



poundtoken.io
GBPT
Whitepaper March 2022

Contents

Executive summary	3
Background	4
Overview of the business	4
Business Objectives and Strategy	4
Stablecoin Analysis	4
poundtoken	5
Direct User Journey	5
Marketing Strategy and Marketing Methods	6
GBPT Ongoing Assessment & Freezing Procedure	6
Governance & Controls	8
Governance	8
Client Acceptance Controls	8
Client assets	9
Technology	10
Architecture	10
Smart Contract	12
Legal	15
Legal Notices	15

Executive summary

1. Blackfridge SC Limited (the 'business') is an Isle of Man company with the registration number 134289C, and registered office 55 Athol Street, Douglas, Isle of Man IM1 1BL.
2. The business was issued a financial services licence by the Isle of Man Financial Services Authority (the 'IOMFSA') on 31st January 2022 to undertake regulated activities in and from the Isle of Man under the following classes of regulated activity:

Money Transmission Services: Class 8(2)(a) & Class 8(4)

3. The licence is issued subject to certain conditions, including:
 - a) The business is required to maintain an appropriate wind down plan confirmed as acceptable to the Authority at all times.
 - b) The business must notify its customers, not less than every 6 months, that its activities in respect of electronic money do not constitute deposit taking activities and that customers' money is not protected by a compensation scheme.
 - c) The business must arrange for its auditor to conduct a monthly assurance report of the reconciliation of the balance in its Segregated Accounts and the volume and value of Stablecoin in issue. The business must arrange for the report to be published on its website within 1 month of receipt.
 - d) The business must state clearly in a prominent location on its website:
 - i. the base currency for monies held in any segregated account,
 - ii. any applicable charges for converting money into a currency other than pound sterling,
 - iii. the conditions of redemption of e-money to fiat, and
 - iv. a statement that any sums received do not constitute deposits as defined in the Regulated Activities Order 2011 and are not covered by any compensation scheme.
 - e) The business must hold, and maintain, minimum share capital premium of £750,000.
 - f) The business must state in a prominent position on its marketing material, including on its website, that it is a part of the IOMFSA Regulatory Sandbox.
 - g) A segregated bank account established under Rule 3.37 of the Financial Services Rule Book 2016 must be open and operational before the business may commence regulated activity.
 - h) A monthly assurance report is undertaken by the business and provided to the IOMFSA within 1 month of receipt to determine whether the business functions as purported to do and to identify any areas of vulnerability.
 - i) The business must hold capital and reserves of an amount specified by IOMFSA

Background

4. The business is a pioneering fintech company providing the first financially regulated, fully collateralised GBP stablecoin. The business name for the stablecoin platform and website is **poundtoken** / poundtoken.io. The ticker is GBPT.
5. Trademarks are pending for the business names and ticker.

Overview of the business

Business Objectives and Strategy

6. The business's core objectives are:
 - a) To provide a world-leading GBP stablecoin that will become the gold standard enterprise solution for global payments.
 - b) To improve the perception of, and to promote the use of Distributed Ledger Technology, and
 - c) To use innovation to advance the business's customer base and product offering.
7. The business will deliver a world-leading service through investing in its technology and people to provide a first-class customer experience. The business will maintain a robust regulatory framework to engender trust from its clients through transparency, security, and good governance.
8. Where opportunities for development are recognised, the business will act to market the products and services it offers to potential new customers and develop the current products and services to expand the offering into new markets.

Stablecoin Analysis

9. Stablecoins are stable-value digital currencies designed to minimize price volatility by pinning their value to fiat currencies held in a bank or to exchange-traded commodities like gold. As a result, their value is real unlike forms of cryptocurrencies like bitcoin.
10. Stablecoins are independently audited providing greater reassurance to the holder of their value and reliability. Unlike traditional cryptocurrencies, stablecoins represent a significant solution in digital currencies, leveraging the infrastructure, regulatory oversight, and currency stability of the traditional financial system, while operating with the speed and efficiency of the blockchain.
11. Stablecoins will pave the way for faster, cheaper payments, making it easier for people to pay for good and services, or to store their monetary value. There is increasing evidence that distributed ledger technology will have significant benefits for capital markets, fundamentally changing the way they operate. When customers use a stablecoin, they can be relieved of the traditional friction points of transferring funds (payment processing times, fees, use of intermediaries) and dealing with local currency conversions.

12. Several companies that have introduced USD-backed stablecoins, with Tether's USDT gaining the most popularity in the market, but there are persistent rumours that suggest USDT is not reserved one-to-one by the U.S. Dollar. Meanwhile other stablecoins such as USDC, GUSD and USDP are starting to gain market share, as regulated companies with reputable third-party auditors. We believe being regulated is the way the stablecoin market should grow.

poundtoken

13. **poundtoken** (GBPT) is designed to meet with the strict e-money regulatory requirements of the IOMFSA. The business has every right to be considered a trusted stablecoin issuer in the global market.
14. Independently audited segregated payment accounts will protect client funds and ensure complete separation from the business's own assets. Appointed auditors will provide the independent attestation services to certify the collateral of the stablecoin to be at least 100%. The business via its banking partner guarantees that a one-for-one reserve of any coin issued is held in GBP denominated assets by reputable financial institutions. This gives customers the comfort that the fiat held against the GBP back stablecoin is protected.
15. The business will provide a platform for issuing, redeeming, and withdrawing the stablecoin. Users of the platform will incur fees in GBPT for carrying out transactions on the platform. All fees will be notified to customers in a clear and open manner.

Direct User Journey

16. Direct customers are subject to the due diligence processes as dictated by Law and Regulation. Direct customer onboarding is possible via the online platform, poundtoken.io.
17. Customers will verify at least one corporate bank account. Funds will only be accepted from the customer's verified corporate account(s). Each customer is assigned a unique Reference Code for depositing funds. The Reference Code must be attached when transferring funds from a verified corporate account.
18. Funds are received directly into the Segregated Client Funds Account. Upon receipt, and following reconciliation, GBPT is issued to the customer, less any fees. Fees are calculated and displayed on the platform before any funds are sent.
19. Customers can link their own ERC-20 wallet addresses, providing the relevant due diligence information as required is satisfied. Customers can withdraw their GBPT balance from the platform to their linked wallet(s).
20. Thereafter the use of GBPT on the blockchain is tracked. All ERC-20 wallets receiving GBPT are checked using blockchain analytics software. Where the risk is higher than a given threshold, the business will investigate and take relevant action.
21. Customers will obtain a unique deposit address to deposit GBPT to the platform for redemption. The business will urge the customer to withdraw their GBPT balance to their own wallet or redeem GBPT to GBP within 21 days after the stablecoin balance is added.

22. Redemptions of GBPT to GBP are processed via the platform, and upon approval, the fiat is transferred to their verified bank account.

Marketing Strategy and Marketing Methods

23. The marketing strategy will be focused on the B2B sector initially and may extend to the B2C sector in the long term. The initial objective is to focus on key markets to drive adoption of GBPT before targeting retail sectors with use cases for GBPT.

24. As the digital currency ecosystem continues to mature, there are several use cases that have sizable transaction markets already.

a) Near term use cases

- i. Money Transfers: stablecoins are digital currencies that can be easily and securely transferred anywhere at any time, serving the global economy as a trustworthy medium of exchange with a universal understanding of its fiat-based peg.
- ii. Store of value: Institutional and retail traders often protect downside movements by converting into a stable value asset during periods of extreme volatility. Most digital currencies are highly volatile, with GBPT providing a near-instant conversions without inefficiencies of fiat conversion.
- iii. On-ramp for digital assets and Defi: More and more assets and financial services will move onto the blockchain or will even be originated from the blockchain. Stablecoins will provide an important on- and off- ramp for digital assets and financial services.
- iv. Fiat Equivalent for Trading: Currency trading strategies are popular methods to gain yield and/or hedge for institutional and retail traders. As we expand currency pairs, traders will be able to leverage these strategies with the efficiencies of the blockchain-based fiat.

b) Longer-term use cases

- i. Blockchain-based Fx markets: with the growth of stablecoins backed by different currencies, there is potential for stablecoin Fx markets to develop.
- ii. Blockchain-based banking: provide saving and lending products to a wide range of customers.

GBPT Ongoing Assessment & Freezing Procedure

25. During the life of every issued GBPT it will be monitored using blockchain analytics software.

26. Blockchain analytics software assesses blockchain addresses based on available data including the pattern of use, direct or indirect links to other blockchain addresses which have been used on the dark web or are linked to a high-risk country or sanctioned country or person.
27. All blockchain addresses receiving and/or storage a certain value of GBPT in a certain timeframe and the blockchain addresses are directly used to interact with the business are screened using blockchain analytics software to check the risk rating of the blockchain address.
28. Blockchain addresses with a risk score less than a specified value will require no further action.
29. Any blockchain address with a score over the specified value will be reviewed manually by the business. The review will consider the reasons for the risk score and will discard any risk score allocation caused by a link to a different blockchain address a certain number of hops away.
30. After discounting the relevant scores, if risk score remains above the specified level, it will be further reviewed to ensure the business is satisfied that the risks identified are relevant to the wallet holding GBPT. If at any point a staff member becomes suspicious of a transaction, they must report it in line with internal suspicious reporting procedures.
31. If the wallet or transaction is not deemed suspicious no further action will be necessary.
32. The business will have the ability to freeze GBPT. This will likely only occur where the business knows a transaction is unlawful or receives a lawful request from a law enforcement agency to freeze GBPT.
33. GBPT (and pegged GBP) will remain frozen until the wallet holder contacts the business to enquire about their GBPT being frozen. At that time, the person will be queried regarding the risk score allocated against their wallet (unless tipping off may occur) and full due diligence requested from them to satisfy us that the transaction is not suspicious.
34. Where a satisfactory response is provided the GBPT will be unfrozen.
35. Where the business is not satisfied with the information or response by the person or entity then immediate consideration will be given to reporting the matter in line with suspicious reporting procedures.

Governance & Controls

Governance

36. The ownership, management and control of the business is in the Isle of Man. The UBO is resident in Isle of Man and all the executive and non-executive board members are resident in Isle of Man.
37. The business recognises that the law does not distinguish between standards, duties and responsibilities of executive and non-executive Directors (see the IOMFSA's guidance on the responsibilities and duties of directors under the laws of the Isle of Man at <https://www.iomfsa.im/media/1699/guidanceontheresponsibilitiesand.pdf>). The board are accountable for governance and ensuring the business acts compliantly.
38. The business's governance is based on the objectives of corporate governance as detailed within the IOMFSA's guidance on Corporate Governance which can be found at corporategovernancenonbanksfinal.pdf (iomfsa.im).
39. Our objectives are:
 - a) Compliance with statutory obligations. The business must comply with statutory obligations, record that compliance and be able to demonstrate compliance,
 - b) Management of risk. The business has mechanisms in place to identify, assess and manage risks relevant to its business which will assist the business in minimising losses and maximise opportunities,
 - c) Aligning shareholders and Directors' interests. Due to the business being a small start-up some of the owners are also board members and will be involved with the business management. The board will identify and respond to shareholders' interests as there are/will be shareholders who are not board members,
 - d) Management and control systems. Many of the board's responsibilities may be delegated within the business, so systems are in place to monitor and control these delegations, and
 - e) Balancing the board's power and responsibility. Controls are in place ensuring the chairman or CEO are not dominant, which is also assessed by the IOMFSA.
40. All the objectives must be accomplished to achieve good governance.

Client Acceptance Controls

41. The business has defined procedures which detail the process in onboarding customers.
42. All customers must complete an online registration form prior to any review by the operations team. This online process requires the customer to provide relevant information and documentation for the business to comply with requirements of the AML/CFT Code and Rule Book as well as make an adequate assessment of the customer risk profile.
43. In the event a customer does not provide the relevant information or documentation the additional/missing information is requested from them by a member of the customer service team. Where a customer does not provide such information, they cannot proceed with the business relationship, consideration will be given to whether a disclosure (internal or external) is made.

44. The terms of business and relevant policies are provided to the customer during the online process. The customer must sign a declaration that they have read, understood, and agree to the terms of business.
45. Once all relevant information has been obtained from the customer a risk assessment is carried out in line with the AML/CFT code. This will provide a risk score of low, standard, or high. Where the customer is deemed a PEP account the risk score will be mandatory high-risk. Any PEP account or account with a high ML/TF risk will be subject to the enhanced requirements in line with the AML/CFT Code.
46. Where customer risk levels appear un-acceptable the relationship will be declined or referred to the Compliance and Risk Committee for review. A decision on the customer acceptance will be recorded within the minutes of the meeting detailing why the customer was, or was not, accepted as a customer.

Client assets

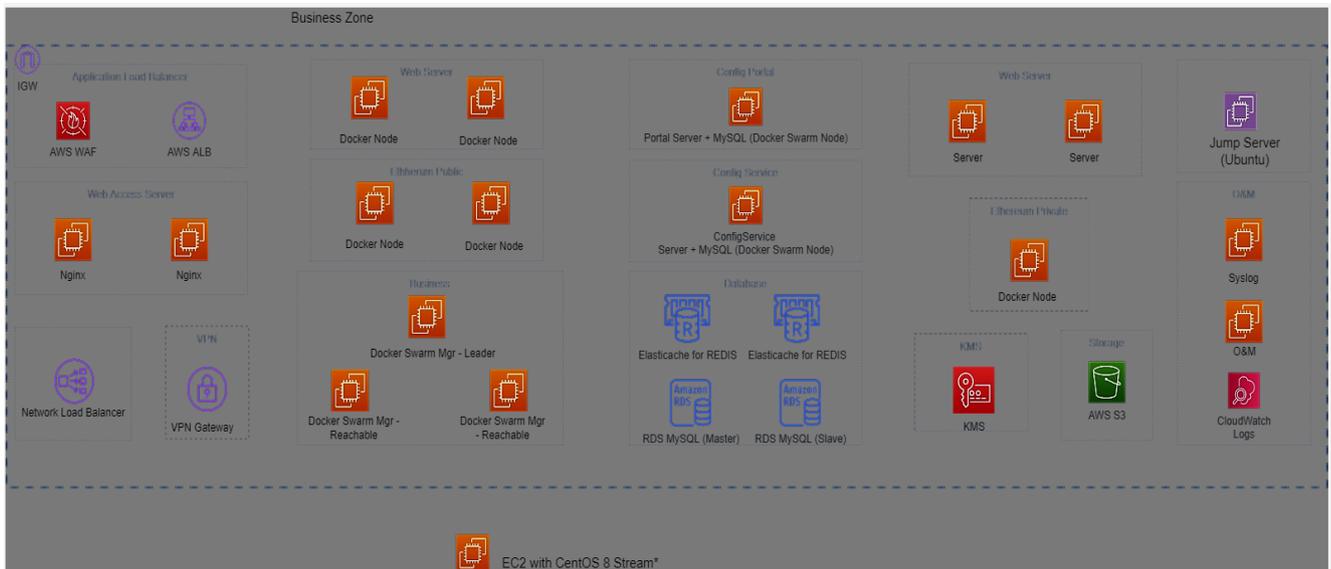
47. It is a fundamental principle that the business' own money and assets must be separated from client relevant funds.
48. The business understands the importance of ensuring customer protection and is committed to ensuring that all customer funds are segregated from all other funds associated with the business.
49. The business has established segregated accounts for which all relevant funds will be safeguarded.
50. All daily reconciliations are carried out by the Finance Department.
51. All reconciliations are recorded and maintained by the business in a secure storage environment.
52. Any discrepancies discovered during reconciliation will be corrected as soon as practicable and in any case within 5 business days (unless they arise solely because of normal timing differences).
53. The business will notify the IOMFSA where it is not able to carry out a daily reconciliation or has completed the reconciliation but is not able to correct any discrepancy or more than 3 months after completion, a discrepancy has not been corrected.
54. Poundtoken.io is not a deposit taker. Any fiat sent to poundtoken.io will be converted to GBPT. When GBPT is redeemed, fiat will be sent to customer's verified bank account.
55. The business allows the customer to keep its GBPT balance in the system for no more than 21 days. The business will remind the customer to withdraw GBPT to their own verified wallet.

Technology

Architecture

56. Poundtoken.io subscribes to the AWS well architected best practices (AWS Well-Architected overview) for designing and operating reliable, secure, and efficient systems in the cloud and use internal and external audits to ensure the platform adheres to the following principles:

- a) **Implement a strong identity foundation:** Implement the principle of least privilege and enforce separation of duties with appropriate authorization for each interaction with your AWS resources. We centralize identity management and eliminate reliance on long-term static credentials. The modular design allows for access to be restricted to modules of the environment reducing the ability to compromise the solution significantly. Module protection and segregation is provided by logical firewalls (Security Groups) managed by each zone



separately.

- b) **Enable traceability:** We monitor, alert, and audit actions and changes to your environment in real time and integrate log and metric collection with systems to automatically investigate and act.
- c) **Apply security at all layers:** Implementation of a security baseline for all AWS accounts and centralized management of security tooling and storage of audit logs. We apply a defence in depth approach with multiple security controls which are applied to all layers (for example, edge of network, VPC, load balancing, every instance and compute service, operating system, application, and code). All Security-related events are logged through the ITSM (IT Service Management) solution to ensure the correct severity and urgency is assigned to each event by the Security Operations Centre (SOC). Events include unauthorized access to computers, unauthorized use of system privileges and execution of malware that destroys, encrypts a system, or steals data. The Businesses incident response framework is modelled on the National Institute of Standards and Technology (NIST) Framework of Improving Critical

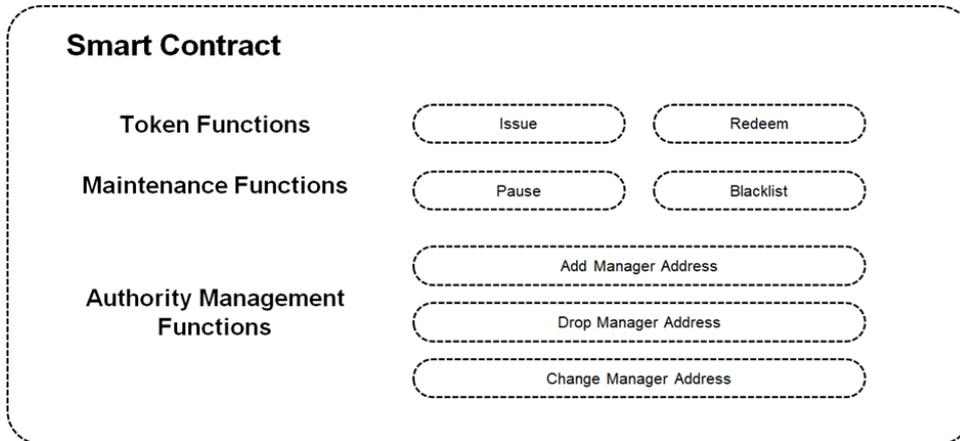
Infrastructure Cybersecurity and the MITRE ATT&CK® Framework. The framework enables the business to apply the principles and best practices of risk management to improving the security and resilience of the system by:

- i. Deploying and maintaining next generation endpoint protection.
 - ii. Implement strict firewall policies at the network edge.
 - iii. Train employees to be vigilant.
 - iv. Activate MFA for all admin and user accounts.
 - v. Frequently backup and use continuous data protection software.
 - vi. Practice a least-privilege approach.
 - vii. Implement a plan for continuous operations.
 - viii. Always install system updates.
- d) **Protect data in transit and at rest:** We classify data into sensitivity levels and use mechanisms, such as encryption, tokenization, and access control where appropriate.
- e) **Keep people away from data:** We use mechanisms and tools to reduce or eliminate the need for direct access or manual processing of data. This reduces the risk of mishandling or modification and human error when handling sensitive data. All systems should be accessed via a central management console that has sufficient monitoring and management abilities to identify:
- i. The User/s accessing the system
 - ii. The system/s they access
 - iii. The date, time, and duration of the access
 - iv. The changes they make to the system
- f) **Prepare for security events:** We utilise a layered security ‘Defence in depth’ approach to monitoring and protecting the business from internal and external cyber security threats. All logs, security logs and other machine data from the environment are captured and collated in a separate system where they can’t easily be tampered with by an attacker. The normalised data forms a Common Information model (CIM) and classifications are updated regularly. We are prepared for incidents by having incident management and investigation policies and processes that align to organizational requirements. We can run incident response simulations and use tools with automation to increase the speed of detection, investigation, and recovery. To ensure the quickest possible remediation, a guideline of anticipated attacks and response scenarios exist, and the solution is monitored with 24/7 alert and response capabilities.
- g) **Embrace Infrastructure as Code and Automation:** Our version Control of the infrastructure and network definitions enables repeatable outcomes across multiple environments and enables deployment automation to minimize human intervention and errors.
- h) **Segregate environments:** Administrative and Network Separation of the production environment and non-Production environment workloads to ensure that changes to the non-production infrastructure do not impact the production applications infrastructure.
57. The solution offers a highly resilient AWS infrastructure to support the deployment of the applications with External and Internal facing components and is hosted out of the AWS London region to comply with the UK data localization requirements.

Smart Contract

58. One of the largest factors for success in digitizing various currencies is ensuring there is a 1:1 reserve held at an accredited financial institution. Poundtoken.io is built on the Ethereum DLT and uses smart contracts and to facilitate the purchase, storage, transaction as well as the transparent collateralisation (the total amount in circulation can be publicly viewed) of the stablecoin.
59. The main Smart contract implements standard ERC20 logic. ERC-20 tokens are blockchain-based assets that have value and can be sent and received and issued on the trusted Ethereum network. ERC-20 is one of the most significant Ethereum tokens and has emerged as the technical standard; it is used for all smart contracts on the Ethereum blockchain for token implementation and provides a list of rules that all Ethereum-based tokens must follow.
60. Ethereum is powered by worldwide distributed compute nodes. The Ethereum network runs on a blockchain secured by miners executing a Proof of Work consensus algorithm, with plans to move to a Proof of Stake consensus algorithm. Small programs called smart contracts are run in the same way on each of these nodes. A smart contract is a computer protocol intended to digitally facilitate, verify, or enforce the negotiation or performance of a contract. Smart contracts allow the performance of credible transactions without third parties.
61. These transactions are trackable and irreversible, meaning that the integrity of the data and execution of computer-based procedure is preserved and unaltered. Poundtoken.io is issued via an ERC-20 based smart contract, ensuring that our stablecoin operates under specified rules in a computer-programmed sequence, helping to eliminate human error. The benefits of an ERC-20 contract on Ethereum are:
 - a) the security and availability offered by one of the largest reputable global blockchain networks.
 - b) Most digital asset trading, storage and transfer venues widely support the ERC-20 protocol, enabling immediate integration and support for poundtoken.io.
 - c) simple and familiar smart-contract pattern
 - d) Publicly verifiable token supply, account balances and on-chain procedures
62. While poundtoken.io serves as the issuance and redemption mechanism, other transactions in our stablecoin take place on the Ethereum network without the need for third-party financial intermediaries. Account balances, the supply of tokens, and on-chain activities are publicly available on the Ethereum platform.

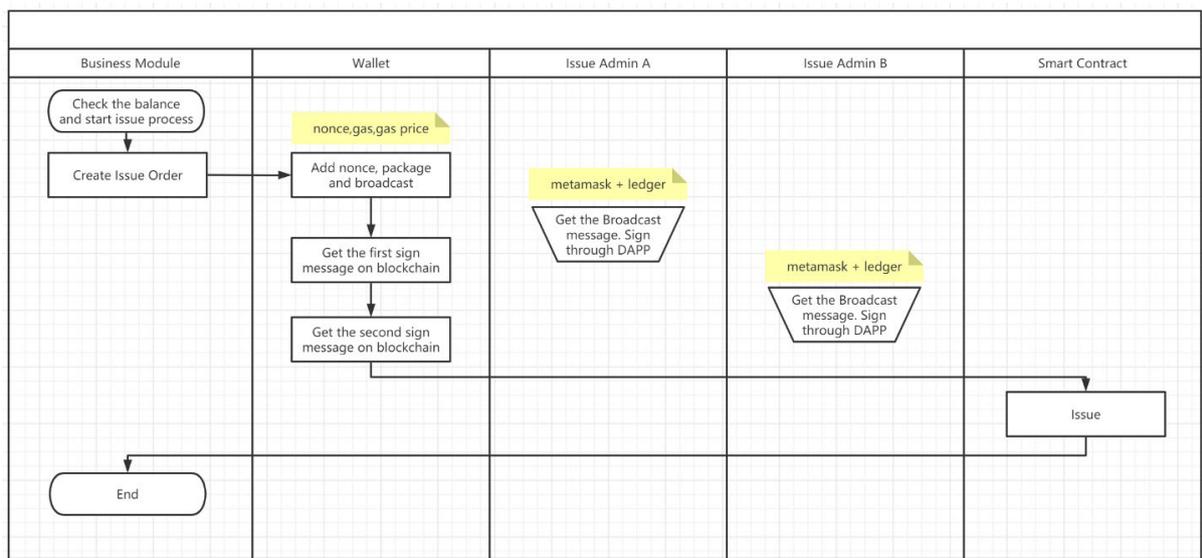
63. The Figure below shows the functions of the smart contracts.



64. The purpose of the issue contract is to issue an approved amount of stablecoin to a specified address (user). The AML verification process will run every time a new issue order is received. If the verification succeeds, poundtoken.io will:

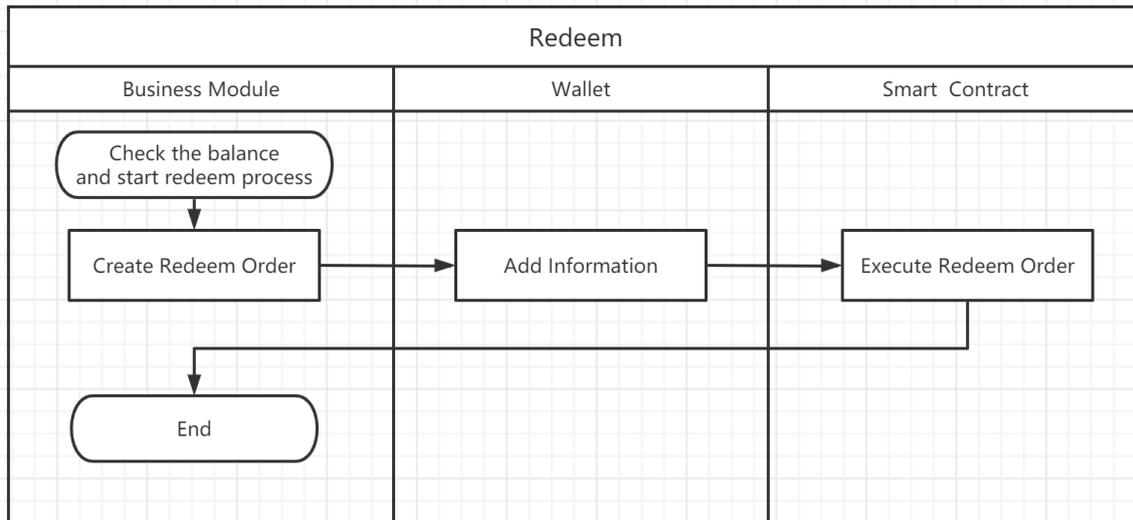
- Decrease the amount of fiat currency in the user's balance sheet.
- Issue the corresponding amount of GBPT.
- Increase the corresponding amount of GBPT in the user's balance sheet.

65. During the issue process the issue admin will sign the message through a DAPP (Decentralised application) over Ethereum through the process below.



66. The purpose of the Redeem contract is to redeem an approved amount of stablecoin from a specified address (user). The AML verification process will run every time a new redeem order is received. The amount cannot exceed the user's crypto currency amount in his balance sheet. If the verification succeeds, poundtoken.io will:

- a) Increase the amount of fiat currency in the user's balance sheet.
- b) Decrease the corresponding amount of GBPT in the user's balance sheet.
- c) Transfer the corresponding amount of GBPT to the redeem address.
- d) Redeem GBPT in the redeem address.



67. poundtoken.io will send fiat currency to customer's pre-approved bank account. The AML verification process will run every time a new fiat sending order is received. If the verification succeeds, poundtoken.io will be able to instruct the bank to execute the transfer.

68. Other Smart contract functions include:

a) **Pause**

- i. An administrative function that allows Poundtoken.io to pause and restart the clients' activities. In the paused status the Issue, Redeem, Transfer, Transfer From, and Approve functions cannot be executed effectively freezing the account.

b) **Blacklist**

- i. An administrative mechanism to exclude and or multiple addresses from participating in transactions.

Legal

Legal Notices

69. poundtoken and poundtoken.io are business names of Blackfridge SC Limited. Blackfridge SC Limited is a company incorporated in the Isle of Man under company number 134289C with its registered office at 55 Athol Street, Douglas IM1 1BL.
70. Blackfridge SC Limited is licensed and regulated by the Isle of Man Financial Services Authority to carry on Class 8 (2)(a) and (4) – Money Transmission Services as a part of the Authorities Regulatory Sandbox.
71. Blackfridge SC Limited is registered with the Isle of Man Information Commissioner.
72. Funds received by Blackfridge SC Limited do not constitute deposits as defined in the Regulated Activities Order 2011 and are not covered by the Isle of Man Depositors' Compensation Scheme.
73. All funds received from customers for the issuance of e-money tokens (stablecoin) are safeguarded in segregated client accounts denominated in GBP (British pound sterling). Funds received in any other currency will be converted at an exchange rate decided by our bank. Funds withdrawn by you to an account in a different currency will be converted at an exchange rate decided by your bank.