

# THE UK COIN

A FIAT backed stable coin digital currency, with unique blockchain technology

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# Executive Summary

A stable coin is a token or coin based digital currency that is linked to a FIAT currency. UK coin is a stable coin and its primary function is to provide a secure and stabilised method of transferring value between wallet accounts on its own eco-system. The tokens can be converted at any stage into the FIAT currency at a fixed permanent rate.

The wallet accounts have a variety of subsidiary applications that are set out on page 16 under 'Wallets'.

In contrast to cryptocurrencies, the link to the FIAT currency ensures that the tokens have the same volatility as the underlying currency itself. The blockchain technology makes the currency cryptographically secure and capable of detailed review and audit. This eco-system is sustained using low levels of energy consumption.

We propose the new coin, called UK coin, linked to GBP. Coins created will replicate denominations in the base currency with equivalent values ranging from 1p to £1m. Each coin minted has a unique ID and signature and will become a non-fungible token (NFT) which will record ownership of the digital asset and 'encourage responsible innovation in finance<sup>1</sup>'.

Key points from this document are:

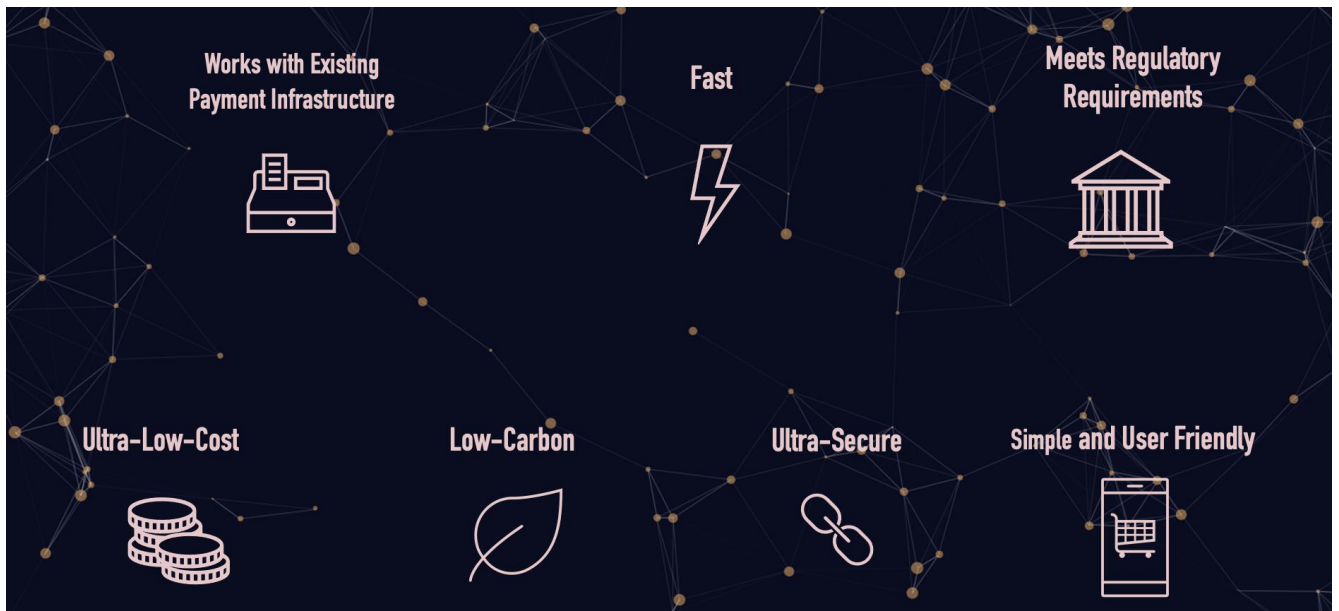
- This is a new digital currency linked to GBP (deemed a stable coin)
- Each coin is a minted unique NFT and is represented in a variety of 3D formats or themes

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<sup>1</sup> Nikhil Rathi, chief executive of the U.K.'s Financial Conduct Authority

- A secure transaction network has been developed to enable secure and accountable regulation, whilst reducing operating fees
- Every wallet has its own private blockchain and can be named like a bank account.

The net effect on the money supply of UK coin is neutral; as UK coins are minted, traditional currency is transferred to the Trust account.



# Introduction

UK coin is the next stage in the development of currency being evolutionary rather than revolutionary. It addresses the issues of secure storage, preservation and transfer of value in a digital economy through the use of blockchain and digital certification.

The encryption method used makes this system the safest and most accountable way to transact.

Blockchain is already embedded in the world's financial systems; at present, over 2.5% of global assets are held in crypto currencies, equivalent to over 1 trillion US dollars, or all the currency issued by India, the sixth world's largest issuer.

The first widely recognised crypto-currency, Bitcoin, was created as an electronic payment record that facilitated transfers outside the traditional banking system. The process of mining coins and maintaining its blockchain technology requires a significant amount of energy, estimated at 10% of 2021 global energy consumption and rising.

The use of the word mining is significant as Bitcoin, and other non-asset backed digital currencies, behave like commodities and are a simple function of supply and demand which thereby translates into volatility. By example, the best known crypto-currency, Bitcoin, was worth \$10,000 in January 2020 and \$60,000 in March 2021 and \$31,000 four months later. Such volatility makes such coins ideal for speculation but severely limits their use as a practical method of payment.

UKcoin is the inverse and mirrors FIAT based stable coins such as Tether, TRueUSD, Paxos and exchange specific coins such as Coinbas's USDcoin and Bianca's BUSD remove this volatility and the speculative element.

A stable coin is pegged to a FIAT currency and backed with a trust account that ensures the value of the coin is asset backed. Holders of these coins have the benefits of using a currency in a digital format and hold its value in cryptocurrency wallets.

In practical terms, a digital wallet is analogous to a bank account. Indeed, inter-bank transfers are themselves ledger balance transfers with no physical movement of assets.

The advantages of holding a stable coin are that transactions take place outside the conventional banking system and are cheaper, potentially quicker, more secure and capable of audit.

Unlike other stable coins, UKcoin will be pegged to GBP and underwritten by sterling deposits. Ukcoins will be issued in the same denominations as the underlying currency. The coins will have a subscription price and a redemption price in GBP identical to the denomination on the coin. UKcoin will therefore have the same currency risk profile as sterling.

The purpose of linking the coin to GBP is to embed trust within the system and engender confidence in the use of digital currency.

UKcoin is founded on a standard of encryption that makes replicating (or forging) the currency statistically impossible. Each coin is "minted" rather than "mined" enabling a new standard of

digital process. Critically, this new standard enables a truly auditable system, which ensures coins can neither be replicated or lost. It is possible to produce a full audit trail of the location and transactions of any coins throughout their life.

The process of minting, rather than mining, UKcoins and the design of the blockchain considerably reduce the carbon footprint of the currency to the level that its adoption will be broadly neutral compared to the current system of bank transfers. This blockchain is currently closed but will be made available to the appropriate financial authorities, as will the blockchain relevant to each wallet.

This contrasts to most cryptocurrencies aim to decentralise finance and operate on a trust basis using distributed ledger systems and cryptographically secure open-source software to transmit and store information.

The UK coin is distributed using a “named wallet system” which operates in a similar way to a bank account. This system has been developed to sit on top of the existing protocol. The wallet has subsidiary applications and is capable of storing not just the UK coin but any NFT such as a receipt or alternative digital currency. In addition, it also allows a user wallet to have a recognisable name as the public key thereby allowing owners to personalise their wallets, simplifying the payment and transfer system.

The advantages of digital transfers to the business community are well understood. The wallet is a critical element that will lead to UKcoin being used by individuals, essential if the economic benefits of digital banking are to be spread across society as a whole.

The UK Coin has the potential to drive a range of social and cultural changes. Whilst there is still a requirement for physical cash in some aspects of life, the cultural change has begun with 7.2 million people in the UK living a close to cashless lifestyle.

The personalisation of wallets combined with a simple user interface will make adoption to the coin simpler for non-digital users. This is critical to raising the number of users interacting with digital currencies as societies increasingly move towards cashless operation. It also supports access to such systems for those with additional needs, for whom complicated cryptographs are inaccessible. This supports the ambition to form part of the solution to getting the 1.7 billion unbanked people globally<sup>2</sup> access to a sustainable global financial system.

This ambition also forms part of an ambition to provide fair and equitable banking for people globally by increasing access and reducing cost. The UK Coin has the potential to reduce merchant fees and international payment fees significantly whilst enabling global transactions in a stable and universal currency. This could transform the way money is paid and passed across borders, making it a secure and affordable process, whilst adding transparency and an auditable element to those transactions.

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<sup>2</sup> <https://www.finextra.com/blogposting/18674/6-strategies-for-banking-the-unbanked>  
theukcoin.org  
version: 1 - AFAF251E-1BE3-41BF-8A56-6F52FB33E028



## The UK Coin

As stated, The UK Coin is pegged to the GBP. Each coin will be minted and matched to a coin in the base currency, with an equivalent value. As such, 1 UK Coin will be equal to £1. However, there will be multiple denominations of coins, to directly match the existing denominations of the GBP, for example ten pence and five-pound coins.

Each coin will be “minted’ with a unique Id and signature and will become a non-fungible token (NFT) which will record the ownership of the Coin digital asset. This represents a new standard of digital coin ownership. The blockchain technology allows the currency to be auditable and cryptographically secure.

Coins that are minted have a 3D representation which can be viewed in their wallets and third party applications. In addition, Coins have a 2D version of this and can also be themed. For example: Pride theme or NHS themed range of coins. An example of an early coin is:

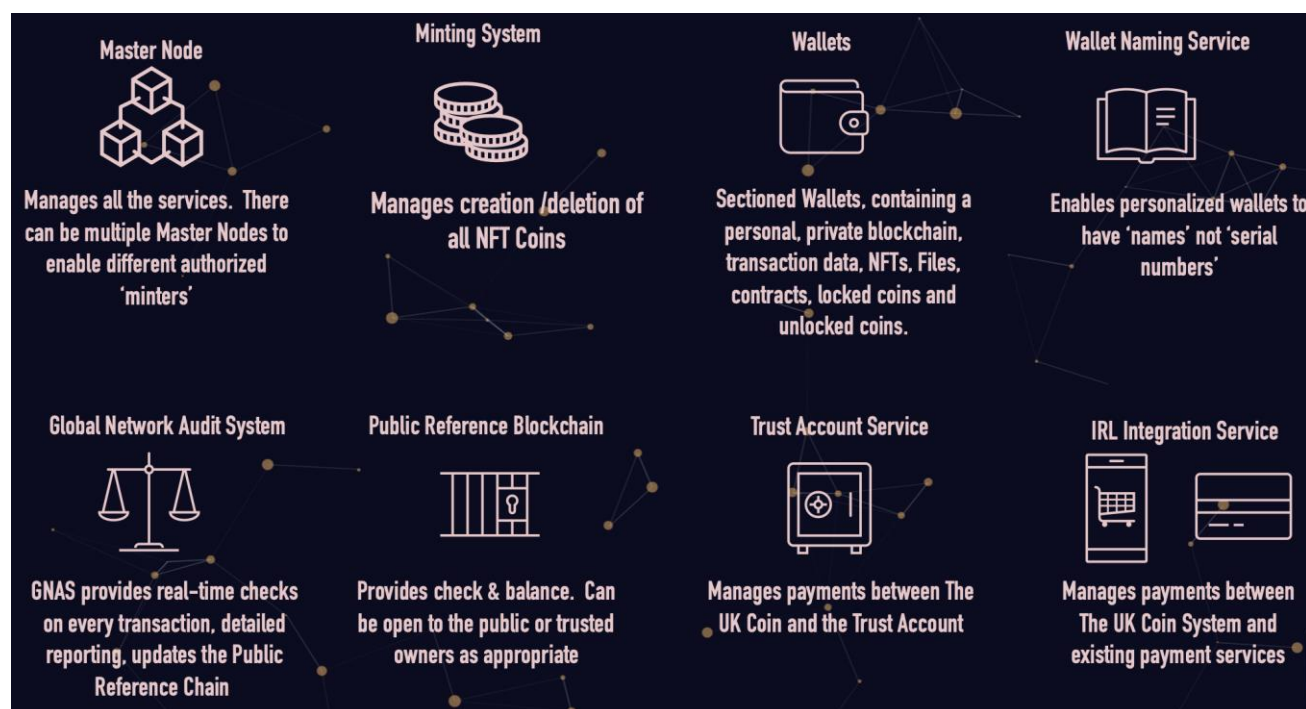


## How the ecosystem works

The UK Coin technology is built in an ecosystem combines various purpose-built micro services, that can be used in combination or in isolation. Whilst developed specifically for use within The UK Coin technology stack, each element has been developed with unique IP that can be deployed as an element of alternative technology stacks, if appropriate. This enables the system to work as a unit or in combination with other systems.

The system has been written to be agnostic of any programming language used to connect to it, allowing it to work with any other computing language. The core system has been designed to enable a hyper secure and fully auditable blockchain system that works within private and public structure. The ecosystem is detailed in the diagram below.

### The UK Coin Components



## The Master Node

The system is managed by the 'Master node' which enables the 'Minting' system, and routes transactions into the wallets via the 'Wallet name Service'. The "Master Node" also routes payments in and out of the system via the "Trust Account Service" and an "Card Service" as required.

As the system grows, multiple master nodes are added to handle transactions and digital assets within the system. These additional nodes can sit inside or outside The UK Coin framework with other institutions and authorised Companies. Master nodes make up the peer-to-peer network distributing wallet information to the Public Reference Blockchain.

## Minting System

The Minting process is a unique element that enables an additional layer of security. It enables all coins, NFTs, files and digital assets to be authenticated and created as required. This works like a hallmark and the authentication stays with the item through its lifecycle.

The minting system has a private and public key which can be used to create signatures for digital assets and ensure it has come from an authorised source. Every single coin will have its own unique ID which can be tracked in its entire lifetime within the eco-system.

Coins will be minted in GBP denominations. The Minting process can both be used to create coins and to change coins for change, when required. This typically is the process of sending a coin to be

destroyed, (deemed: End of Line) and then smaller denominations are created to the same value of the original coin, which replace the original coin.

Each Coin has several attributes which currently are:

Attribute / item	Example / notes
<b>Id</b>	ebaef811-eb6c-4d33-bb24-745906f644b3
<b>Hash</b>	255d7ec8b011169487440f9e735c2bb42d9d  9d998761e693b83e7c1462095075
<b>Time Stamp</b>	1627050256 (Epoch)
<b>Value</b>	100
<b>Current Wallet Address</b>	MARTINS WALLET
<b>Last Wallet Address</b>	FREDS WALLET
<b>Last Transaction Id</b>	4ce00422-99d3-409b-869c-5ce81dd172e0
<b>Coin Theme</b>	THEME.PRIDE
<b>Locked</b>	False
<b>Locked Transaction Id</b>	<blank> if not being processed by a transaction
<b>IPFS URL</b>	<a href="https://ebaef811-eb6c-4d33-bb24-745906f644b3.theukcoin.org">https://ebaef811-eb6c-4d33-bb24-745906f644b3.theukcoin.org</a> (example link. Not active)  Note: This will load a JSON file with links to the 3D model of the coin, a 2D image of the coin and also public information about it (based on the Public Reference Blockchain).  Third party applications and load this file in (one file per coin) from a wallet to “show” the coins held within it. This

	information is stored on the “Inter Planetary File System” and is publicly available.
<b>Minting Institution</b>	Note: This is the organisation who created the Coin
<b>Minting signature</b>	Note: This is the security signature generated by the minting process.

## Public Reference Blockchain

Each wallet has a unique private blockchain and can hold a suite of digital assets, coins, NFT’s and documents. Each wallet’s blockchain has a light version published on the ‘Public Reference Blockchain’ (PRBC) for transparency, which can be accessed by any Master Node within the system.

This process enables the saving of references to a public ledger, whilst safeguarding the actual digital assets, allowing third parties, such as regulators, on to the system to audit and track any digital asset (coins etc.) to specific wallet histories.

The PRBC is constantly scrutinised by the Global Network Audit Service (GNAS) and the PRBC is accessed via a Master Node within the system (internal or external). The PRBC deploys a typical blockchain model which is outside the scope of this document.

## Trust Account Service

This service manages the payments between the trust account and the Ecosystem. It provides a transparent process to ensure that funds can be easily verified and are in balance with the GNAS records. A £1 UK coin will be linked to £1 GBP and this balance will be maintained.

At present there is a single trust account used in the eco-system. When transactions come in or out of this account the system is sent an appropriate message. Once verified by an authorised source, this sets of a procedure to mint the coins, add them to the correct wallet and trigger the blockchain check and balance.

The sum of the Coins created Vs destroyed (End of Line for Change to wallets) will always equal the actual balance within the Trust Account. This is ensured via the Network audit Service and the Public Reference Blockchain alongside the private blockchain per Wallet.

The ability to utilise more than one trust account has been built into the system. Currently the trust account is in Sterling GBP, however it may be appropriate to have trust accounts in other currencies in the future.

### **Global Network Audit Service**

The whole system is auditable via the 'Global Network Audit Service' (GNAS). This enables real time checks on every transaction, enables detailed reporting and verifies updates to the PRB. If any anomalies are detected as part of the checks, the system 'sends up a flare' prompting action. Any 'flares' are red flagged to a back-end admin system for inspection.

## The Wallet Name Service

“The Wallet Name Service” is a service that works like a Domain Name Server (DNS) system. The purpose of the service is to allow users to name their wallet, allowing them to have a unique name like “Joe Bloggs Wallet” rather than a string of unmemorable numbers and/or letters. This service simplifies access to the system for non-digital natives. Wallet names will be available on a first come, first serve basis.

In addition to the Wallet name pointing to the *actual* wallet (and that the wallet name record is held within the Wallet itself) the system can allow naming conventions for other digital currencies. This is held in the meta data as additional records.

For example: “Joe Bloggs Wallet” points to the default UK Coin wallet. Whereas “Joe Bloggs Wallet :BTC” will return an address of an external crypto currency which can be used with third party applications. The address of these external currencies are used outside The UK Coin eco-system. Each WNS record can have unlimited additional entries.

## Wallets

The UK Coin wallet is made up of many parts. Every individual item has a signature using a private and public key and individual hashes where appropriate. Every wallet has its own private blockchain and is made up of the following as described below. Note that in-depth detail of each section is outside the scope of this document.

### Wallet Header

The wallet header includes everything which is required to enable transactions and holding digital assets within the eco-system. The header stores the security keys for the wallet, which are held as hash codes for each individual (sub-section) block of data. Every item within the header has a unique and individual security signature which can never be used in any other wallet that is created.

### Private wallet blockchain

The private blockchain is a reference store and validator for the other sections within the wallet. Data is technically referred to as “off-chain” but is contained within the same file structure. This enables a wallet client of the eco-system to request a list of all the coins within a wallet. It does not require to enumerate the entire blockchain and it can validate by the hashed signatures within the security protocols.

### Coins

One of the many unique and novel features of the entire system is the NFT style coins. This is the main “currency” that is used for general transactions on the eco-system. Each coin is created or “minted” as required upon funds coming into and out of the trust account service. A coin is truly unique and cannot be duplicated within the system. Any coin within a wallet can be represented as



JSON object which in turn references a 3D Model representation of the Coin in question. This exists for every coin in the eco-system.

In addition, coins can have a particular theme which also makes them unique. It is possible to create a set of coins for the first 1,000 coins minted or for limited runs, commemorating a specific event, organisation, or location where the coin minting was requested from. Unique or collectible coins can be locked within the wallet to prevent spending, unless required.

### NFTs

Wallets can be used to store other digital assets including cryptocurrencies, smart contracts, digital certificates or guarantees. Initially the system will interact with the Ethereum blockchain, which is outside The UK Coin blockchain technology. Increasingly, NFTs are seen as a certificate of authenticity, or a deed or proof confirming ownership and the right to display art in your wallet (digital wallet). Non-fungible means 'irreplaceable' since each token is unique. By being 'unique' NFT's can create scarcity which, in turn, can increase the market value for NFTs.

NFTs, and the fact that each one is unique, are the framework for The UK Coin insofar as all Coins are also unique and are a right of ownership.

### Digital files

Within a wallet there is a section dedicated for binary files. As with all data types within a wallet, files are verified via the private wallet blockchain and the "public reference blockchain" holds a reference to files.

Files will typically be associated with a transaction and uploaded via a merchant upon the purchase of something. For example, this could be car insurance documents, purchased online via the UK

Coin eco-system payment method. The insurer could send your car insurance policy and any other important documents directly to your wallet, making them easy store and find in the future.

### Transactional Merchant Receipts

In addition to files a transaction may include a receipt. This is a different data object in a wallet to transactional data. Receipts are stored as a proof of purchase which may contain other information.

Receipts can be generated real time and these are shown within the wallet or App and will never expire, replacing the need for paper receipts.

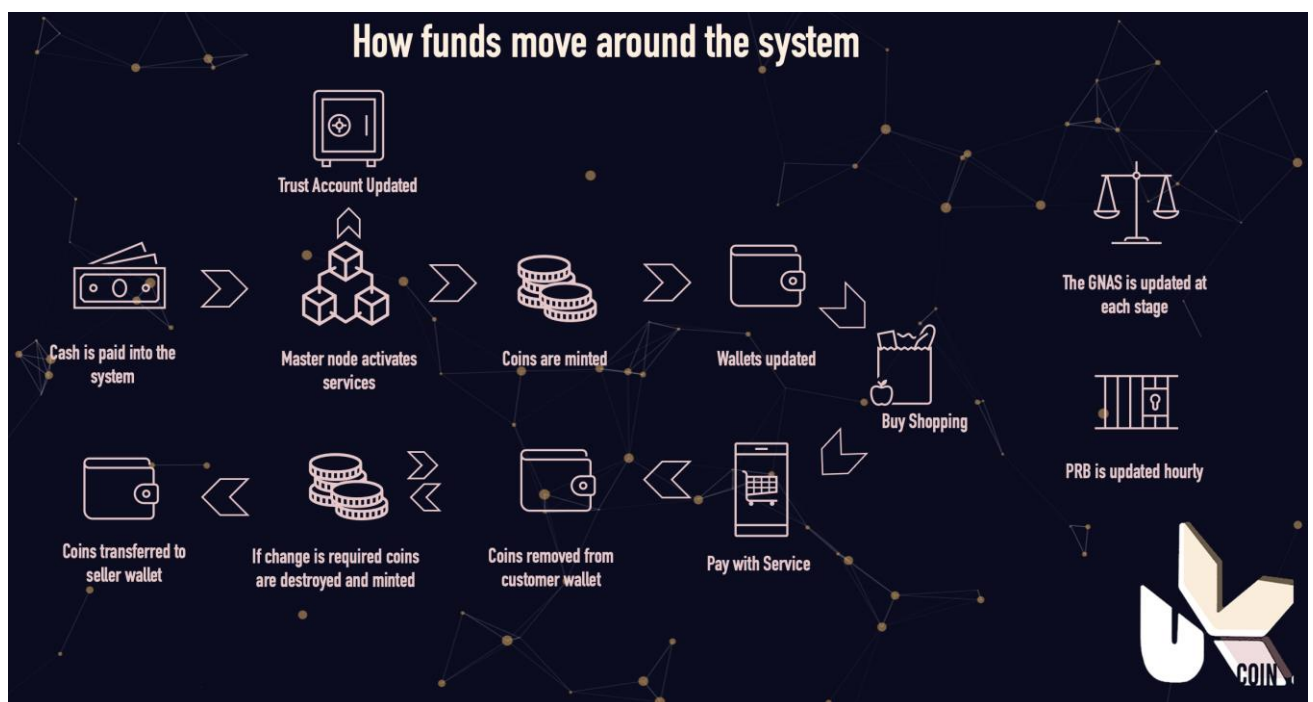
### Audit history and messages

Auditing is a principal part of the eco-system and is embedded into the system ethos. There is a section within each wallet that contains messages about the activity and health of the wallet, which is determined by the Global Network Audit Service.

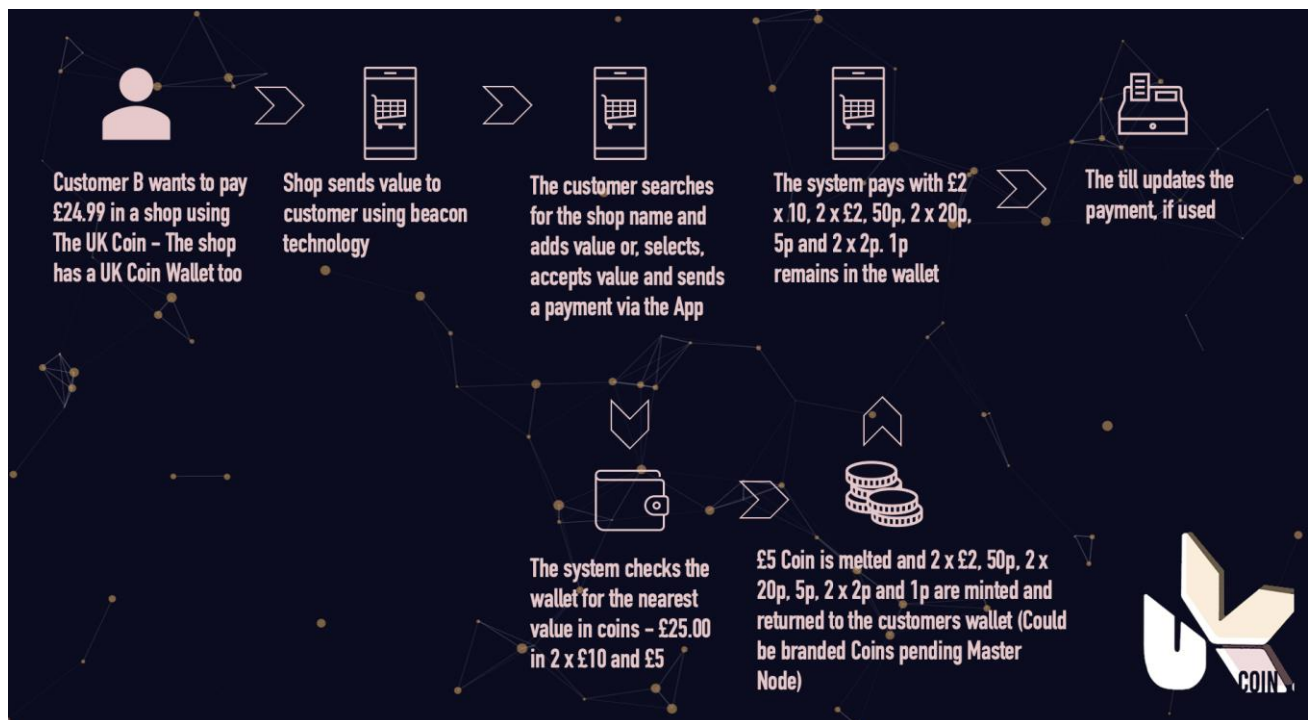
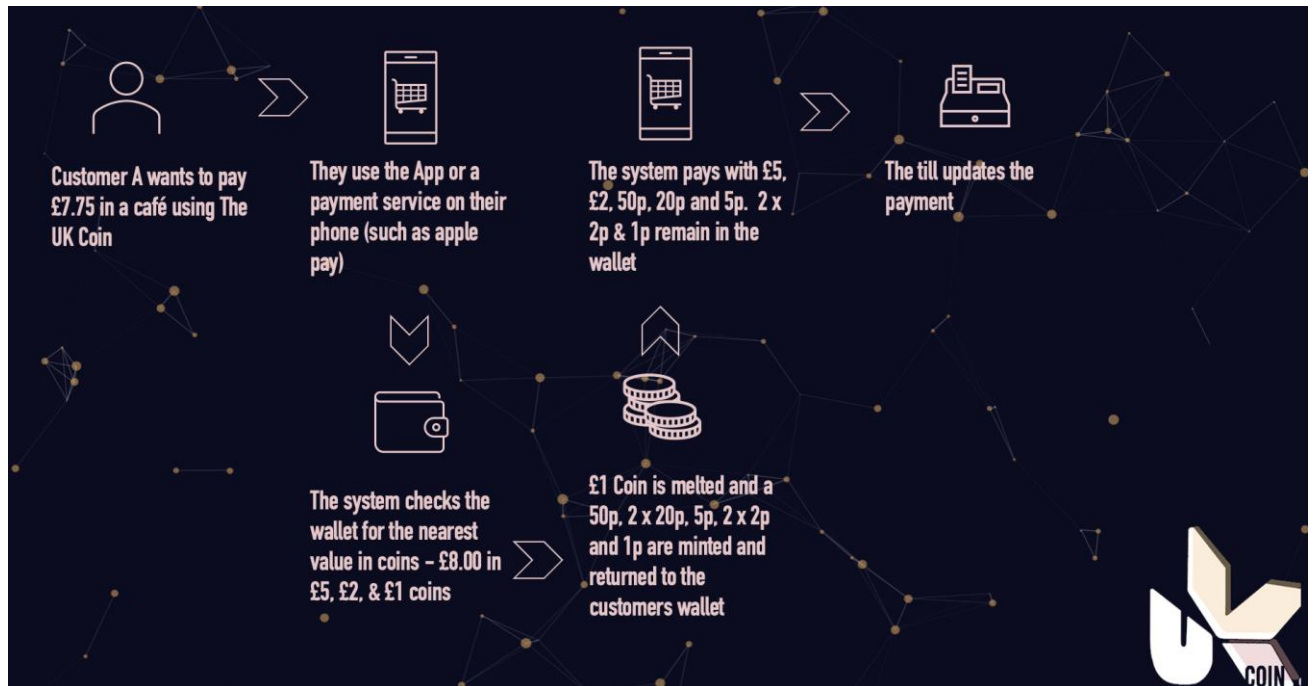
## Movement of Coins

The following diagrams illustrate how FIAT Currency is received and managed within The UK Coin ecosystem, how coins are issued and how records are maintained. This includes payments within the system.

The figure below shows FIAT currency being used to buy UK coins. It enters the system, is accounted for in the trust account, whilst UK Coins are minted allocated to a wallet.



The next figure shows payments moving within the ecosystem.



## Specific Uses

UK coin intends to become the primary method of payment in UK both for businesses and individuals.

The system has a range of applications that work alongside, replicate or replace a range of standard FIAT applications for various groups. The proposition is different for each user group, so their advantages and opportunities are described below.

There are many existing transaction methods including cash, cheque, BACS, credit/debit card. Of these, credit cards have aspects that an instantaneous transfer of value will not be able to match. In addition, credit card payments enjoy statutory protection and consequently it is anticipated that this sector of the consumer market will remain a strong preference for consumers.

### Individuals and the general public

For individuals, The UK Coin offers a secure and simple way to transfer funds and purchase items from participating merchants. The process of payment is as simple as Apple pay.

The merchant will not face the same level of fees accepting UK coin as they would accepting credit and debit cards through the current banking system. As such, UK coin is a very disruptive currency.

The difference in fee level would be sufficient to incentivise the retailer to pass on some of these savings to the customer in the form of either rebated tokens or loyalty tokens. A retailer can commission coins that can only be used in its own outlets

It is important that UK coin catches the public imagination. Unique minting allows minted NFT coins to be created and launched in limited editions, as collectables or branded. Such NFTs are already commonplace in the US market. It is anticipated that collectable coins will command their own value outside of the system.

As part of the marketing, the wallets can be named, making it easier for funds to be transferred to "Joe Bloggs" wallet, rather than "Xc09l3Dhi89nSBy7" or similar. This makes it easier for transfers to be conducted securely and reduces potential for error. Wallets with distinctive names will command a premium.

Whilst UK coin is specifically targeted at the UK market, the technology is transferable and eco-systems can be set up backed by different FIAT currencies. As the payment system is backed by mobile technology, it offers significant opportunities for some societies where both the merchant and the consumer is charged a transaction fee. The opportunity to license the technology in these markets is considerable.

The ubiquity of mobile telephone ownership extends to a considerable proportion of the 1.7 billion unbanked people in the world. This social group is outside the regulated economy and the UK coin system offers an opportunity for them to be brought into the regular economy and gateway access to the banking service.

## Merchants and business owners

For merchants the opportunities of the system are predominantly in enabling reduced transaction fees from payment gateways. The system can operate at a much lower transaction fee than other

payment gateways in existence and can therefore reduce operating costs significantly. The system can link to existing EPOS systems, saving cost within the audit trails and reducing aspects of the accounting practices. Payment processes are explored below.

## Global Network Payments System

For global payments the opportunity is even greater, as the system can undertake fully audited transactions in real time and with a minimal fee. The transactions will be made within the UK Coin, meaning that any payment will be undertaken in that coin, removing issues with exchange rates and conversion fees. Any purchase of coin from a currency other than GBP would be transferred to GBP as part of the transaction process and will be given a median exchange rate for the day.

Transactions are processed via Master Nodes which are described above. The number of Master Nodes processing transactions is deemed to be elastic and scalable on demand.

In the initial phase only The UK Coin will process transactions. However, in the future the intention is to look to financial institutions to process these.

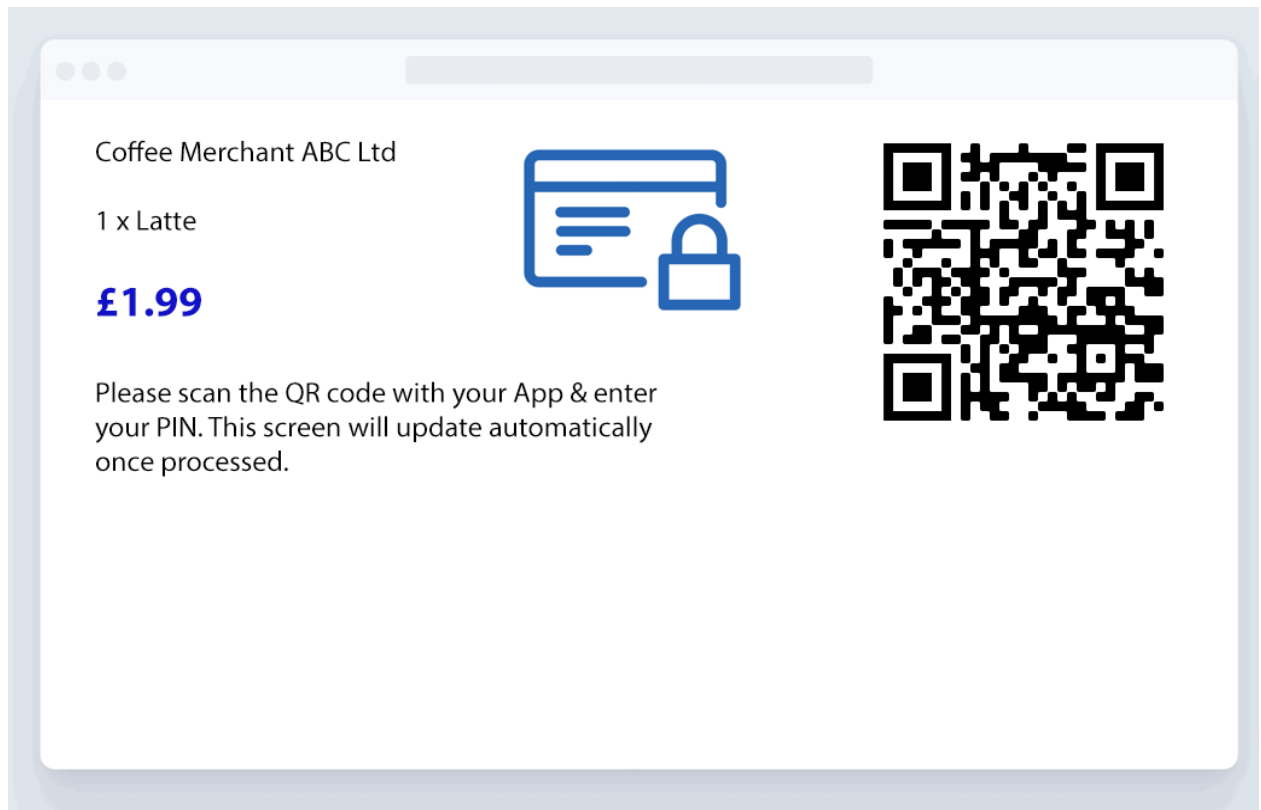
## Making Payments

There are several ways online stores and merchants can receive payment within the system.

Customers can send funds directly (as with other payee payments) or stores can setup transactions using QR codes where a customer can scan the QR code in the app and authorise the payment.

This system could be used both online or in real life situations, such as in the supermarket.

The system has been designed to be as simple as using a chip and pin system.



At the point of a successful purchase on the system the digital receipt is automatically entered into the customer wallet, alongside the transaction is entered onto the wallet and on the reference blockchain. This gives additional traceability for proof of purchase and digital warranties.

Payments using the GNPS (Global Network Payments System) can take place from any device without borders. Please note that all payments are done with the currency set for the service. At present this is Sterling GBP.

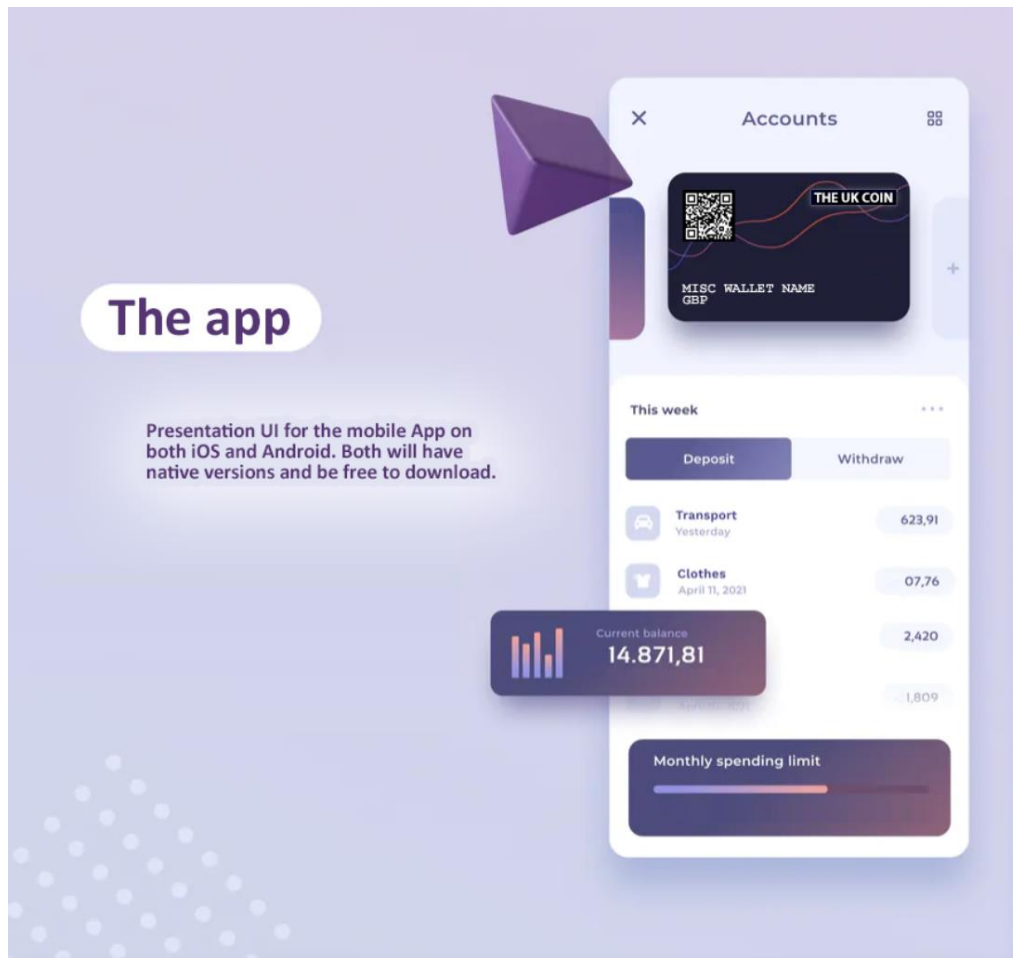


# Technology Readiness

The technology has been developed and deployed in a prototype system. All aspects are working and have been proven for initial testing, including the Minter, Mater Node, Wallet Naming Service, Wallet Block Chains, Global Network Audit Service and Public Reference Blockchain and transfer/redemption of coins.

To deploy the solution commercially the following actions are required:

1. The system needs to be scaled and tested to ensure it is robust.
2. The system requires a user friendly, front end interface to be completed
3. The system requires an iOS app and android app to be completed
4. Full Beta testing is to be completed.



## Next Steps - Commercial

The company is currently preparing for first stage investment to enable the full system to be fully actualised and a working system rolled out for public use. At this point the system has been designed to assume full accountability will be necessary to meet anticipated regulation requirements. The company ambition is to work alongside regulators and other key financial institutions to provide a fully auditable, cryptographically secure and robust alternative banking solution.



## Implementation Risks

Whilst the concept of The UK Coin is a sound one, there are some potential risks to be considered.

Some of these issues will be resolved as part of the next development phase and some are risks that must be managed. The core risks are anticipated to be seen as:

1. Regulators and/or authorities decide that digital currencies are 'uncontrollable' and a risk to national or global economic stability
2. The company could fail to gain the necessary momentum to succeed
3. The company's bank could become insolvent
4. National differences make operating in a global environment more challenging

These challenges are not unique to this concept; indeed, some are not unique to this sector. There is an inherent level of risk involved with the creation of any new business, in terms of gaining momentum and ensuring it is properly resourced and supported. The following actions are proposed to minimise and manage these risks:

1. The company is looking to engage with regulators at the outset of the project to ensure, where possible, regulatory principals and requirements are embedded into the ethos of the ecosystem and the company's practices.
2. The company is looking to raise sufficient funds to deliver this system properly, either by raising funds as an entity or by partnering with or licencing technology to enable the system to move to market successfully.
3. In the event that the system fails to gain enough momentum, the company will have sufficient funds within the trust account to fund the redemption of any coins in existence.

4. The company is looking to use a UK bank to hold the trust fund, to ensure that the necessary regulation and transparency are achieved.

UK regulators have strong powers to engender good management within the banking system, limiting the risk and exposure to failure

5. The system is currently being defined as a decentralised system that will be linked to GBP and lodging the trust fund in the UK. Therefore, only local national regulations should apply, i.e. UK regulation, however this may change and the company will need to actively manage this to ensure compliance as appropriate.

## Future Potential

The system is operational in its basic form but not ready for rollout.

UK coin is looking to work with Regulators and Bank of England to ensure that it meets all regulatory requirements with the possibility of opening the Trust account with the bank itself.

Further work needs to be carried out on elements such as pricing, consumer interface, front-end design and the decision will be made shortly as to whether to develop this in-house or seek external funding to foreshorten the process.

## Table of IP

Item	Description
Master Node	A system to manage all the different aspects of the ecosystem
Minter	Manager the 'minting' and 'melting' of coins and NFTs
Wallet Naming Service	This enables wallets to have personalised names
Wallet Private Blockchains	These are individual private blockchains for each wallet that securely track transactions and hold digital assets
The Public Reference Blockchain	This is a second blockchain that manages that enables the authorised third parties to verify individual wallets and assets
The Trust Account Service	This is a service that securely manages the interactions between the ecosystem and the trust account.
Global Network Audit Service	This is a system that audits each transaction on the system and undertakes regular system checks to ensure records are accurate and can be verified, prior to publishing in the Public reference Blockchain.

# Glossary of Terms

**Stable Coin** is a cryptocurrency that is directly linked to a FIAT currency and is backed with a reserve of equal measure. It could also be referred to as an “Asset Backed” or “Linked” cryptocurrency.

**Cryptocurrency** is the term used to refer to a digital currency that is decentralised or not linked to any traditional or FIAT currency. The currency has to be cryptographically secure and uses a distributed ledger to maintain its records.

**FIAT Currency** is a traditional currency or National currency, such as GBP or USD.

<https://www.ig.com/uk/glossary-trading-terms/ fiat-currency-definition>

**Blockchain Technology** is a technology system within which a record of transactions made in a cryptocurrency is maintained across several computers that are linked in a peer-to-peer network.

**Asset Backed Cryptocurrency** – see Stable Coin

**Linked Cryptocurrency** – see Stable Coin

**Linked Currency** is a currency that is linked to another currency in order to ensure some stability in that currency. This may be done by a government policy to peg a volatile currency to a more stable currency, such as Chinese Yuan to USD. <https://www.ig.com/uk/glossary-trading-terms/currency-peg-definition>

**Asset Classes Definition** is a category of financial instrument for either physical or financial assets. The instruments are grouped into asset classes based on whether they show similar characteristics, behave in the same way on the market, or are governed by the same laws and regulations.

**The Financial Conduct Authority (FCA)** is the organisation responsible for the regulation and oversight of the financial markets and financial service firms in the UK.

**Know Your Customer (KYC)** is a process that is used within banking to confirm the legal identity of any individual or organisation wishing to open an account.