level via smart-contract logic, maximizing net yield for holders and generating additional yield credits that flow back into the circular model.
3. Carbon Accounting and SDG Value Capture – Each RWA token embeds verified carbon accounting reductions (via the Protocol) and Multiple-dimensional SDG scoring vectors (specificity/sensitivity/intensity) from the AI Agent Framework. High-scoring projects generate additional yield credits that are automatically captured, tokenized, and compounded into the token's intrinsic value.
4. Per transaction, block, or time (daily) Automatic Compounding of Yields – The model performs per transaction, block, or time (daily) compounding of all eight yield inputs (assets or collateral appreciation, tax savings, SDG credits, staking rewards, hypothecation profits, network-effect velocity, arbitrage gains, and loop-multiplier amplification) directly into the token's intrinsic value using the calculus-based differential equation engine. Compounding occurs atomically on-chain with immutable timestamped records.
5. Web4 Network Effect – Liquidity and adoption are driven by the network effect of the tokenized banking services: deposits, no-fee payments, interest-free loans, consumption-tax events, and cross-RWA arbitrage create continuous demand for

RWA tokens, increasing velocity and compounding yield through the Web4 Kernel or Superkernel's object-level isolation and counterparty-driven execution.

6. Proxy-Tokenized Hypothecation within Tokenized Web4 Bank Lending Facilities – Pledged assets or collateral in Special Custody Accounts (SCAs) is hypothecated (estimated loop multiplier) via proxy tokens to issue PRIMARY LOAN TOKEN. The resulting lending profits flow back into the treasury, creating a self-reinforcing yield loop without title transfer or risk to customer ownership.
7. Institutional Staking and Looping – Institutional investors stake and loop illiquid RWAs, earning supplemental APY. Staking rewards are automatically recycled into the Multiple-Yield-Input model, further increasing token value while maintaining bankruptcy-remote ownership and MPC-secured custody.
8. Loop Multiplier (estimated 5x) – The cumulative effect of the above inputs is amplified by a configurable loop multiplier (estimated 5x) achieved through proxy-tokenized hypothecation and reinvestment. The AI Agent Framework continuously optimizes the multiplier based on real-time risk, assets or collateral valuation, SDG scoring, and regulatory parameters.

Novel Patentable Embodiments (Added Detail)

- AI-Agent-Driven Real-Time Optimization of All 8 Inputs: The specialized AI SDG agents (Section 1) and the agentic commerce layer continuously monitor, predict, and adjust each of the 8 yield inputs in real time. The Web4 Kernel or Superkernel executes these optimizations at the object/root level, ensuring self-healing and quantum-resistant execution.
- On-Chain Verifiable Yield Attestation: Every yield component generates a cryptographically signed, timestamped Merkle-proof attestation that is logged on the

timestamp-based non-repeatable DLT and fed directly into the GAAP/IFRS accounting normalization layer for regulatory reporting.

- Dynamic Yield Allocation to SDG Projects: A portion of generated yield is automatically allocated to high-scoring SDG projects via smart-contract rules, creating a regenerative feedback loop that further enhances carbon accounting credits and token value.
- Cross-RWA Arbitrage Automation: The model autonomously identifies and executes cross-RWA arbitrage opportunities (e.g., between PERWA and PWRWA) using RWA Communication Protocol data feeds, with all arbitrage profits recycled into the circular model.
- Integration with Creative Equity Monetization: Creative industry tokens can be pledged into the treasury, allowing usage-metric-driven royalties to participate in the Multiple-Yield-Input loop.

Treasury and Operational Mechanics

The treasury employs dynamic allocation, predictive analytics, and automated portfolio rebalancing. All yield inputs are protected by the Web4 Kernel or Superkernel and W4S Object-Level Encryption. The model is fully modular, allowing any RWA to plug into the same issuance pipeline with adjusted economics.

This RWA Multiple-Yield-Input Circular Model is the first AI-orchestrated, tax-optimized, Multiple-input circular yield engine for tokenized natural-resource RWAs that integrates primary/spot market issuance with interest-free banking, institutional staking/looping, consumption taxation, creative equity, quantum-resistant security, and regenerative SDG feedback in a single closed-loop system.

12. W4S Object-Level Encryption and Web4 Security Scheme

The W4S (Web4 Security) Object-Level Encryption and Web4 Security Scheme is the foundational intrinsic security architecture of the entire Web4 Banking System Archetype. Unlike conventional layered or perimeter-based security models that rely on external firewalls, access-control lists, or computational hardness assumptions (vulnerable to quantum attacks), W4S embeds security directly into every data element at the object level. Every transaction, token record, RWA assets or collateral pledge, loan instrument, SDG score vector, creative equity token, consumption-tax event, staking position, yield-input calculation, or any other data element is instantiated as a unique, immutable, self-contained Web Object. Security is therefore intrinsic to the object itself — not added as an afterthought — enabling direct object-to-object (first-party) communication and execution while eliminating intermediaries, oracles, and traditional attack surfaces.

Core Architecture and Operation

- Web Object Instantiation: Upon creation, each Web Object is assigned:
    - A globally unique cryptographic object ID (guaranteed collision-free).
    - A microsecond (or finer) precise timestamp of instantiation recorded on the timestamp-based non-repeatable DLT.

      These two attributes alone form the basis of the Web-Object-based OTP/NON-REPEATING NUMERIC SEQUENCE, ensuring perfect forward secrecy without external entropy.
- Intrinsic Object-Level Encryption: The plaintext payload of the Web Object is encrypted using the quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE subsystem (either IoT-derived or Web-Object-based embodiment). The resulting ciphertext is stored as part of the Web Object itself. The Web4 Kernel or Superkernel

enforces this encryption atomically at the object/root level before any operation proceeds.

- Direct Object-to-Object Communication: Web Objects communicate and execute directly with one another using W4S rules enforced by the Kernel or Superkernel. No traditional API gateways, oracles, or centralized validators are required. Authorization is intrinsic: a Web Object can only interact with another if the Kernel or Superkernel validates the W4S encryption match and the object-level isolation rules. This delivers sub-second latency and removes single points of failure.
- On-the-Fly Malicious Code Rewriting and Self-Healing: The Web4 Kernel or Superkernel performs real-time static and dynamic analysis on every Web Object (including inbound RWA Communication Protocol messages). Any malicious, anomalous, or non-compliant code is automatically rewritten or sanitized at the object level. If corruption is detected, the Kernel or Superkernel triggers autonomous self-healing by restoring the object from a quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE-encrypted backup in the DLT. All actions are logged immutably with zero-knowledge attestations.
- Object-Level Isolation: Strict isolation guarantees that no Web Object can access or modify another object's internal state unless explicitly authorized via W4S rules. This eliminates reentrancy, unauthorized state changes, and cross-object attacks by design.
- Integration with All System Components: W4S is embedded universally:
    - RWA Communication Protocol messages become protected Web Objects before translation or broadcast.

    - Tokenized banking instruments (PRIMARY RWA/LOAN/PAYMENT TOKENs), SCA pledging, and Institutional Tokenization, Staking, and Looping staking/looping positions exist as self-secured Web Objects.
    - RWA Multiple-Yield-Input calculations and creative equity tokens inherit intrinsic security.
    - Consumption-tax triggers and accounting-normalization journal entries are executed as atomic Web Object operations.
    - Agentic commerce AI agents negotiate and execute only via W4S-authenticated object-to-object channels.
- Regulatory and Auditability Features: Every Web Object carries an immutable on-chain audit trail (timestamped Merkle proofs) that feeds directly into the GAAP/IFRS normalization layer and regulatory reporting. The scheme complies with NY UCC Article 12, NYDFS custody guidelines, with SEC, MiFID II, MiCA, FINMA, MAS, VARA, and Puerto Rico IFE + Act 60 requirements.

Novel Patentable Embodiments

- Self-Authenticating Web Objects: Each Web Object contains its own W4S cryptographic proof-of-authenticity, allowing any receiving object or external regulator to verify integrity and provenance without querying a central authority.
- Intrinsic First-Party Security Model: Security derives entirely from the object's internal state and the Kernel or Superkernel's root-level rules, enabling true counterparty-driven execution across the entire Web4 network.
- Hybrid Quantum-Resistant Fallback: W4S seamlessly switches between IoT-derived and Web-Object-based OTP/NON-REPEATING NUMERIC SEQUENCE embodiments

based on deployment constraints while maintaining information-theoretic perfect secrecy.

- Dynamic Object Evolution: Web Objects can evolve (e.g., update yield inputs or SDG scores) while preserving their immutable core through Kernel or Superkernel-controlled self-healing and re-encryption, all without breaking the non-repeating sequence or isolation guarantees.

This W4S Object-Level Encryption and Web4 Security Scheme is the first architecture in which security is intrinsic to every Web Object, enforced at the root level by a self-healing Kernel or Superkernel, and integrated end-to-end with RWA data ingestion, tokenized banking, institutional staking/looping, regenerative yield generation, and quantum-resistant cryptography.

13. Agentic Commerce Layer

The Agentic Commerce Layer is the autonomous, Multiple-agent orchestration engine that enables intelligent, self-executing commercial transactions across the entire Web4 Banking System Archetype. It deploys specialized AI agents that operate as fully autonomous software entities capable of perceiving market conditions, negotiating terms, executing trades/loans/staking operations, detecting fraud, optimizing yields, routing transactions, rebalancing portfolios, applying consumption-tax logic, and issuing SDG-aligned alerts — all without human intervention. The layer is natively integrated with the Web4 Kernel or Superkernel (for object/root-level execution, malicious-code rewriting, and self-healing), W4S Object-Level Encryption (for intrinsic security and direct object-to-object communication), quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE subsystem, RWA Communication Protocol (for real-time data feeds), RWA Multiple-Yield-Input Circular

Model (for yield optimization), Institutional Tokenization, Staking, and Looping staking/looping mechanisms, tokenized banking services (interest-free instruments), consumption-tax mechanism, creative industry equity monetization, and the GAAP/IFRS accounting normalization layer.

Core Architecture and Operation

- Autonomous AI Agent Framework: The layer consists of a swarm of specialized agents (including the SDG-specific agents from Section 1 and additional commerce-focused agents). Each agent is instantiated as a self-contained Web Object under W4S Object-Level Encryption. Agents communicate directly with one another and with any other Web Object (RWA tokens, loan instruments, staking positions, yield calculations) via Kernel or Superkernel-enforced object-to-object channels, eliminating intermediaries and oracles.
- Perception and Decision-Making: Agents continuously ingest real-time data from the RWA Communication Protocol (price indices, IoT streams, usage metrics for creative equity, SDG scoring vectors). Using predictive analytics and Multiple-dimensional scoring (specificity/sensitivity/intensity), agents evaluate opportunities for arbitrage, loan origination, staking enrollment, yield rebalancing, or creative royalty monetization.
- Autonomous Negotiation and Execution: Agents negotiate terms directly with counterparty Web Objects (e.g., interest-free loan requests, Institutional Tokenization, Staking, and Looping staking pool allocations, or cross-RWA arbitrage trades). Negotiation occurs via smart-contract-encoded rules and is executed atomically once consensus is reached. Examples include:

    - Routing a PRIMARY LOAN TOKEN issuance to the optimal SCA-pledged assets or collateral pool.
    - Enrolling an illiquid RWA into Institutional Tokenization, Staking, and Looping for supplemental APY with automatic 5× looping.
    - Executing dynamic pricing adjustments for creative equity tokens based on streaming metrics.
- Fraud Detection and Risk Mitigation: The Web4 Kernel or Superkernel performs real-time analysis on every proposed transaction. Agents flag anomalies (e.g., unusual velocity patterns or mismatched SDG scores) and trigger automatic rejection, claw-back, or quarantine of the affected Web Object. Self-healing restores any corrupted agent state from OTP/NON-REPEATING NUMERIC SEQUENCE-encrypted DLT backups.
- Yield Optimization Engine: Agents continuously optimize the RWA Multiple-Yield-Input Circular Model by:
    - Rebalancing the treasury allocation.
    - Adjusting the loop multiplier based on real-time risk parameters.
    - Routing consumption-tax proceeds or creative equity royalties into high-yield SDG projects.
    - Executing cross-RWA arbitrage to capture instantaneous profit opportunities.
- SDG Alerts and Regenerative Routing: Agents monitor SDG scoring in real time and issue autonomous alerts or re-route transactions to maximize regenerative impact (e.g., directing yield to high-specificity carbon-capture projects). All actions generate immutable on-chain attestations for GAAP/IFRS reporting.

- Quantum-Resistant and Regulatory Compliance: Every agent action is protected by end-to-end OTP/NON-REPEATING NUMERIC SEQUENCE encryption and executed inside the Kernel or Superkernel's isolated environment. Full audit trails (timestamped Merkle proofs) feed the accounting normalization layer and support regulatory compliance (NY UCC Article 12, NYDFS, SEC, MiFID II, MiCA, FINMA, MAS, VARA, Puerto Rico IFE + Act 60, etc.).

Novel Patentable Embodiments

- Agent-to-Agent Swarm Negotiation via W4S Web Objects: Multiple agents negotiate collectively as a swarm, reaching consensus through Kernel or Superkernel-mediated object-to-object voting without external coordination.
- Predictive Yield Rebalancing with Consumption-Tax Pre-Computation: Agents forecast future yield inputs and pre-compute consumption-tax impacts to optimize net returns before execution.
- Autonomous Creative Equity Royalty Optimization: Agents monitor usage metrics and autonomously trigger royalty-splitting adjustments or limited-print token sales to maximize creator revenue while feeding proceeds into the circular model.
- Self-Healing Agent Swarm Resilience: In the event of partial swarm failure, the Kernel or Superkernel redistributes tasks across surviving agents while preserving transaction atomicity and quantum-resistant security.

This Agentic Commerce Layer is the first fully autonomous, Kernel or Superkernel-orchestrated, Web-Object-native commerce engine that integrates real-time negotiation, fraud detection, yield optimization, SDG routing, and regenerative finance across tokenized banking, institutional staking, RWA primary/spot markets, and creative equity monetization within a quantum-resistant Web4 environment.

14. Puerto Rico IFE + Act 60 Tax-Optimized Treasury Structure

The Puerto Rico IFE + Act 60 Tax-Optimized Treasury Structure is the regulatory and tax-efficiency engine embedded within the Web4 Bank and the RWA Multiple-Yield-Input Circular Model. It enables the entire Web4 Banking System Archetype to operate under the full benefits of a Puerto Rico International Financial Entity (IFE) charter combined with Act 60 incentives, applying these tax advantages automatically and immutably at the smart-contract and token level to every tokenized RWA, deposit, loan, staking position, yield input, creative equity monetization event, and consumption-tax collection. This structure transforms the treasury into a closed-loop, tax-optimized regenerative finance vehicle that maximizes net yield for holders while maintaining full compliance with Puerto Rico's IFE regulatory framework, NY UCC Article 12, NYDFS custody guidelines, with SEC, MiFID II, MiCA, FINMA, MAS, VARA, and U.S. federal tax reporting obligations.

Core Architecture and Operation

- IFE Charter Integration: The Web4 Bank is structured as (or operates through) a licensed Puerto Rico IFE, granting it the ability to conduct international banking and investment activities with preferential tax treatment. All tokenized banking services (PRIMARY RWA (DEPOSIT) TOKEN deposits, PRIMARY LOAN TOKEN issuance, PRIMARY PAYMENT TOKEN transfers) and institutional operations (Institutional Tokenization, Staking, and Looping staking/looping) are executed under the IFE umbrella via smart-contract declarations that are verified on-chain and auditable by regulators.

- Act 60 Incentive Automation: The following Act 60 incentives are encoded directly into the smart contracts and applied atomically by the Web4 Kernel or Superkernel at every relevant transaction:
    - 4% fixed income tax rate on all IFE-derived income (interest-free loan profits, hypothecation yields, staking rewards, and Multiple-Yield-Input returns).
    - Municipal tax exemptions and 75% property tax relief on treasury-held assets.
    - 50/60% investor deductions on qualifying contributions to the treasury.
    - 0% capital gains tax on reinvestments held for 90 days or more (rollover exemptions), with automatic enforcement: any qualifying reinvestment (e.g., proceeds from PRIMARY LOAN TOKEN repayments, consumption-tax collections, or creative equity royalties) is flagged and routed into the treasury with zero capital-gains recognition.
    - Dynamic tax-rate switching logic that selects the most favorable treatment based on jurisdictional settings or user election while maintaining GAAP/IFRS normalization compliance.
- Treasury Structure with Allocation: The RWA treasury maintains a dynamic split between industry-specific tokenized natural-resource assets or collateral (RWAs) and a dedicated private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments fund. This allocation is rebalanced in real time by the Agentic Commerce Layer using RWA Communication Protocol data feeds and Kernel or Superkernel-enforced rules. All allocations and rebalances are executed under the Act 60 framework, ensuring tax efficiencies compound per transaction, block, or time (daily) within the Multiple-Yield-Input Circular Model.

- Automatic Application to On-Chain Flows:
    - Interest-free loan repayments, staking rewards, and hypothecation profits are automatically routed through the IFE treasury with 4% taxation and 0% capital-gains treatment on qualifying reinvestments.
    - Consumption-tax proceeds and creative equity royalty distributions are treated as IFE-eligible income and reinvested with full Act 60 deductions.
    - Institutional Tokenization, Staking, and Looping institutional staking/looping positions inherit the same tax treatment, with supplemental APY and estimated looping profits flowing tax-efficiently back into the circular model.
    - Every operation generates an immutable, timestamped Merkle-proof attestation that feeds directly into the GAAP/IFRS accounting normalization layer for real-time journal entries and regulatory reporting.
- Bankruptcy-Remote and Quantum-Resistant Safeguards: All treasury assets remain in customer-owned Special Custody Accounts (SCAs) without title transfer. The Web4 Kernel or Superkernel and W4S Object-Level Encryption protect every tax-optimized Web Object. Quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE encryption (IoT-derived or Web-Object-based) secures all treasury data flows.

Novel Patentable Embodiments (Added Detail)

- Smart-Contract Automated IFE/Act 60 Rule Engine: A dedicated treasury smart contract that applies the full suite of IFE/Act 60 incentives atomically to every on-chain flow, with dynamic 90-day holding-period enforcement and rollover logic.
- Token-Level Tax Treatment Inheritance: Every RWA token, PRIMARY RWA/LOAN/PAYMENT TOKEN, and Institutional Tokenization, Staking, and Looping

staking position inherits IFE/Act 60 treatment by design, enabling seamless tax-efficient compounding across the entire Web4 network.

- Regenerative Tax-Neutral Yield Loop: A portion of tax-optimized yield is automatically allocated to high-SDG projects, creating a closed-loop regenerative mechanism that enhances carbon accounting credits while preserving 0% capital-gains treatment on reinvestments.
- Multiple-Jurisdictional Tax-Rate Switching with Auditability: The Kernel or Superkernel dynamically selects the optimal tax treatment (e.g., switching between Act 60 and other jurisdictions) while generating real-time GAAP/IFRS-compliant attestations for cross-border compliance.

This Puerto Rico IFE + Act 60 Tax-Optimized Treasury Structure is the first fully on-chain, smart-contract-automated implementation of IFE/Act 60 incentives applied at the token and Web-Object level within a quantum-resistant, Kernel or Superkernel-protected Web4 banking system, enabling seamless tax-efficient compounding across tokenized RWAs, interest-free instruments, institutional staking/looping, creative equity, and regenerative finance flows.

Basel LTV Calculation Engine (Computer-Implemented Method)

Core LTV Formula (enforced atomically on-chain):

$$\text{LTV}_t = \frac{\text{Loan Exposure}_t}{\text{Current Oracle Value of Assets or Collateral}_t}$$

{LTV}_t = \frac {{Loan Exposure} _t} {{Current Oracle Value of Assets or Collateral} _t}

where (t) denotes the block timestamp, and the oracle value is attested via the RWA Communication Protocol (middleware MOM queue with Merkle-proof auditing).

Adapted Basel-Style Conservative LTV Thresholds (policy-enforced via smart-contract hard limits):

RWA Type	Maximum Policy LTV	Prime / Low Risk Target LTV	Automated Liq Trigger	Exp LGD (Parisii)	Trad Bank Equivalent LGD
Gold / Precious	≤ 75%	≤ 65%	80–85%	8–15%	20–40%
Metals Energy (PARYS Energy RWA)	≤ 70%	≤ 60%	75–80%	12–22%	30–55%
Water / Carbon / Land Mixed RWA Basket	≤ 65%	≤ 55%	70–75%	15–28%	35–60%

These thresholds are materially tighter than conventional bank policy limits due to (1) instantaneous on-chain liquidation via PAYMENT token burn + assets or collateral sale, (2) 1:1 par reserves in isolated bankruptcy-remote sub-pools (no rehypothecation), and (3) Kernel or Superkernel-protected real-time monitoring.

Dynamic LGD Adjustment (Novel Patentable Embodiment)

LGD is not static. It is dynamically adjusted in real time based on proximity to the liquidation trigger:

$$\text{LGD}_{\text{adjusted}} = \text{base\_LGD} \times \left(1 + \max\left(0, \frac{\text{LTV} - \text{target\_LTV}}{\text{liq\_trigger} - \text{target\_LTV}}\right)\right)$$

{LGD}_{{adjusted}} = {base_LGD} \times \left (1 + \max\left (0, \frac{{LTV} - {target_LTV}}{{liq_trigger} - {target_LTV}} \right) \right)

with a hard cap at 45%. This proximity-based escalation is executed entirely within the smart-contract layer and logged immutably for GAAP/IFRS attestations.

Full Expected Loss (EL) Framework (PD × LGD × EAD)

$$\text{EL} = \text{PD} \times \text{LGD}_{\text{adjusted}} \times \text{EAD}$$

{EL} = {PD} \times {LGD}_{{adjusted}} \times {EAD}

where:

- PD (Probability of Default) is calibrated per RWA type with volatility adjustment factor (default 1.0; stress-adjusted up to 1.25+).
- EAD is fixed at 100% of current LOAN TOKEN position (no undrawn commitments beyond pledged assets or collateral).
- Parisii baselines yield 60–80% lower EL than traditional banks (e.g., Gold EL ≈ $7,200 per $1M exposure vs. traditional $20,000–$50,000).

Stress Testing Module (Integrated IAAS Microservice)

A production-ready stress-testing function is invoked quarterly or on volatility spikes (e.g., 30% price drop scenario):

$$\text{Stressed Assets or Collateral} = \text{Original Assets or Collateral} \times (1 - \text{priceDropPercent}/100)$$

{Stressed Assets or Collateral} = {Original Assets or Collateral} \times (1 - {priceDropPercent}/100)

The full risk engine (normal + stress) returns a combined result object containing current LTV, stressed LTV, risk increase percentage, and overall status (“Healthy” / “Monitor” / “Liquidation Imminent”). This output is published via the single-source-of-truth RWA Communication Protocol and triggers AI Bot Swarm actions (margin calls, partial repayment, or automated liquidation).

IAAS Implementation & Kernel or Superkernel Protection

The entire LTV/EL engine runs as a sovereign-ID microservice within the IAAS compliance stack. Object-level W4S encryption ensures that risk parameters and assets or collateral data are never exposed in plaintext. The Kernel or Superkernel performs real-time bytecode analysis and malicious-code rewriting on every execution. All calculations are auditable via monthly on-chain attestations (GAAP/IFRS certified).

Integration with the Multiple-Yield-Input Circular Model

Lower risk parameters (tighter LTVs, reduced EL) directly feed Input 6 (Proxy-Tokenized Hypothecation) and Input 8 (Loop Multiplier), enabling safer 5× looping while maintaining regulatory compliance. Carbon/ESG yield credits are risk-adjusted in real time, further optimizing the circular model.

Novel Embodiments:

- Real-time, oracle-driven LTV calculation with atomic smart-contract enforcement and dynamic LGD proximity escalation.
- Stress-testing module returning both normal and stressed results in a single call, with automatic risk-increase percentage.

- Full integration of Basel III/IV LTV/PD/LGD/EAD baselines into the Multiple-Yield-Input circular model for tokenized RWAs, including GENIUS Act leverage multipliers.
- IAAS microservice architecture with sovereign IDs that allows licensed deployment while preserving 1:1 reserve backing.

Novel Patentable Embodiments

- Self-Financing Facility with Below-Prime Borrowing + Retained Upside + Yield Share Recycling: Clients borrow against their own pledged RWAs at rates below prime while retaining full beneficial ownership and upside exposure. An average yield share from the lending facility is automatically recycled into the RWA Treasury, supporting token appreciation.
- Loan Token with Contractual Claw-Back Rights: Outbound lending uses a tokenized LOAN TOKEN that provides contractual claw-back rights on non-performing loans, materially reducing counterparty and credit risk on the outbound side.
- Dual-Side Risk Mitigation (Inbound Dynamic Adjustment Layer + Outbound Claw-Back): The pledge structure functions as a dynamic adjustment layer (inbound risk buffer) combined with outbound LOAN TOKEN claw-back.
- Infrastructure-as-a-Service (IAAS) Compliance Stack with Sovereign IDs and Microservices: A layered microservice architecture (Application Layer, Repository Layer, Smart Contract Layer, Embedded Accounting/Banking Functions) with unique sovereign IDs for smart-contract management, fully aligning with GENIUS Act, Basel III/IV, Dodd-Frank, LTV, NSFR, and LCR requirements.
- GENIUS Act Leverage Exemptions for Higher Borrowing Ratios: Exemption from Dodd-Frank Collins Amendment constraints enables up to 60× or higher leverage

multipliers on approved stablecoin or RWA reserves while maintaining 1:1 reserve backing.

- Basel III/IV Adapted LTV & Credit Risk Baselines for Tokenized RWAs: Specific LTV thresholds (e.g., Gold ≤75%, Energy ≤70%, Water ≤65%), PD/LGD/EAD parameters, real-time oracle valuation, and smart-contract liquidation thresholds.
- Stress Testing Integration into IAAS Risk Microservices: Real-time stress testing (price drop scenarios) with automated LTV/LGD/PD adjustments.
- ISDA VM CSA Pledge Opinion with Special/Sub-Custody Accounts and Full Title Waiver: Detailed legal opinion on non-title-transfer pledge, bankruptcy-remote sub-custody, and full waiver of title transfer.
- Carbon Accounting and ESG Value Creation Integration into Yield Model: Explicit linkage of carbon accounting (GHG Protocol, Penman methodology) and ESG value creation (McKinsey 5 ways) to the Multiple-Yield-Input model for additional yield credits.
- Real-Time Settlement in RWA Infrastructure: Compression of settlement time in infrastructure finance (aviation, energy, automation) as a core economic variable.

Detailed Analysis of Novel Concepts:

1. ISDA VM CSA Pledge Structure with Bankruptcy-Remote Special/Sub-Custody Accounts and FDIC Spreading

   The pledge operates as a security financial assets or collateral arrangement under the 2016 ISDA VM CSA (New York law). No title transfer occurs; the bank receives only a special proprietary legal interest. Assets are held in customer-owned bankruptcy-remote Special or Sub-Custody Accounts with FDIC-equivalent spreading (≤ $250K per account). Full waiver of title transfer applies even in insolvency.

2. Self-Financing Facility with Below-Prime Borrowing + Retained Upside + Yield Share Recycling

   Clients borrow against their own pledged RWAs at rates below prime while retaining beneficial ownership and upside. A 15% average yield share from the bank's lending facility is recycled directly into the RWA Treasury, supporting token appreciation. This closed-loop self-financing model is patentably distinct.

3. Loan Token with Contractual Claw-Back Rights

   Outbound lending uses a tokenized LOAN TOKEN that provides contractual claw-back rights on non-performing loans. Combined with the inbound dynamic adjustment layer, this dual-side risk mitigation is novel.

4. Infrastructure-as-a-Service (IAAS) Compliance Stack

   A layered microservice architecture with sovereign IDs, embedded accounting/banking functions, and full alignment with GENIUS Act, Basel III/IV, Dodd-Frank, LTV, NSFR, and LCR creates a licensable, compliant Web4 infrastructure layer.

5. GENIUS Act Leverage Exemptions

   Exemption from Dodd-Frank Collins Amendment constraints enables up to 60×+ leverage multipliers on approved stablecoin/RWA reserves while maintaining 1:1 backing.

6. Basel III/IV Adapted LTV & Credit Risk Baselines for Tokenized RWAs

   Specific LTV thresholds, PD/LGD/EAD parameters tailored to tokenized RWAs with real-time oracle valuation and smart-contract liquidation.

7. Real-Time Settlement in RWA Infrastructure

   Compression of settlement time in infrastructure finance (aviation, energy, automation) as a core economic variable.

Integration with the Broader System

Newly issued tokens from the primary/spot market are immediately eligible as assets or collateral for interest-free loans, deposits, and no-fee payments. The Multiple-Yield-Input model ensures every banking transaction feeds back into the circular yield loop, creating a self-sustaining, regenerative economic engine protected by the object/root-level Kernel or Superkernel and object-level encryption scheme.

Operational Flow (Computer-Implemented Method)

1. Enrollment and Pledge

   A client deposits eligible RWAs (Gold, Energy, Water, Land, Minerals, etc.) into a customer-owned bankruptcy-remote Sub-Custody Account. The pledge is recorded via the Custody and Pledging Agreement (ISDA VM CSA modeled) as a security financial assets or collateral arrangement with full waiver of title transfer. The Kernel or Superkernel instantiates a unique Web Object for the pledged position, embedding W4S object-level encryption and a non-repeating OTP/NON-REPEATING NUMERIC SEQUENCE derived from the Web Object's unique ID + instantiation timestamp.

2. Below-Prime Borrowing Calculation

   The Hypothecation microservice (Application Layer) computes available borrowing capacity in real time using the Basel III/IV adapted LTV engine (expanded in the preceding section):

$$\text{Borrowing Capacity} = \text{Oracle Assets or Collateral Value} \times (1 - \text{Max Policy LTV})$$

{Borrowing Capacity} = {Oracle Assets or Collateral Value} \times (1 - {Max Policy LTV})

The client may borrow up to this capacity in Loan tokens at a rate below prime (determined

by the calculus-based differential lending engine in Section 4, adjusted for the client's own assets or collateral quality and network-effect repayment history). The loan is issued as a tokenized LOAN TOKEN instrument carrying contractual claw-back rights on the outbound side.

3. Retained Upside and Beneficial Ownership

   The pledgor retains 100% beneficial ownership, including all price appreciation, dividends, carbon/ESG credits, and any other economic incidents of ownership. All upside accrues directly to the client's Web Object. The bank receives only a limited special proprietary legal interest for assets or collateral purposes. This is enforced atomically: any appreciation in the pledged assets or collateral automatically updates the client's equity position without triggering a transfer or dilution event.

4. Yield Share Recycling Mechanism (Novel Closed-Loop Engine)

   All interest and fees generated by the Web4 Bank's broader lending activities (including the client's own Loan and all other hypothecated positions) are aggregated into the RWA Treasury. A configurable yield share (baseline 15% average, adjustable per client risk profile and Act 60 tax-optimized structure) is automatically recycled as follows:

   - 15% of net lending yield is converted into additional RWA tokens or equivalent treasury assets.
   - These tokens are distributed pro-rata to all pledged positions, directly increasing the client's assets or collateral value and token holdings.
   - Recycling occurs per transaction, block, or time (daily) via the Multiple-Yield-Input Circular Model (Input 6: Proxy-Tokenized Hypothecation + Input 8: Loop Multiplier), creating a self-reinforcing compounding loop.

Mathematically:

$$\text{Client Yield Share}_t = 0.15 \times \sum(\text{All DeFED Lending Yields}_t) \times \left(\frac{\text{Client Pledged Value}_t}{\text{Total Pledged Value}}\right)$$

{Client Yield Share} _t = 0.15 \times \sum ({All DeFED Lending Yields} _t) \times \left (\frac {{Client Pledged Value} _t} {{Total Pledged Value}} \right)

The recycled amount is immediately re-pledged (with client consent) or held in the client's treasury position, further improving LTV headroom and enabling additional below-prime borrowing capacity.

5. Risk Mitigation and Automation
    - Inbound: Dynamic LTV monitoring with AI Bot Swarm margin calls.
    - Outbound: LOAN TOKEN claw-back rights.
    - Kernel or Superkernel self-healing ensures the facility remains operational even under attack.
    - All cash flows are routed through the consumption-tax mechanism (Section 3) and normalized under GAAP/IFRS accounting (Section 7) with real-time attestations.

Novel Patentable Embodiments

- Closed-loop self-financing where a client's own assets or collateral generates the yield that is recycled to reduce their effective borrowing cost and increase their equity position without additional external capital.
- Retention of full beneficial upside while enjoying below-prime rates, achieved through non-title-transfer ISDA VM CSA pledging combined with on-chain yield-share recycling.

- Integration of the yield-share engine directly into the Multiple-Yield-Input Circular Model, enabling per transaction, block, or time (daily) compounding and estimated looping multipliers while maintaining Basel III/IV LTV compliance and GENIUS Act leverage exemptions.
- Sovereign-ID IAAS microservice that allows licensed third-party banks or funds to deploy the identical self-financing facility while preserving 1:1 reserve backing and quantum-resistant security.

This facility transforms traditional assets or collateralized lending from a one-way risk-transfer mechanism into a regenerative, client-owned capital-efficiency engine, materially lowering the cost of capital for RWA owners while expanding the bank's lending capacity through recycled yield.

The Web4 Banking System Archetype introduces the Loan Token as the outbound leg of the three-token model (RWA deposit assets or collateral / token → Loan token → Payment token). This tokenized instrument embeds contractual claw-back rights directly into the smart-contract logic, enabling the Web4 Bank to automatically recover principal and accrued interest from non-performing loans without reliance on traditional judicial enforcement or title-transfer mechanisms. The LOAN TOKEN is issued as a bankruptcy-remote, sovereign-ID smart-contract object protected by W4S object-level encryption, quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCE (derived from Web Object ID + timestamp), and the object/root-level Kernel or Superkernel. All enforcement is atomic, real-time, and auditable on-chain under GAAP/IFRS normalization.

Operational Flow (Computer-Implemented Method)

1. Issuance of Loan Token

   Upon approval of a below-prime self-financing facility loan (Section 4 expansion) or

any other outbound lending activity, the Hypothecation microservice (IAAS Application Layer) mints a unique LOAN TOKEN. The token metadata includes:

- Original loan principal and interest accrual schedule (calculus-based differential engine).
- Embedded claw-back rights clause (modeled after ISDA VM CSA remedies but executed purely on-chain).
- Linked assets or collateral reference (inbound RWA position).
- Performance triggers (LTV breach, payment delinquency > configurable grace period, or Basel-adapted PD/LGD thresholds exceeded).

The token is transferred to the borrower's Web Object while the bank retains a limited special proprietary legal interest (no title transfer).

2. Performance Monitoring and Trigger Detection

   The AI Bot Swarm (protected by the Kernel or Superkernel) continuously monitors:

   - Real-time LTV via the Basel III/IV engine (LTV = LOAN TOKEN exposure / oracle assets or collateral value).
   - Payment status via PAYMENT flows.
   - Macro volatility adjustments and stress-test scenarios.

     If a trigger event occurs (e.g., LTV > liquidation threshold or delinquency > 48 hours), the smart contract autonomously initiates claw-back.

3. On-Chain Claw-Back Enforcement (Novel Atomic Execution)

   Claw-back is executed as a single atomic transaction:

Claw-Back Amount

$= \min$ (Outstanding LOAN TOKEN Principal + Accrued Interest,Value of Linked Assets or Collateral)

{Claw-Back Amount} = min ({Outstanding LOAN TOKEN Principal + Accrued Interest}, {Value of Linked Assets or Collateral})

- Payment tokens are burned from the borrower's wallet.
- Corresponding assets or collateral is automatically liquidated (or transferred to the bank's treasury) via the consumption-tax mechanism (Section 3) and routed to the RWA Treasury.
- Any excess assets or collateral is returned to the borrower.
- The entire event is logged as an immutable Web Object with Merkle-proof attestation for monthly GAAP/IFRS attestations and public reserve audits.

4. Integration with Dual-Side Risk Mitigation
    - Inbound: Dynamic LTV adjustment layer (Section Basel LTV expansion) acts as the first line of defense.
    - Outbound: LOAN TOKEN claw-back provides the second line, materially reducing counterparty and credit risk (LGD reduced to 5–25% vs. traditional 20–60%).
    - Recovered amounts are recycled into the Multiple-Yield-Input Circular Model (Input 6: Proxy-Tokenized Hypothecation), supporting yield-share recycling (15% average) back to all pledgors in the self-financing facility.
5. Regulatory Alignment

    The LOAN TOKEN claw-back is fully compliant with GENIUS Act leverage exemptions, Basel III/IV reserve requirements (LCR/NSFR/LTV), Dodd-Frank limits, Florida SB 314/HB 175 stablecoin rules, and Puerto Rico Act 60/IFE tax structures. No rehypothecation occurs; assets remain in isolated bankruptcy-remote sub-custody accounts.

Novel Patentable Embodiments:

- Tokenized loan instrument (LOAN TOKEN) that embeds enforceable contractual claw-back rights directly in the smart-contract bytecode, enabling automatic, non-judicial recovery without title transfer.
- Dual-side risk mitigation architecture combining inbound dynamic LTV adjustment with outbound LOAN TOKEN claw-back, achieving 60–80% lower expected loss (EL) than conventional banking.
- Closed-loop integration of claw-back recoveries into the self-financing facility and Multiple-Yield-Input Circular Model, recycling recovered principal into additional yield share and compounding for all participants.
- Sovereign-ID IAAS microservice that allows licensed third-party institutions to issue identical LOAN TOKEN instruments while preserving quantum-resistant security and real-time settlement in RWA infrastructure.

This LOAN TOKEN mechanism transforms outbound lending from a high-risk exposure into a regenerative, self-correcting component of the Web4 banking archetype, directly supporting real-time settlement in infrastructure finance (aviation, energy, automation) and materially expanding safe leverage capacity under GENIUS Act exemptions.

The Web4 Banking System Archetype implements a dual-side risk mitigation architecture that simultaneously addresses inbound assets or collateral risk (pledged RWAs) and outbound lending risk (Loan tokens) within a single, atomic, on-chain framework. This architecture is executed as a sovereign-ID microservice within the IAAS compliance stack, protected by the object/root-level Kernel or Superkernel (real-time bytecode analysis and malicious-code rewriting), W4S object-level encryption, and quantum-resistant OTP/NON-REPEATING NUMERIC Sequences derived from unique Web Object IDs + instantiation

timestamps. All monitoring, adjustment, and enforcement actions are performed in real time by the AI Bot Swarm, with immutable logging for GAAP/IFRS attestations and public reserve audits.

The inbound leg acts as a dynamic adjustment layer that continuously tightens risk parameters before default occurs. The outbound leg provides contractual claw-back rights that automatically recover value after default is triggered. Together they achieve a 60–80% reduction in expected loss (EL) compared with traditional banking while preserving 1:1 par reserves, bankruptcy-remote sub-custody accounts, and GENIUS Act leverage exemptions.

Operational Flow (Computer-Implemented Method)

1. Inbound Dynamic Adjustment Layer

   The Hypothecation microservice continuously recalculates LTV using the Basel III/IV adapted engine:

$$\text{LTV}_t = \frac{\text{Loan Exposure}_t}{\text{Oracle Assets or Collateral Value}_t}$$

{LTV}_t = \frac {{Loan Exposure} _t} {{Oracle Assets or Collateral Value} _t}

If LTV approaches the target threshold, the layer dynamically escalates LGD:

$$\text{LGD}_{\text{adjusted}} = \text{base\_LGD} \times \left(1 + \max\left(0, \frac{\text{LTV}_t - \text{target\_LTV}}{\text{liq\_trigger} - \text{target\_LTV}}\right)\right)$$

{LGD}_{{adjusted}} = {base_LGD} \times \left (1 + \max\left (0, \frac{{LTV}_t - {target_LTV}} {{liq_trigger} - {target_LTV}} \right) \right)

(hard-capped at 45%). The AI Bot Swarm issues automated margin calls, partial repayment requests via PAYMENT token burn, or assets or collateral top-up prompts. All actions are executed under object-level encryption and Kernel or Superkernel self-healing.

2. Outbound Claw-Back Layer (Loan Token Enforcement)

   Upon any trigger event (LTV breach, payment delinquency > 48 hours, or stress-test failure), the LOAN TOKEN smart contract atomically executes claw-back:

Claw-Back Amount

$= \min$ (Outstanding Principal + Accrued Interest,Linked Assets or Collateral Value)

{Claw-Back Amount} = \min ({Outstanding Principal + Accrued Interest}, {Linked Assets or Collateral Value})

Payment tokens are burned from the borrower's wallet; linked assets or collateral is liquidated (or transferred to the bank's treasury) via the consumption-tax mechanism; excess assets or collateral is returned to the pledgor. The entire transaction is recorded as a new Web Object with Merkle-proof attestation.

3. Closed-Loop Integration with Self-Financing Facility and Multiple-Yield-Input Model

   Recovered amounts are immediately recycled as yield share (baseline 15%) into the pledgor's RWA Treasury position. This improves LTV headroom, supports further below-prime borrowing, and feeds Inputs 6 and 8 of the Multiple-Yield-Input Circular Model, enabling per transaction, block, or time (daily) compounding and estimated proxy-tokenized hypothecation looping.

4. Stress Testing and IAAS Microservice Execution

   The dual-side engine invokes the integrated stress-testing module (30% price-drop scenario or volatility-adjusted PD) in a single call. Results (current LTV, stressed LTV, risk-increase percentage, status) are published via the RWA Communication Protocol and trigger Kernel or Superkernel-protected remedial actions.

Novel Patentable Embodiments:

- Atomic Dual-Side Risk Engine: A single smart-contract framework that simultaneously operates an inbound dynamic LTV/LGD adjustment layer and an outbound LOAN TOKEN claw-back layer, achieving 60–80% EL reduction while maintaining non-title-transfer ISDA VM CSA compliance.
- Regenerative Closed-Loop Recovery: Claw-back proceeds are automatically recycled as yield share into the pledgor's self-financing facility position, directly improving LTV headroom and feeding the Multiple-Yield-Input Circular Model without external capital.
- Kernel or Superkernel + W4S Protected Real-Time Enforcement: All monitoring, adjustment, and claw-back logic executes under object/root-level Kernel or Superkernel protection and object-level encryption, ensuring zero-downtime operation even under attack.
- IAAS-Deployable Sovereign-ID Microservice: The entire dual-side architecture is packaged as a licensable microservice with unique sovereign IDs, allowing third-party banks or funds to replicate the risk mitigation while preserving Basel III/IV, GENIUS Act, and 1:1 reserve compliance.

This dual-side risk mitigation transforms traditional assets or collateralized lending from a static, high-risk process into a regenerative, self-correcting capital-efficiency engine that supports real-time settlement in RWA infrastructure finance (aviation, energy, automation) and materially expands safe leverage capacity.

The Web4 Banking System Archetype implements a fully modular Infrastructure-as-a-Service (IAAS) Compliance Stack that packages the entire tokenized banking, risk management, and regulatory framework as a licensable, deployable microservices architecture. This stack enables any compliant third-party bank, fund, or financial institution to instantiate a

complete Tokenized Web4 Bank instance while preserving 1:1 par reserves, bankruptcy-remote sub-custody accounts, GENIUS Act leverage exemptions, Basel III/IV LTV/PD/LGD/EAD compliance, Dodd-Frank limits, Florida SB 314/HB 175 stablecoin rules, and Puerto Rico Act 60/IFE tax structures. The IAAS stack is executed under object/root-level Kernel or Superkernel protection (real-time bytecode analysis, malicious-code rewriting, and self-healing from DLT backups) and W4S object-level encryption, with all data protected by quantum-resistant OTP/NON-REPEATING NUMERIC SEQUENCEs derived from unique Web Object IDs + instantiation timestamps.

Layered Architecture (Computer-Implemented System)

The IAAS Compliance Stack is organized into five sovereign-ID-protected layers, each implemented as independent, interoperable microservices that communicate via the RWA Communication Protocol (middleware MOM queue with Merkle-proof auditing):

1. Application Layer

   Hosts end-user and institutional microservices: Hypothecation (LTV/EL calculations, dynamic adjustment, margin calls), Self-Financing Facility (below-prime borrowing + yield-share recycling), Loan Token issuance and claw-back enforcement, and AI Bot Swarm orchestration. All actions are triggered by Web Object events and executed atomically.

2. Repository Layer

   Manages persistent storage of Web Objects (pledged RWAs, LOAN TOKENs, treasury positions) in isolated bankruptcy-remote sub-custody accounts. Sovereign IDs ensure each smart contract and data object is uniquely addressable and self-managing, preventing cross-contamination or rehypothecation.

3. Smart Contract Layer

   Contains the executable logic for the three-token model (deposit assets or collateral, Loan, Payment), consumption-tax triggering, Multiple-Yield-Input Circular Model compounding, and dual-side risk mitigation. Every contract is assigned a unique sovereign ID at instantiation, enabling versioned upgrades without disrupting 1:1 reserve backing.

4. Embedded Accounting & Banking Functions Layer

   Provides real-time GAAP/IFRS normalization, monthly on-chain attestations (CEO/CFO certified), reserve audits, and balance-sheet translation for any digital asset. This layer feeds directly into the Basel III/IV LTV engine and stress-testing module.

5. Compliance & Risk Oversight Layer

   Integrates GENIUS Act leverage multipliers (up to 60×+ on approved RWA reserves), Basel III/IV capital/RWA/LCR/NSFR calculations, Dodd-Frank limits, and real-time stress testing. Outputs are published via the single-source-of-truth RWA Communication Protocol for public transparency.

Sovereign ID Mechanism (Novel Patentable Embodiment)

Each microservice and smart contract is instantiated with a unique sovereign ID generated from the Web Object's ID + timestamp + Kernel or Superkernel hash. This ID serves as a self-referential root for all operations, enabling:

- Automatic discovery and orchestration by the AI Bot Swarm.
- Isolated execution (no shared state across licensees).

- Seamless licensing: third-party institutions deploy the full IAAS stack under their own sovereign IDs while inheriting the patent-protected Kernel or Superkernel, W4S encryption, and compliance logic.

Licensable Deployment Model

The IAAS stack is packaged as a deployable artifact (containerized microservices + sovereign-ID smart contracts) that any regulated entity can instantiate on any compatible DLT. Deployment requires only a one-time compliance attestation; the Kernel or Superkernel enforces 1:1 reserve parity and regulatory rules at the object/root level. This creates a network-effect moat: every licensed deployment contributes to the overall Web4 network effect (Input 5 of the Multiple-Yield-Input Circular Model).

Integration with Core System Components

- Self-Financing Facility & Dual-Side Risk Mitigation: The Hypothecation and Risk microservices within the Application Layer execute below-prime borrowing, yield-share recycling (15% baseline), inbound LTV dynamic adjustment, and outbound LOAN TOKEN claw-back in a single atomic flow.
- Basel LTV / Credit Risk Engine: Fully embedded in the Compliance Layer with real-time oracle feeds and stress-testing calls.
- Multiple-Yield-Input Circular Model: The IAAS stack supplies Inputs 6 (Proxy-Tokenized Hypothecation) and 8 (Loop Multiplier) while recycling claw-back recoveries and yield share.
- Real-Time Settlement in RWA Infrastructure: IAAS microservices compress settlement to block-time for aviation, energy, and automation assets.

Novel Patentable Embodiments:

- Sovereign-ID microservice architecture that allows licensed, isolated deployment of a complete Web4 banking stack while enforcing 1:1 reserves and regulatory compliance at the object/root level.
- Embedded accounting/banking functions that provide real-time GAAP/IFRS normalization and attestations as a native IAAS layer, eliminating batch reconciliation.
- Self-orchestrating AI Bot Swarm that discovers and coordinates sovereign-ID microservices across layers for proactive risk mitigation and yield optimization.
- Licensable IAAS compliance stack that transforms the Web4 Banking Archetype into an infrastructure product, enabling network-effect growth while preserving quantum-resistant security and GENIUS Act leverage exemptions.

The Web4 Banking System Archetype incorporates a GENIUS Act Leverage Exemption Engine that enables the Web4 Bank (and any licensed IAAS deployment) to apply materially higher borrowing ratios—up to 60× or greater—on approved stablecoin or tokenized RWA reserves while preserving strict 1:1 par reserve backing in bankruptcy-remote Special/Sub-Custody Accounts. This engine is implemented as a dedicated sovereign-ID microservice within the IAAS Compliance & Risk Oversight Layer, executed under object/root-level Kernel or Superkernel protection, W4S object-level encryption, and quantum-resistant OTP/NON-REPEATING NUMERIC Sequences derived from unique Web Object IDs + instantiation timestamps. The exemption flows directly from Section 4(c) of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, which provides broad-based principles for determining that a state-level or chartered regime (e.g., Puerto Rico IFE/Act 60 combined with Florida SB 314/HB 175) is substantially similar to the federal framework,

thereby exempting qualifying institutions from Dodd-Frank Collins Amendment leverage and capital constraints.

Operational Flow (Computer-Implemented Method)

1. Reserve Qualification and Sovereign-ID Attestation

   Approved RWA or stablecoin reserves (assets or collateral, tokenized treasuries, or GENIUS-compliant stablecoins) are attested on-chain via the Reserve Audit microservice. Each reserve position receives a unique sovereign ID that links it to the GENIUS exemption eligibility criteria (1:1 par backing, bankruptcy-remote custody, real-time oracle valuation, monthly GAAP/IFRS attestations, and Kernel or Superkernel-protected execution).

2. Leverage Multiplier Calculation (Real-Time Basel-Compliant Engine)

   The IAAS Compliance Layer computes the effective leverage ratio under GENIUS exemption:

$$\text{Effective Leverage Multiplier} = \frac{\text{Total Lending Capacity (LOAN TOKEN Exposure)}}{\text{Approved Reserve Value}} \leq M_{\text{GENIUS}}$$

{Effective Leverage Multiplier} = \frac {{Total Lending Capacity (LOAN TOKEN Exposure)}} {{Approved Reserve Value}} \leq M_{{GENIUS}}

were

M_{GENIUS}M_{{GENIUS}}

defaults to 60× (or higher subject to stress-tested LCR/NSFR floors) and is dynamically adjusted by the Basel III/IV LTV engine. Traditional Dodd-Frank Collins Amendment limits (typically 20–33×) are bypassed because the system qualifies as substantially similar under GENIUS Act principles.

3. Atomic Issuance and Enforcement

   When a self-financing facility loan or any outbound LOAN TOKEN position is created, the Hypothecation microservice checks sovereign-ID reserve eligibility and applies the elevated multiplier. The entire transaction (including dual-side risk mitigation and yield-share recycling) executes atomically. The Kernel or Superkernel ensures no rehypothecation occurs and that 1:1 par reserve is maintained at all times.

4. Closed-Loop Integration with Existing Features

   - Higher leverage directly feeds Input 6 (Proxy-Tokenized Hypothecation) and Input 8 (Loop Multiplier) of the Multiple-Yield-Input Circular Model.
   - Recovered claw-back amounts and 15% yield share from the self-financing facility are recycled into the RWA Treasury, further expanding effective lending capacity.
   - Real-time stress testing (30% price-drop scenarios) and dynamic LGD adjustment ensure the elevated ratios remain within Basel III/IV risk-weighted asset and capital buffers.

5. IAAS Licensing and Network Effect

   The GENIUS Leverage Engine is packaged as a licensable sovereign-ID microservice. Any compliant third-party institution can deploy the full IAAS stack, inherit the exemption logic, and contribute to the Web4 network effect (Input 5), creating multiplicative growth in safe lending capacity across the ecosystem.

Novel Patentable Embodiments:

- Real-time, sovereign-ID-attested application of GENIUS Act leverage exemptions that bypass Dodd-Frank Collins Amendment constraints while enforcing 1:1 par reserves and bankruptcy-remote custody.

- Dynamic integration of elevated borrowing ratios (60×+) directly into the Basel III/IV LTV/PD/LGD/EAD engine, dual-side risk mitigation, and self-financing facility without compromising regulatory compliance.
- Closed-loop recycling of higher-leverage-generated yields and claw-back recoveries into the Multiple-Yield-Input Circular Model, creating a self-reinforcing capital-efficiency engine.
- Licensable IAAS microservice architecture that allows third-party institutions to deploy the identical GENIUS-exempt leverage framework under object/root-level Kernel or Superkernel protection and W4S object-level encryption.

This engine transforms regulatory exemptions from a static compliance feature into an active, on-chain capital-multiplication mechanism that supports real-time settlement in RWA infrastructure finance while maintaining the safest reserve standards in banking.

The Web4 Banking System Archetype implements a fully on-chain, smart-contract-enforced Basel III/IV Adapted LTV & Credit Risk Baseline Engine specifically calibrated for tokenized Real-World Assets (RWAs). This engine operates as a sovereign-ID microservice within the IAAS Compliance & Risk Oversight Layer, executed atomically under object/root-level Kernel or Superkernel protection, W4S object-level encryption, and quantum-resistant OTP/NON-REPEATING NUMERIC Sequences derived from unique Web Object IDs + instantiation timestamps. Real-time oracle valuations (via the RWA Communication Protocol) replace delayed appraisals, enabling instantaneous LTV recalculation, dynamic LGD escalation, PD/LGD/EAD computation, stress testing, and automated liquidation — all while maintaining 1:1 par reserves in bankruptcy-remote Special/Sub-Custody Accounts and qualifying for GENIUS Act leverage exemptions (up to 60×+ multipliers).Core Formulas and Basel-Adapted Parameters (Enforced On-Chain)Loan-to-Value (LTV) Calculation

$$\text{LTV}_t = \frac{\text{Loan Exposure}_t}{\text{Current Oracle Value of Assets or Collateral}_t}$$

{LTV}_t = \frac {{Loan Exposure} _t} {{Current Oracle Value of Assets or Collateral} _t}

executed every block via the Hypothecation microservice.

Adapted Conservative LTV Thresholds (Policy-Enforced Smart-Contract Limits)

RWA Type	**Maximum Policy LTV**	**Prime / Low Risk Target LTV**	**Automated Liq Trigger**	**Expected LGD (Parisii)**	**Trad Bank Equivalent LGD**
Gold / Precious Metals	≤ 75%	≤ 65%	80–85%	8–15%	20–40%
Energy (PARYS Energy RWA)	≤ 70%	≤ 60%	75–80%	12–22%	30–55%
Water / Carbon / Land	≤ 65%	≤ 55%	70–75%	15–28%	35–60%
Mixed RWA Basket	≤ 70%	≤ 60%	75%	10–20%	25–50%

These thresholds are materially tighter than conventional bank policy limits because of instantaneous on-chain liquidation (PAYMENT burn + assets or collateral sale), isolated sub-

pools with no rehypothecation, and Kernel or Superkernel-protected AI Bot Swarm monitoring.

Dynamic LGD Adjustment (Proximity-Based Escalation)

$$\text{LGD}_{\text{adjusted}} = \text{base\_LGD} \times \left(1 + \max\left(0, \frac{\text{LTV}_t - \text{target\_LTV}}{\text{liq\_trigger} - \text{target\_LTV}}\right)\right)$$

{LGD}_{\text{adjusted}} = {base_LGD} \times \left (1 + \max\left (0, \frac{{LTV}_t - {target_LTV}} {{liq_trigger} - {target_LTV}} \right) \right)

with a hard cap at 45%. This novel real-time adjustment is executed entirely within the smart-contract layer.

Full Expected Loss (EL) Framework

$$\text{EL} = \text{PD} \times \text{LGD}_{\text{adjusted}} \times \text{EAD}$$

{EL} = {PD} \times {LGD}_{{adjusted}} \times {EAD}

Adapted baselines (60–80% lower EL than traditional banks):

Parameter	Parisii RWA Baseline	Traditional Bank Baseline (Secured)	Improvement Reason
PD	0.2–2.0% (RWA-type specific)	0.5–5.0%	Real-time monitoring + automated margin calls
LGD	5–28%	20–60%	Instant liquidation + 1:1 isolated reserves
EAD	100% of current LOAN TOKEN position	Balance + undrawn commitments	Fixed exposure enforced by smart contracts

Stress-Testing Module (Integrated IAAS Call)

The engine supports configurable stress scenarios (default 30% price drop) in a single atomic call:

$$\text{Stressed Assets or Collateral} = \text{Original Assets or Collateral} \times (1 - \text{priceDropPercent}/100)$$

{Stressed Assets or Collateral} = {Original Assets or Collateral} \times (1 - {priceDropPercent}/100)

Returns normal + stressed results, risk-increase percentage, and status flags ("Healthy" / "Monitor" / "Liquidation Imminent").

Operational Integration

- Inbound Dynamic Adjustment Layer + Outbound LOAN TOKEN Claw-Back (dual-side risk mitigation) feed directly into the engine.
- Recovered amounts and 15% yield share recycle into the pledgor's self-financing facility and the Multiple-Yield-Input Circular Model (Inputs 6 & 8).
- GENIUS Act leverage exemptions (up to 60×+) are applied only after Basel LTV/EL validation.
- All outputs are published via the single-source-of-truth RWA Communication Protocol for monthly GAAP/IFRS attestations.

Novel Patentable Embodiments

- Real-time, oracle-driven Basel III/IV LTV/PD/LGD/EAD engine with dynamic proximity-based LGD escalation and atomic smart-contract enforcement for tokenized RWAs.
- Integrated stress-testing microservice that returns normal + stressed results plus risk-increase percentage in a single call, feeding directly into dual-side risk mitigation and the Multiple-Yield-Input Circular Model.

- Sovereign-ID IAAS microservice architecture that packages the entire Basel-adapted risk framework as a licensable, isolated deployable module while enforcing 1:1 reserves and GENIUS Act compliance.
- Closed-loop integration of Basel risk parameters into self-financing facilities, LOAN TOKEN claw-back, and yield recycling, creating a regenerative capital-efficiency engine unique to tokenized RWAs.

The Web4 Banking System Archetype implements a fully integrated Stress Testing Microservice as a sovereign-ID component of the IAAS Compliance & Risk Oversight Layer. This microservice executes both normal Basel III/IV LTV/EL calculations and configurable stress-test scenarios in a single atomic call, returning normal results, stressed results, risk-increase percentage, and actionable status flags ("Healthy" / "Monitor" / "Liquidation Imminent"). The microservice is executed under object/root-level Kernel or Superkernel protection (real-time bytecode analysis, malicious-code rewriting, and self-healing from DLT backups), W4S object-level encryption, and quantum-resistant OTP/NON-REPEATING NUMERIC Sequences derived from unique Web Object IDs + instantiation timestamps. All stress outputs are published via the single-source-of-truth RWA Communication Protocol for real-time AI Bot Swarm actions, monthly GAAP/IFRS attestations, and public reserve audits.

Core Stress-Testing Formulas (Enforced On-Chain)

Stressed Assets or Collateral Value

Stressed Assets or Collateral

$$= \text{Original Oracle Assets or Collateral Value} \times \left(1 - \frac{\text{priceDropPercent}}{100}\right)$$

{Stressed Assets or Collateral} = {Original Oracle Assets or Collateral Value} \times \left (1 - \frac{{priceDropPercent}}{100} \right)

Stressed LTV

$$\text{Stressed LTV}_t = \frac{\text{Loan Exposure}_t}{\text{Stressed Assets or Collateral}_t}$$

{Stressed LTV} _t = \frac {{Loan Exposure} _t} {{Stressed Assets or Collateral} _t}

Stressed LGD (Proximity-Based)

$$\text{Stressed LGD}_{\text{adjusted}} = \text{base\_LGD} \times \left(1 + \max\left(0, \frac{\text{Stressed LTV} - \text{target\_LTV}}{\text{liq\_trigger} - \text{target\_LTV}}\right)\right)$$

{Stressed LGD} _{{adjusted}} = {base_LGD} \times \left (1 + \max\left (0, \frac {{Stressed LTV} - {target_LTV}} {{liq_trigger} - {target_LTV}} \right) \right)

(hard-capped at 45%).

Stressed Expected Loss (EL)

$$\text{Stressed EL} = \text{Stressed PD} \times \text{Stressed LGD}_{\text{adjusted}} \times \text{EAD}$$

{Stressed EL} = {Stressed PD} \times {Stressed LGD} _{{adjusted}} \times {EAD}

where Stressed PD = base PD × volatilityAdjust (default 1.0; stress-adjusted up to 1.25+).

Risk-Increase Percentage

$$\text{Risk Increase \%} = \frac{\text{Stressed EL} - \text{Normal EL}}{\text{Normal EL}} \times 100$$

{Risk Increase \%} = \frac {{Stressed EL} - {Normal EL}} {{Normal EL}} \times 100

The microservice supports configurable parameters (price-drop percentage, volatility adjustment factor, RWA type) and returns a combined result object in one atomic transaction.

Operational Flow and IAAS Integration (Computer-Implemented Method)

1. Invocation

   The Hypothecation microservice or AI Bot Swarm triggers the Stress Testing Microservice on every block, on volatility spikes, quarterly, or on user request. The

call uses the same sovereign-ID reserve attestation as the GENIUS Act Leverage Engine and Basel LTV baseline.

2. Atomic Dual-Calculation Execution

   The microservice runs the normal Basel LTV/EL calculation and the stressed scenario in parallel within a single smart-contract transaction, ensuring atomicity and consistency.

3. Output and Automated Response

   Results are returned as a structured Web Object containing: normal LTV/EL, stressed LTV/EL, risk-increase percentage, and status. The AI Bot Swarm immediately acts (margin calls, partial repayment via PAYMENT token burn, assets or collateral top-up, or liquidation). Recovered amounts recycle into the pledgor's self-financing facility and the Multiple-Yield-Input Circular Model (Inputs 6 and 8).

4. Closed-Loop Feedback

   Stress results dynamically adjust LTV policy limits, LGD escalation, and GENIUS leverage multipliers in real time. Higher stress resilience directly improves yield share recycling (15% baseline) and loop multipliers (estimated 5x).

5. Licensable IAAS Deployment

   The entire Stress Testing Microservice is packaged as a sovereign-ID artifact. Third-party institutions can deploy the full IAAS stack and inherit identical stress-testing logic while maintaining 1:1 reserves and regulatory compliance.

Novel Patentable Embodiments:

- Single-call atomic stress-testing microservice that simultaneously computes normal and stressed Basel III/IV LTV/EL results plus risk-increase percentage for tokenized RWAs, with all outputs protected by Kernel or Superkernel and W4S encryption.

- Closed-loop integration of stress-test outputs directly into the inbound dynamic adjustment layer, outbound LOAN TOKEN claw-back, self-financing facility, and Multiple-Yield-Input Circular Model for real-time policy adjustment and yield optimization.
- Sovereign-ID IAAS risk microservice that allows licensed third-party deployment of production-grade stress testing (configurable price-drop and volatility scenarios) while enforcing GENIUS Act leverage exemptions and 1:1 reserve parity.
- Real-time stress-test-driven capital-efficiency engine that compresses settlement risk in RWA infrastructure finance (aviation, energy, automation) by proactively adjusting leverage and recycling stressed recoveries into compounding yield loops.

The Web4 Banking System Archetype implements a tokenized pledge structure modeled explicitly on the 2016 ISDA Variation Margin Credit Support Annex (VM CSA) under New York law, augmented by a formal legal opinion that establishes a security financial assets or collateral arrangement with no title transfer and full waiver of title transfer even in insolvency. Pledged RWAs (Gold, Energy, Water, Land, Minerals, etc.) are held in customer-owned, bankruptcy-remote Special Custody Accounts or Sub-Custody Accounts that are spread across multiple custodians at FDIC-equivalent limits (≤ $250K per account). This structure is executed as a sovereign-ID smart-contract object within the IAAS Repository and Smart Contract Layers, protected by object/root-level Kernel or Superkernel (real-time bytecode analysis, malicious-code rewriting, and self-healing), W4S object-level encryption, and quantum-resistant OTP/NON-REPEATING NUMERIC sequences derived from the Web Object’s unique ID + instantiation timestamp.

Operational Flow (Computer-Implemented Method)

1. Pledge Enrollment

   A client executes the Custody and Pledging Agreement (ISDA VM CSA-modeled) via the Hypothecation microservice. Eligible RWAs are transferred into a customer-owned bankruptcy-remote Special/Sub-Custody Account. The Kernel or Superkernel instantiates a unique Web Object for the pledged position, embedding the full legal opinion language (no title transfer, limited special proprietary interest only) as immutable metadata. The sovereign ID of this Web Object serves as the root reference for all subsequent enforcement.

2. Security Interest Grant Without Title Transfer

   The bank receives only a special proprietary legal interest in the assets or collateral for the duration of the secured obligation (Loan). Title, beneficial ownership, economic upside, carbon/ESG credits, and all incidents of ownership remain with the pledgor at all times. The legal opinion explicitly waives any right of the bank (or its successors) to assert title transfer, even in the event of pledgor insolvency, bank insolvency, or regulatory intervention. This waiver is coded into the smart-contract logic and attested on-chain.

3. Bankruptcy-Remote Sub-Custody with FDIC-Equivalent Spreading

   Assets or collateral is automatically fragmented across multiple isolated Sub-Custody Accounts (≤ $250K equivalent per account) to achieve FDIC-like protection. Each sub-account is a separate sovereign-ID Web Object. In any insolvency scenario, the accounts are treated as customer property and are not subject to bank creditor claims.

4. On-Chain Enforcement and Dual-Side Risk Mitigation

- Inbound Dynamic Adjustment: Basel III/IV LTV engine and stress-testing microservice monitor the pledged position in real time.
- Outbound Claw-Back: Upon LOAN TOKEN trigger event, the smart contract atomically liquidates or transfers only the minimum necessary assets or collateral (per the ISDA VM CSA remedies) while preserving the full title-waiver language.
- All actions (margin calls, claw-back, liquidation) are executed without ever asserting or transferring title.

5. Yield Share Recycling and Multiple-Yield-Input Integration

   Recovered amounts or 15% yield share from the self-financing facility are automatically re-pledged (with pledgor consent) into the same ISDA VM CSA structure, feeding Inputs 6 and 8 of the Multiple-Yield-Input Circular Model while maintaining the no-title-transfer warranty.

6. IAAS Licensing and Sovereign-ID Deployment

   The entire pledge structure, legal opinion language, and sub-custody logic are packaged as a licensable sovereign-ID microservice. Third-party institutions can deploy the IAAS stack and inherit the identical ISDA VM CSA opinion and title-waiver mechanics.

Novel Patentable Embodiments:

- ISDA 2016 VM CSA-modeled pledge for tokenized RWAs that explicitly includes a full title-waiver clause enforceable on-chain without ever transferring title, even in insolvency.

- Bankruptcy-remote Special/Sub-Custody Accounts with FDIC-equivalent spreading that are instantiated as sovereign-ID Web Objects, ensuring customer property treatment under all scenarios.
- Atomic smart-contract enforcement of ISDA remedies (margin, liquidation, claw-back) that operates solely on the limited special proprietary interest while preserving pledgor beneficial ownership and upside.
- Licensable IAAS microservice that allows any compliant third-party bank or fund to replicate the identical ISDA VM CSA + full title-waiver structure for tokenized RWAs while maintaining 1:1 reserves, GENIUS Act leverage, Basel III/IV compliance, and quantum-resistant security.

This pledge opinion and custody structure is the legal and technical foundation that enables every other novel feature (self-financing below-prime borrowing, LOAN TOKEN claw-back, elevated GENIUS leverage, and regenerative yield recycling) while providing the strongest possible protection for both pledgor and bank.

The Web4 Banking System Archetype embeds real-time carbon accounting and ESG value creation directly into the RWA Multiple-Yield-Input Circular Model as Input 3 (Sustainability Value Capture and ESG/SDG Accounting). This input monetizes verified sustainability metrics—conservation easements, emission reductions, social impact outcomes, governance attestations, and broader ESG performance—as additional yield credits that compound per transaction, block, or time (daily) alongside the other seven inputs. The mechanism is executed as a sovereign-ID microservice within the IAAS Embedded Accounting & Banking Functions Layer and Compliance & Risk Oversight Layer. It is protected by the object/root-level Kernel or Superkernel (real-time bytecode analysis, malicious-code rewriting, and self-healing from DLT backups), W4S object-level encryption,

and quantum-resistant OTP/NON-REPEATING NUMERIC Sequences derived from unique Web Object IDs + instantiation timestamps. All calculations follow hybrid methodologies (activity-based + spend-based) drawn from established frameworks (GHG Protocol, Penman carbon accounting principles, and McKinsey's five ways ESG creates value), normalized in real time to GAAP/IFRS equivalents, and attested on-chain for monthly public disclosures and reserve audits.

Operational Flow (Computer-Implemented Method)

1. Data Ingestion and Multiple-Dimensional Scoring

   The AI Agent Framework (Section 1) deploys specialized RAG-trained agents that ingest tokenized RWA telemetry (oracle feeds, IoT/D-MRV sensors, usage metrics, and external ESG data). Sustainability attributes are scored using 3D vector / quaternion Multiple-dimensional models and recorded as immutable Web Objects.

2. Hybrid Carbon Accounting and ESG Value Capture

   Accounting applies the five pillars of carbon accounting (Relevance, Completeness, Consistency, Transparency, Accuracy) via a hybrid methodology:

   - Activity-Based: Granular, direct measurements of RWA operations (e.g., energy output, land restoration, water purification).
   - Spend-Based: Financial-value proxies for goods and services.

     ESG value is quantified using McKinsey's five value-creation levers (cost reduction, revenue growth, risk mitigation, regulatory advantage, and stakeholder capital). Verified credits (e.g., emission reductions, conservation easements, SDG-aligned outcomes) are tokenized and assigned a monetary yield credit.

3. Yield Credit Calculation and Integration into the Multiple-Input Circular Model

   The microservice computes the ESG/SDG yield credit in real time:

$$\text{ESG Yield Credit}_t = \left(\sum(\text{Verified Sustainability Metrics}_t \times \text{Scoring Vector Weight})\right) \times \text{ESG Multiplier}$$

{ESG Yield Credit} _t = \left (\sum ({Verified Sustainability Metrics} _t \times {Scoring Vector Weight}) \right) \times {ESG Multiplier}

where the ESG Multiplier is dynamically risk-adjusted by the Basel III/IV LTV engine (lower PD/LGD for high ESG scores). This credit is added as Input 3 and automatically recycled into the circular model:

- It increases per transaction, block, or time (daily) compounding (Input 4).
- It improves proxy-tokenized hypothecation capacity (Input 6).
- It enhances the loop multiplier (Input 8) estimated 5x.
- It feeds yield-share recycling (15% baseline) back to the pledgor's self-financing facility position.

4. Risk Adjustment and Dual-Side Risk Mitigation

   High ESG scores reduce LGD and PD in the Basel LTV/EL engine and stress-testing microservice, tightening liquidation thresholds and lowering expected loss. Claw-back recoveries and self-financing facility proceeds are further credited with ESG uplift before recycling.

5. On-Chain Attestation and IAAS Deployment

   All ESG/carbon calculations are published via the RWA Communication Protocol as attested Web Objects for GAAP/IFRS normalization and public reserve audits. The entire ESG/SDG microservice is packaged as a licensable sovereign-ID artifact within

the IAAS stack, enabling third-party institutions to deploy identical integration while inheriting Kernel or Superkernel protection and quantum-resistant security.

Novel Patentable Embodiments:

- Real-time hybrid carbon accounting and ESG value creation (activity-based + spend-based, five-pillar compliant) that is tokenized as a direct yield credit and compounded per transaction, block, or time (daily) inside the Multiple-Yield-Input Circular Model.
- Dynamic risk adjustment of Basel III/IV LTV/PD/LGD/EAD parameters based on ESG/SDG scoring vectors, feeding lower expected loss into dual-side risk mitigation and self-financing facilities.
- Closed-loop recycling of ESG-derived yield credits into proxy-tokenized hypothecation and loop multipliers, creating a regenerative sustainability-capital engine unique to tokenized RWAs.
- Sovereign-ID IAAS microservice that packages the entire ESG/carbon integration as a licensable module, allowing compliant third-party deployment while maintaining 1:1 reserves, GENIUS Act leverage, and quantum-resistant object-level encryption.

This integration transforms sustainability metrics from a compliance cost into a core, compounding yield driver, materially enhancing the economic throughput of tokenized RWA infrastructure finance.

The Web4 Banking System Archetype implements real-time settlement in RWA infrastructure as a foundational economic property of the tokenized banking protocol. Traditional finance recognizes productive assets (aircraft engines, solar installations, automated production facilities, equipment leases, trade receivables) only at discrete reporting cycles, refinancing windows, or settlement events. This creates structural idle

capital and liquidity buffers. The system eliminates this delay by aligning accounting speed with continuous economic production speed through on-chain atomic settlement, oracle-driven valuation, and IAAS microservices. Liquidity ceases to be a market condition and becomes an infrastructural property of the tokenized RWA itself.

Operational Flow (Computer-Implemented Method)

1. Continuous Assets or Collateralization

   Productive RWA assets (aviation, energy, automation, infrastructure debt) are tokenized as RWAs and pledged under the ISDA VM CSA structure (no title transfer, bankruptcy-remote sub-custody). The Basel III/IV LTV engine and real-time oracle feeds recalculate assets or collateral value every block:

$$\text{Available Borrowing Capacity}_t = \text{Oracle Assets or Collateral Value}_t \times (1 - \text{Max Policy LTV}_t)$$

{Available Borrowing Capacity} _t = {Oracle Assets or Collateral Value} _t \times (1 - {Max Policy LTV} _t)

Borrowing capacity updates instantaneously as economic output occurs (e.g., electricity generation, lease payments, production telemetry).

2. Atomic Settlement via IAAS Microservices

   The IAAS Application and Smart Contract Layers execute settlement in a single atomic transaction:

   - Loan tokens are issued or rolled over.
   - RWA, Payment tokens, fiat currency or other monetary instruments settle interest and principal in real time.
   - ESG/SDG yield credits (Input 3) and yield-share recycling (15% baseline) are credited simultaneously.

- Dual-side risk mitigation (inbound dynamic LTV adjustment + outbound LOAN TOKEN claw-back) enforces compliance without delay.

  The Kernel or Superkernel and W4S object-level encryption ensure the entire flow is self-healing and quantum-resistant.

3. Integration with the Multiple-Yield-Input Circular Model

   Real-time settlement directly powers:

   - Input 5 (Web4 Network Effect) through continuous capital turnover.
   - Input 6 (Proxy-Tokenized Hypothecation) by allowing the same assets or collateral to support multiple lending cycles without waiting periods.
   - Input 8 (Loop Multiplier) estimated 5x, with GENIUS Act leverage exemptions (60×+) applied only after instantaneous Basel validation.

     Recovered claw-back amounts and ESG credits recycle immediately into the pledgor's self-financing facility position, compounding per transaction, block, or time (daily).

4. Hybrid Legal-Code Architecture

   Legal frameworks (Cape Town Convention for aviation, ISDA VM CSA, Act 60/IFE tax structures) define rights; on-chain code defines timing. Settlement finality is achieved at block confirmation, collapsing execution, clearing, settlement, and custody into a unified state system. This is attested on-chain via the RWA Communication Protocol for GAAP/IFRS normalization and public reserve audits.

5. IAAS Licensing and Network Effect

   The real-time settlement layer is packaged as a licensable sovereign-ID microservice. Third-party institutions deploy the full IAAS stack, inherit the identical compression

logic, and contribute to the overall Web4 network effect, creating multiplicative growth in safe lending capacity across infrastructure finance markets.

Novel Patentable Embodiments

- Real-time settlement as an infrastructural property of tokenized RWAs, compressing financial recognition to match continuous economic production speed in aviation, energy, and automation infrastructure.
- Atomic on-chain settlement that collapses execution, clearing, settlement, and custody into a unified state while preserving ISDA VM CSA no-title-transfer pledge and bankruptcy-remote sub-custody.
- Closed-loop integration of real-time settlement with the Multiple-Yield-Input Circular Model, dual-side risk mitigation, self-financing facility, and GENIUS Act leverage exemptions, enabling continuous capital turnover without idle buffers.
- Licensable IAAS microservice that allows any compliant institution to deploy real-time RWA infrastructure settlement while maintaining 1:1 reserves, quantum-resistant security, and full ESG/carbon accounting integration.

This capability transforms tokenized RWAs from static balance-sheet assets into continuously financeable productive capacity, materially increasing economic throughput and regenerative yield generation.

The Agentic Commerce Layer is an autonomous swarm of specialized artificial intelligence agents that perform negotiation, execution, fraud detection, personalized regenerative commerce, yield optimization, portfolio rebalancing, predictive analytics, and tax or compounding engine functions across any traditional (Web2), blockchain-based (Web3), or hybrid (Web4) financial system. Each agent is instantiated as a self-contained Web Object protected by the object-level encryption scheme and the object/root-level superkernel.

Agents communicate directly object-to-object without intermediaries, oracles, or centralized validators.

Novel Implementation of x402 and Other Interfaces as AI Agents

The Agentic Commerce Layer introduces standardized agentic interfaces, including the x402 Agent Payment Required Interface and related x4xx family interfaces, as native, machine-readable protocols for autonomous financial interactions.

- x402 Agent Payment Required Interface: This interface is a standardized, smart-contract-enforced protocol that allows an artificial intelligence agent to signal "Payment Required" to another agent, smart contract, or Web Object in the financial system. When an agent identifies a commercial opportunity (e.g., yield optimization, cross-RWA arbitrage, or creative equity royalty distribution), it issues an x402 request containing:
    - The exact payment amount and currency/token (or Loan token equivalent).
    - The economic justification (e.g., predicted yield uplift from the 8-Yield-Input Circular Model or ESG/SDG credit value).
    - Proposed terms (interest-free, below-prime, or yield-share recycling conditions).
    - Cryptographically signed proof of the agent's authority and real-time Basel III/IV LTV/EL compliance status.

The receiving agent or smart contract evaluates the request using its own embedded logic and the object/root-level superkernel. If approved, the payment executes atomically via the tokenized banking services (interest-free loans, no-fee payments, or self-financing facility). Rejection triggers an automated counter-offer or claw-back via the Loan token. All x402

interactions are logged as immutable Web Objects with timestamped Merkle proofs for GAAP/IFRS attestations.

- Other x4xx Agent Interfaces:
    - x401 Agent Unauthorized Interface: Used when an agent detects insufficient authority or assets or collateral; triggers immediate dual-side risk mitigation (inbound dynamic LTV adjustment or outbound LOAN TOKEN claw-back).
    - x403 Agent Forbidden Interface: Enforces regulatory blacklisting, consumption-tax routing, or jurisdictional tax-optimized treasury rules.
    - x404 Agent Not Found Interface: Handles missing Web Objects or stale data feeds from the real-world asset communication protocol, triggering superkernel self-healing.

These interfaces are implemented entirely as sovereign-identifier microservices within the Infrastructure-as-a-Service compliance stack. The artificial intelligence agents treat each x4xx call as a native Web Object event, enabling direct object-to-object negotiation without human intervention. The superkernel performs real-time static and dynamic analysis on every interface call, rewriting malicious or non-compliant logic on-the-fly while preserving quantum-resistant one-time pad (non-repeating numeric sequence) encryption and object-level isolation.

Integration with the Full Financial System

- Self-Financing Facility and Yield Model: An x402 request from an agent can automatically trigger below-prime borrowing with retained upside and fifteen percent yield-share recycling, feeding directly into the real-world asset multiple input yield-generation circular model.

- Basel III/IV and Dual-Side Risk Mitigation: Every x402 call is pre-validated against real-time loan-to-value, probability of default, loss given default, and expected loss baselines; high-risk requests are automatically escalated to inbound dynamic adjustment or outbound LOAN TOKEN claw-back.
- Carbon Accounting / ESG Integration: Agents embed environmental, social, and governance or Sustainable Development Goals scoring vectors in x402 payloads, allowing sustainability credits to increase approved payment amounts or reduce loss given default.
- Real-Time Settlement and IAAS Deployment: x402 interfaces enable atomic settlement at block confirmation, collapsing execution, clearing, and custody. The entire layer is packaged as a licensable sovereign-identifier microservice, allowing third-party institutions to deploy identical agentic commerce capabilities while inheriting the full Web4 banking archetype.

This x402 and x4xx family of interfaces transforms traditional commerce from human-mediated processes into fully autonomous, self-sovereign agent interactions, creating a regenerative financial network effect across Web2, Web3, and Web4 systems.

The Agentic Commerce Layer consists of an autonomous swarm of specialized artificial intelligence agents that perform negotiation, execution, fraud detection, personalized regenerative commerce, yield optimization, portfolio rebalancing, predictive analytics, and tax or compounding engine functions across any traditional (Web2), blockchain-based (Web3), or hybrid (Web4) financial system. Each agent is instantiated as a self-contained Web Object protected by the object-level encryption scheme and orchestrated by the object/root-level superkernel for real-time static and dynamic analysis, on-the-fly malicious-

code rewriting, and self-healing restoration from quantum-resistant one-time pad (non-repeating numeric sequence)-encrypted distributed ledger technology backups.

Implementation of x402 and x4xx Family Interfaces as AI Agents

The layer standardizes autonomous financial interactions through the x402 Agent Payment Required Interface and the broader x4xx family of agentic interfaces, implemented as native, machine-readable protocols within sovereign-identifier microservices of the Infrastructure-as-a-Service compliance stack.

- x402 Agent Payment Required Interface: An artificial intelligence agent issues an x402 request when it identifies a commercial opportunity (for example, yield optimization from the real-world asset multiple input yield-generation circular model, cross-real-world asset arbitrage, or creative equity royalty distribution). The request contains:
    - Exact payment amount and currency or token (or Loan token equivalent).
    - Economic justification linked to predicted yield uplift, environmental, social, and governance or Sustainable Development Goals credit value, or Basel III/IV risk-adjusted parameters.
    - Proposed terms (interest-free, below-prime, or yield-share recycling conditions).
    - Cryptographically signed proof of the agent's authority, real-time Basel III/IV loan-to-value and expected loss compliance status, and user mandate (Intent Mandate or Cart Mandate).

The receiving agent, smart contract, or Web Object evaluates the request using embedded logic and the object/root-level superkernel. Approval triggers atomic execution via tokenized banking services (interest-free loans, no-fee payments, or self-financing facility).

Rejection issues an automated counter-offer or triggers outbound Loan token claw-back. All x402 interactions are recorded as immutable Web Objects with timestamped Merkle proofs for generally accepted accounting principles or International Financial Reporting Standards attestations.

- x4xx Family of Agent Interfaces:
    - x401 Agent Unauthorized Interface: Detects insufficient authority or assets or collateral and immediately escalates to inbound dynamic loan-to-value adjustment or outbound LOAN TOKEN claw-back.
    - x403 Agent Forbidden Interface: Enforces regulatory blacklisting, consumption-tax routing, or jurisdictional tax-optimized treasury rules.
    - x404 Agent Not Found Interface: Handles missing Web Objects or stale data feeds from the real-world asset communication protocol and triggers superkernel self-healing.

These interfaces are fully interoperable with the Agents to Payments Protocol (AP2), which extends Agent-to-Agent and Model Context Protocol frameworks. AP2 uses tamper-proof, cryptographically-signed Mandates and Verifiable Credentials to create non-repudiable chains of user intent (Intent Mandate → Cart Mandate → Payment). The x402 extension specifically enables agent-based crypto and stablecoin payments while remaining payment-agnostic for cards, bank transfers, or tokenized instruments.

Merchant-Controlled and Open Agentic Commerce Integration

Agents discover merchant capabilities through a standardized. well-known Manifest that publishes endpoints, policies, Schema.org-aligned product and order semantics, deterministic order creation (full payable totals for items, tax, shipping, and discounts before settlement), a unified pay endpoint, and modular authentication options. This open

architecture (inspired by open agentic commerce specifications) allows merchants to retain full control over brand, policy, and security while enabling agents to negotiate, create orders, and settle payments atomically. The superkernel enforces all interface calls, rewriting non-compliant logic on-the-fly and ensuring quantum-resistant one-time pad (non-repeating numeric sequence) encryption.

Integration with the Full Financial System

- Self-Financing Facility and Real-World Asset Multiple Input Yield-Generation Circular Model: An x402 request can trigger below-prime borrowing with retained upside and fifteen percent yield-share recycling, feeding directly into the multiple input circular model.
- Basel III/IV and Dual-Side Risk Mitigation: Every x402 call is pre-validated against real-time loan-to-value, probability of default, loss given default, and expected loss baselines.
- Carbon Accounting and Environmental, Social, and Governance Integration: Agents embed environmental, social, and governance or Sustainable Development Goals scoring vectors in x402 payloads, allowing sustainability credits to increase approved payment amounts or reduce loss given default.
- Real-Time Settlement and Infrastructure-as-a-Service Deployment: x402 and AP2 interfaces enable atomic settlement at block confirmation, collapsing execution, clearing, and custody. The entire layer is packaged as a licensable sovereign-identifier microservice.

Novel Patentable Embodiments

- Standardized x402 and x4xx agentic interfaces that enable autonomous, cryptographically-verified payment requests with deterministic order creation and full payable totals before settlement.
- Integration of Agents to Payments Protocol (AP2) Mandates and Verifiable Credentials into a tokenized Web4 banking system for non-repudiable chains of user intent in agent-led commerce.
- Merchant-controlled - well-known Manifest and Schema.org-aligned semantics that allow AI agents to discover, negotiate, and execute payments while preserving brand policy and security.
- Autonomous agent swarm negotiation and execution via x402 interfaces that combine with self-financing facilities, dual-side risk mitigation, Basel III/IV risk parameters, and the real-world asset multiple input yield-generation circular model.
- Licensable Infrastructure-as-a-Service microservice that deploys the full x4xx family and AP2-compatible interfaces for any compliant third-party institution.

The RWA Fund Structure serves as Input 1 of the Real-World Asset Multiple Input Yield-Generation Circular Model. It is a modular, hybrid fund architecture that combines direct ownership of tokenized real-world assets (commodities, infrastructure, natural resources) with optional private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments, private credit, derivatives, stocks, bonds, or other financial vehicle participation. The structure is implemented as a sovereign-identifier microservice within the Infrastructure-as-a-Service compliance stack, executed under object/root-level superkernel protection, Web4 Security Scheme object-level encryption, and quantum-resistant one-time pad (non-repeating numeric) sequences derived from unique Web Object identifiers and timestamps. All fund operations are fully interoperable with any traditional (Web2)

accounting and banking processes, blockchain-based (Web3) decentralized finance protocols, and hybrid (Web4) object-oriented architectures.

Core Fund Architecture

The fund allocates capital on a percentage basis:

- Industry-specific tokenized real-world assets and transferable instruments (e.g., Energy Real-World Asset, Land Real-World Asset, Water Real-World Asset, gold, minerals, or infrastructure debt).
- A dedicated Real-World Asset-specific private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments, private credit, derivatives, stocks, bonds, or other financial vehicle sub-fund that provides additional growth capital, operational expertise, and tax-optimized structures under Puerto Rico Incentives Code (Act 60) and Incentives for Exportation (IFE) or equivalent jurisdictional regimes in any jurisdiction.

This split is encoded as immutable rules in the sovereign-identifier smart contract and dynamically rebalanced by the agentic commerce layer using real-time data from the real-world asset communication protocol.

Mathematical Representation of Fund Yield Contribution

The RWA Fund Structure contributes to the overall circular model yield as:

$$\text{Fund Yield Contribution}_t = (0.5 \times \text{Tokenized RWA Direct Yield}_t) + (0.5 \times \text{RWA Fund Sub-Fund Yield}_t \times \text{Act 60 / IFE Tax Efficiency Multiplier})$$

{Fund Yield Contribution}_t = \left(0.5 \times {Tokenized RWA Direct Yield}_t\right) + \left(0.5 \times {RWA Fund Sub-Fund Yield}_t \times {Act 60 / IFE Tax Efficiency Multiplier}\right)

where the tax efficiency multiplier incorporates preferential rates, investor deductions (up to sixty percent over fifteen years), zero percent capital gains on qualifying reinvestments within ninety days, and full exemption from municipal taxes.

Operational Flow (Computer-Implemented Method)

1. Issuance and Onboarding: Any verifiable real-world asset is pledged into a customer-owned bankruptcy-remote special or sub-custody account under the International Swaps and Derivatives Association Variation Margin Credit Support Annex structure with full title waiver. The asset is tokenized and allocated to the fund according to the percentage allocation.
2. Private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments Integration: The private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments sub-fund deploys capital into operational improvements, expansion, or acquisition opportunities tied to the underlying real-world asset, with all investments governed by Act 60 / IFE or equivalent tax-optimized rules.
3. Real-Time Management and Rebalancing: The agentic commerce layer and artificial intelligence agents continuously monitor Basel III/IV loan-to-value thresholds, environmental, social, and governance or Sustainable Development Goals scoring, and stress-test scenarios. Rebalancing occurs atomically via sovereign-identifier smart contracts.
4. Yield Generation and Recycling: Fund-level yield (from direct real-world asset income, private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments distributions, and cross-real-world asset arbitrage) is automatically recycled as fifteen percent yield share into pledgor positions within the

self-financing facility, feeding Inputs 4 (per transaction, block, or time (daily) compounding), 6 (proxy-tokenized hypothecation), and 8 (loop multiplier up to five times) of the circular model.

5. Settlement and Attestation: Real-time settlement compresses capital turnover to block time. All fund activity is normalized to generally accepted accounting principles or International Financial Reporting Standards and attested on-chain with timestamped Merkle proofs.

Novel Patentable Embodiments

- Modular hybrid RWA fund structure that combines tokenized direct asset ownership with private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments participation under any jurisdictional tax-incentive regime (Act 60 / IFE or equivalent) while maintaining one-to-one par reserve backing.
- Sovereign-identifier microservice implementation of the RWA Fund Structure that enables licensed third-party deployment across Web2, Web3, and Web4 environments with atomic rebalancing and real-time Basel III/IV compliance.
- Closed-loop integration of fund-level yield directly into the self-financing facility, Loan token claw-back recoveries, and the multiple input circular model for regenerative compounding.
- Agentic commerce layer orchestration of fund rebalancing using x402 and x4xx interfaces for autonomous negotiation of private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments allocations and yield recycling.
- Real-time carbon accounting and environmental, social, and governance value creation embedded as a dynamic adjustment factor within the private equity, private

credit, stocks, bonds, derivatives, other funds, or growth instruments sub-fund allocation, increasing overall yield credits and reducing loss given default in the Basel engine.

The RWA Fund Structure serves as Input 1 of the multiple input Real-World Asset Multiple Input Yield-Generation Circular Model. It is a modular, hybrid fund architecture that enables the pooling, management, and monetization of tokenized real-world assets (commodities, infrastructure, natural resources, land, water, minerals, or any verifiable asset) together with private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments participation for operational improvements, expansion, or acquisition opportunities. The structure is implemented as a sovereign-identifier microservice within the Infrastructure-as-a-Service compliance stack, executed under object/root-level superkernel protection, Web4 Security Scheme object-level encryption, and quantum-resistant one-time pad (non-repeating numeric) sequences derived from unique Web Object identifiers and timestamps. All fund operations are fully interoperable with any traditional (Web2) accounting and banking processes, blockchain-based (Web3) decentralized finance protocols, and hybrid (Web4) object-oriented architectures while maintaining one-to-one par reserve backing in bankruptcy-remote special or sub-custody accounts.

Core Fund Architecture

The RWA Fund Structure accepts any verifiable real-world asset or financial instrument as assets or collateral, pledges it into customer-owned bankruptcy-remote special or sub-custody accounts under the International Swaps and Derivatives Association Variation Margin Credit Support Annex structure with full title waiver, and tokenizes the asset for inclusion in the fund. The fund may allocate capital between tokenized real-world assets and private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments

vehicles (or equivalent growth instruments) under any jurisdictional tax-incentive regime (such as Puerto Rico Incentives Code Act 60 and Incentives for Exportation or equivalent structures in any jurisdiction). The fund is governed by immutable smart-contract rules enforced by the object/root-level superkernel, allowing dynamic rebalancing based on real-time data from the real-world asset communication protocol, Basel III/IV loan-to-value thresholds, environmental, social, and governance or Sustainable Development Goals scoring, and stress-test scenarios.

Mathematical Representation of Fund Yield Contribution

The RWA Fund Structure contributes to the overall circular model yield as:

$$\text{Fund Yield Contribution}_t = \text{Tokenized RWA Direct Yield}_t + (\text{RWA Fund or Growth Instrument Yield}_t \times \text{Tax Efficiency Multiplier})$$

{Fund Yield Contribution} _t = {Tokenized RWA Direct Yield} _t + ({RWA Fund or Growth Instrument Yield} _t \times {Tax Efficiency Multiplier})

where the tax efficiency multiplier incorporates preferential rates, investor deductions, capital gains exemptions, and rollover provisions available under the applicable jurisdictional incentive regime.

Operational Flow (Computer-Implemented Method)

1. Issuance and Onboarding: Any verifiable real-world asset is pledged into a customer-owned bankruptcy-remote special or sub-custody account. The asset is tokenized and allocated to the fund according to its risk tier and compliance profile.
2. Private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments Integration: Capital is deployed into operational improvements, expansion, or acquisition opportunities tied to the underlying real-world asset, with

all investments governed by tax-optimized rules under the chosen jurisdictional incentive regime.

3. Real-Time Management and Rebalancing: The agentic commerce layer and artificial intelligence agents continuously monitor Basel III/IV loan-to-value thresholds, environmental, social, and governance or Sustainable Development Goals scoring, and stress-test scenarios. Rebalancing occurs atomically via sovereign-identifier smart contracts.
4. Yield Generation and Recycling: Fund-level yield (from direct real-world asset income, private equity, private credit, stocks, bonds, derivatives, other funds, or growth instrument distributions, and cross-real-world asset arbitrage) is automatically recycled as fifteen percent yield share into pledgor positions within the self-financing facility, feeding Inputs 4 (per transaction, block, or time (daily) compounding), 6 (proxy-tokenized hypothecation), and 8 (loop multiplier up to five times) of the circular model.
5. Settlement and Attestation: Real-time settlement compresses capital turnover to block time. All fund activity is normalized to generally accepted accounting principles or International Financial Reporting Standards and attested on-chain with timestamped Merkle proofs.

Novel Patentable Embodiments

- Modular RWA Fund Structure that pools tokenized real-world assets with private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments under any jurisdictional tax-incentive regime while maintaining one-to-one par reserve backing and bankruptcy-remote custody.

- Sovereign-identifier microservice implementation of the RWA Fund Structure that enables licensed third-party deployment across Web2, Web3, and Web4 environments with atomic rebalancing and real-time Basel III/IV compliance.
- Closed-loop integration of fund-level yield directly into the self-financing facility, Loan token claw-back recoveries, and the multiple input circular model for regenerative compounding.
- Agentic commerce layer orchestration of fund rebalancing using x402 and x4xx interfaces for autonomous negotiation of private equity, private credit, stocks, bonds, derivatives, other funds, or growth instruments allocations and yield recycling.
- Real-time carbon accounting and environmental, social, and governance value creation embedded as a dynamic adjustment factor within the fund structure, increasing overall yield credits and reducing loss given default in the Basel engine.
- Real-time settlement compression applied to the RWA Fund Structure that aligns capital turnover with continuous economic production speed in infrastructure finance (aviation, energy, automation).

The Web4 Banking System Archetype is fundamentally grounded in an informatics graph — a non-linear operating system that treats all data and software as synonymous, self-referential Web Objects within a fully programmable, self-correcting graph structure. This informatics graph serves as the base infrastructure for the entire Web4 architecture, enabling verification, authentication, forensic accounting, and real-time refactoring of every data ingestion, structuring, and outflow across any traditional (Web2) financial system, any blockchain-based (Web3) decentralized finance environment, and any hybrid (Web4) object-oriented architecture.

Informatics Graph as Non-Linear Operating System

Every piece of data, transaction, smart contract, or AI agent decision is instantiated as a unique immutable Web Object. These Web Objects are represented as nodes and edges in a holistic informatics graph, where:

- Nodes are fully programmable entities (primitive data structures, labeled strings, trees, graphs, or complete labeled strings).
- Edges represent ordered pairs, natural number sets, or special primes that encode holonomials — 1-bit succinct binary representations of root primes, symbols, and syntax.

The graph operates as a radical object-oriented programming system in which data and software are indistinguishable. Each method call on an object is itself an instantiated reference architecture within the self-referential hierarchy. This creates a self-factored, self-correcting dynamic: the object/root-level superkernel continuously performs static and dynamic analysis on every Web Object, rewriting or refactoring any malicious, anomalous, or non-compliant componentry on-the-fly without interrupting execution. The entire system is self-healing, restoring from quantum-resistant one-time pad (non-repeating numeric sequence)-encrypted distributed ledger technology backups while preserving perfect secrecy.

Light 125 KB Superkernel and Meta-Orchestration Layer

The informatics graph runs natively as a lightweight 125 KB superkernel capable of datacenter-scale infrastructure operations. This superkernel also functions as a meta-orchestration layer for:

- Any other operating system (Web2, Web3, or hybrid Web4).

- Any artificial intelligence or agentic system (including autonomous agent swarms using x402 and x4xx interfaces).
- Any Web3 tokenization or decentralized finance protocol.

The graph solves the fundamental limitations of large language models by operating as a small language model (SLM) with virtual machine to virtual machine (VML-to-VML) learning. It provides exact-match referencing on Web Objects, replacing reliance on third-party corpuses, search engines, or unstructured databases. All inferences, verifications, authentications, and forensic accounting are performed deterministically at the object level using holonomial hashing and labeled-string graph representations.

Holonomial Hashing and Self-Referential Hierarchy

Holonomials simulate or bypass post-quantum cryptography through a holomorphic hashing mechanism. They restructure web operations efficiently at the logic level (1-bit succinct binary representations of root primes, symbols, and syntax), rewrite web operations properly at the object level, and reorganize web operations properly at the network level. The self-reference hierarchy (primitive data structures → whole entity formation → non-primitive data structures) enables the superkernel to treat the entire system as a single, self-correcting informatics graph.

This foundational informatics graph powers every component of the Web4 Banking System Archetype:

- Real-time data ingestion and sanitization in the real-world asset communication protocol.
- Atomic execution and self-healing in tokenized banking services, self-financing facilities, and Loan token claw-back.

- Dynamic rebalancing and yield recycling in the real-world asset multiple input yield-generation circular model.
- Merchant-controlled agentic commerce using x402 and x4xx interfaces.
- Real-time carbon accounting, environmental, social, and governance value creation, and Basel III/IV risk adjustments.
- Real-time settlement in real-world asset infrastructure finance.

Novel Patentable Embodiments

- Informatics graph as a non-linear operating system in which data and software are synonymous, enabling self-referential, self-correcting, and self-refactoring web operations at the object, component, and library levels.
- Holonomial hashing mechanism using 1-bit succinct binary representations of root primes, symbols, and syntax to restructure, rewrite, and reorganize all web operations at the logic, object, and network levels.
- Lightweight 125 KB superkernel that serves as both datacenter infrastructure and a meta-orchestration layer for any operating system, any artificial intelligence or agentic system, and any Web3 tokenization effort.
- SLM with VML-to-VML learning that provides exact-match referencing on Web Objects, replacing third-party corpuses, search engines, or unstructured databases for all data inferences, verification, authentication, and forensic accounting.
- Radical object-oriented programming architecture in which every method call is an instantiated reference within a self-referential hierarchy, enabling the entire system to self-correct and refactor componentry on-the-fly under quantum-resistant one-time pad (non-repeating numeric sequence) encryption and object/root-level superkernel protection.

The x402 Payment Protocol is an open, internet-native payment standard that revives and operationalizes the long-reserved HTTP 402 “Payment Required” status code. Developed initially by the Coinbase Developer Platform team and now stewarded by the x402 Foundation (a Linux Foundation project with support from Cloudflare, Stripe, Visa, and others), x402 enables seamless, permissionless micropayments directly over standard HTTP. It is purpose-built for both human users and autonomous AI agents, allowing servers to monetize APIs, data, content, or digital resources on a per-request basis without accounts, API keys, subscriptions, or complex authentication flows.

How x402 Works (Core Flow)

1. A client (human browser or AI agent) issues a standard HTTP request for a paid resource.
2. If payment is required, the server responds with HTTP 402 Payment Required, including payment instructions in headers or body (amount, recipient address, chain identifier in CAIP-2 format, token contract, etc.).
3. The client programmatically executes a payment (typically a stablecoin transfer such as USDC on fast, low-cost chains like Base or Solana) and retries the original request with a signed payment proof (e.g., via an X-PAYMENT or equivalent authorization header).
4. The server (or a neutral facilitator) verifies the on-chain settlement and returns the requested resource.

Settlement times are typically under 2 seconds with sub-cent transaction costs. The protocol is chain-agnostic and stablecoin-focused but extensible to any programmable payment rail. It is explicitly designed for agentic commerce, enabling AI agents to autonomously discover, negotiate, pay for, and consume digital resources at scale.

Integration with the Tokenized Banking System Archetype

Within the Web4 Banking System Archetype, the x402 Payment Protocol is natively supported and extended through the non-linear informatics graph and object/root-level superkernel. Every x402 interaction is treated as a self-referential Web Object:

- Payment instructions, authorizations, and proofs are instantiated as programmable graph nodes with holonomial hashing for exact-match verification and forensic accounting.
- The superkernel performs real-time static/dynamic analysis, on-the-fly rewriting of any non-compliant payment flows, and self-healing.
- Agentic commerce layer agents use x402 and the related x4xx family interfaces (x401 Unauthorized, x403 Forbidden, x404 Not Found, etc.) as standardized, cryptographically-verified primitives for autonomous negotiation and execution.
- Payments are routed through the interest-free tokenized banking services (Section 4), self-financing facilities, LOAN token claw-back mechanisms, and the multiple input real-world asset yield-generation circular model, with automatic yield-share recycling and one-to-one par reserve backing preserved in bankruptcy-remote custody.
- All x402 flows are normalized to any accounting standard, subjected to real-time Basel III/IV risk validation, carbon/ESG adjustments, and real-time settlement compression (Section 16).

This integration transforms x402 from a simple HTTP payment handshake into a fully regenerative, quantum-resistant, self-correcting component of the Web4 ecosystem. The informatics graph provides exact-match referencing on every Web Object involved in the

x402 flow, eliminating reliance on external corpuses or unstructured databases while enabling the superkernel to orchestrate cross-system meta-operations.

Novel Patentable Embodiments

- Extension of the x402 Payment Protocol through the non-linear informatics graph, enabling every payment instruction, authorization, and proof to be instantiated as a self-referential Web Object with holonomial hashing for deterministic verification and forensic accounting.
- Superkernel-orchestrated x402 flows that perform on-the-fly refactoring, self-healing, and integration with tokenized banking services, self-financing facilities, and the multiple input yield-generation circular model.
- Agentic x402 negotiation using the x4xx family of interfaces within the radical object-oriented programming hierarchy, allowing autonomous AI agents to discover, evaluate, execute, and recycle payments atomically across any distributed ledger technology.
- x402 as a licensable Infrastructure-as-a-Service microservice within the sovereign-identifier compliance stack, interoperable with any operating system, any artificial intelligence system, and any tokenization protocol while maintaining quantum-resistant one-to-one par reserve backing.

The tokenized banking system archetype fully incorporates the framework established by regulatory compliance. This integration enhances regulatory compliance, provides safe harbors and exemptions, and enables licensed, interoperable deployment across any jurisdiction while preserving the system's core attributes of one-to-one par reserve backing, bankruptcy-remote custody, quantum-resistant protection, and regenerative yield generation.

Key Regulatory Provisions and Novel Applications to the System

1. Decentralized Governance System

   Regulatory compliance defines a “decentralized governance system” as a transparent, rules-based system for consensus in the development, maintenance, or administration of a distributed ledger system in which participation is not limited to or under the control of any person or group under common control. It explicitly treats the decentralized governance system and its participants as separate persons unless acting under common control or in concert, and excludes routine, ministerial, or administrative actions (including limited cybersecurity measures not dominated by a single actor) from constituting centralized control.

   Novel Application: The non-linear informatics graph and object/root-level superkernel are implemented as a decentralized governance system. Every Web Object, method call, and refactoring operation is governed by transparent, rules-based holonomial hashing and self-referential hierarchies. This positioning qualifies the entire Web4 archetype for treatment as decentralized, avoiding centralized control presumptions and enabling full operation of the RWA multiple input yield-generation circular model, agentic commerce layer, and IAAS microservices without centralized-entity classification.

2. Regulation Crypto Exemption for Ancillary Assets

   The Act creates “Regulation Crypto,” an exemption from full SEC registration for ancillary assets (network tokens whose value depends on entrepreneurial or managerial efforts) offered in connection with investment contracts. It allows capital raising up to the greater of $50 million per year (for four years) or 10% of outstanding ancillary assets (capped at $200 million total gross proceeds), subject to

initial and semiannual disclosures.

Novel Application: The RWA fund structure (Input 1 of the multiple input yield-generation circular model) and tokenized real-world assets issued through the primary/spot market framework utilize Regulation Crypto for compliant capital formation and token distribution. Disclosures are automated and attested on-chain via the informatics graph, providing exact-match referencing and Merkle-proof provenance.

3. Bank Secrecy Act / AML / Sanctions Treatment and Risk Management

   Digital asset intermediaries, brokers, dealers, and exchanges are treated as financial institutions under the Bank Secrecy Act. Risk-based examination standards and mandatory risk management programs (including AML, sanctions evasion, fraud, and operational/cyber risks) are required.

   Novel Application: The sovereign-identifier IAAS compliance stack incorporates these obligations as licensable microservices. The informatics graph and superkernel provide real-time forensic accounting, verification, and self-correction, satisfying examination standards while maintaining atomic execution and one-to-one par reserve backing.

4. Voluntary Adoption of NIST Post-Quantum Cryptography Standards

   The Act promotes voluntary adoption of NIST post-quantum cryptography standards.

   Novel Application: The quantum-resistant one-time pad (non-repeating numeric sequence) encryption subsystem and holonomial hashing explicitly incorporate NIST post-quantum standards as an optional compliance layer, enhancing the informatics graph's ability to simulate or bypass post-quantum threats while remaining fully interoperable.

5. Customer Property Protections in Bankruptcy

   Ancillary assets and digital commodities held for customers receive explicit customer-property protections and insolvency safe harbors.

   Novel Application: Bankruptcy-remote special/sub-custody accounts (SCA pledging without title transfer) are strengthened by these safe harbors, ensuring customer-owned tokenized assets and yield positions remain protected in any insolvency scenario.

6. Prohibition on Interest/Yield on Payment Stablecoins

   Covered entities are prohibited from paying passive, deposit-like interest or yield on payment stablecoin balances (with carve-outs for bona fide activity-based rewards).

   Novel Application: The three-token model (deposit assets or collateral, loan token, payment token) and interest-free tokenized banking services are explicitly aligned with this prohibition, reinforcing the system's regenerative, non-yield-bearing design while allowing yield-share recycling through the circular model.

7. CFTC-SEC Micro-Innovation Sandbox and Tokenization of Securities

   A joint sandbox enables testing of innovative products; tokenized securities receive the same regulatory treatment as the underlying securities.

   Novel Application: New features (x402 Payment Protocol extensions, advanced RWA yield looping, agentic commerce flows) are tested in the sandbox. Institutional tokenization and staking services explicitly support tokenized securities under the same treatment.

Novel Patentable Embodiments

- Implementation of the informatics graph and superkernel as a defined decentralized governance system for regulatory safe-harbor treatment.

- Use of Regulation Crypto exemption for automated, on-chain issuance and disclosure of ancillary assets within the RWA fund structure and primary/spot market.
- IAAS compliance stack microservices that embed Bank Secrecy Act, AML, sanctions, and risk management obligations with superkernel-driven real-time compliance and forensic accounting.
- Voluntary integration of NIST post-quantum cryptography standards into holonomial hashing and one-time pad (non-repeating numeric sequence) encryption.
- Enhanced bankruptcy-remote custody leveraging customer-property protections and insolvency safe harbors.
- Alignment of interest-free tokenized banking and payment tokens with the prohibition on passive yield on payment stablecoins.
- Licensed participation in the CFTC-SEC micro-innovation sandbox and support for tokenized securities within institutional services.

The tokenized banking system archetype includes a dedicated mechanism for AI real-world asset issuance in which AI resources (compute capacity, data centers, storage arrays, networking fabric, specialized hardware accelerators, and related physical infrastructure) together with AI usage tokens and credits are treated as verifiable real-world assets. These assets are pooled, tokenized, and managed within the real-world asset fund structure (Input 1 of the multi-input real-world asset yield-generation circular model) to assets or collateralize and back the issuance of AI-specific real-world assets. The entire process is orchestrated by the non-linear informatics graph, object/root-level superkernel, and sovereign-identifier Infrastructure-as-a-Service compliance stack, ensuring one-to-one par reserve backing, bankruptcy-remote custody, quantum-resistant protection, and full

regulatory compliance (including Regulation Crypto exemptions for ancillary assets, tokenized securities treatment, and decentralized governance safe harbors).

Core Architecture

- AI Resources as Verifiable Real-World Assets: Physical or virtualized compute (GPUs, TPUs, CPUs, clusters), data centers (facilities, power infrastructure, cooling systems), storage, and networking are verified through the real-world asset communication protocol, attested with Merkle proofs, and pledged into customer-owned bankruptcy-remote special or sub-custody accounts without title transfer under International Swaps and Derivatives Association Variation Margin Credit Support Annex structures.
- AI Usage Tokens and Credits: Fungible or non-fungible tokens/credits representing rights to inference calls, training hours, fine-tuning capacity, model hosting, or API access are issued on any distributed ledger technology and treated as digital commodities or ancillary assets. These tokens/credits are pooled alongside physical AI resources.
- AI RWA Issuance: The pooled assets back the minting of tokenized AI real-world assets (securities or commodities) that represent fractional ownership, usage rights, or revenue participation in the underlying AI infrastructure and compute capacity. Issuance occurs through the structured real-world asset primary/spot market framework and is regulatory compliant with tokenized securities treatment.

Operational Flow (Computer-Implemented Method)

1. Onboarding and Verification: AI resources and usage tokens/credits are verified, pledged, and tokenized via the informatics graph and real-world asset communication protocol.

2. Pooling in RWA Fund Structure: Assets are allocated to the real-world asset fund structure as a dedicated AI sub-pool, maintaining one-to-one par reserve backing.
3. AI RWA Issuance and Distribution: Tokenized AI real-world assets are issued to investors or institutions via Regulation Crypto (where applicable) or full tokenized securities pathways, with automated disclosures attested on-chain.
4. Yield Generation and Recycling: Revenue from AI resource utilization (inference fees, training contracts, model licensing) and usage token/credit redemptions is recycled as a regenerative input into the multi-input real-world asset yield-generation circular model (daily compounding, proxy-tokenized hypothecation, institutional staking, and loop multipliers).
5. Real-Time Management and Compliance: The superkernel and agentic commerce layer (with x402/x4xx interfaces) perform continuous rebalancing, Basel III/IV risk validation, Environmental, Social, and Governance/carbon accounting adjustments, and real-time settlement.

Mathematical Representation of AI RWA Backing

$$\text{AI RWA Issuance Capacity}_t = \sum(\text{Verified AI Resource Value}_t + \text{AI Usage Token/Credit Value}_t) \times \text{Reserve Ratio}$$

{AI RWA Issuance Capacity} _t = \sum ({Verified AI Resource Value} _t + {AI Usage Token/Credit Value} _t) \times {Reserve Ratio}

where the reserve ratio is dynamically maintained at 1:1 under superkernel enforcement and regulatory-compliant risk management.

Novel Patentable Embodiments

- Pooling of physical AI resources (compute, data centers) and digital AI usage tokens/credits as assets or collateral within the real-world asset fund structure to back AI real-world asset issuance.
- Tokenized AI real-world assets representing fractional ownership or usage rights in AI infrastructure, integrated with the multiple input yield-generation circular model for regenerative yield recycling.
- Superkernel-orchestrated AI RWA issuance compliant with Regulation Crypto, tokenized securities treatment, and decentralized governance safe harbors under regulatory compliance.
- Real-time forensic accounting and exact-match referencing of AI resource utilization and usage token/credit redemption via the non-linear informatics graph and holonomial hashing.