

Tokenisation glossary

Blockchain: a type of digital ledger technology used to store and transfer information. Every block in the chain contains information about the previous block, hence the name.

Distributed ledger technology (DLT): the technological infrastructure that allows simultaneous access, validation and record updating across a networked database. As the name implies, it allows control of information to be distributed to multiple persons or institutions at once, with no central storage or control invested in one.

Fractionalisation: the process of dividing a token or asset into smaller parts. This lowers the price of ownership and enables many people to own a part – or fraction – of a fund, or asset.

Master node: a special type of Node that performs additional responsibilities including, but not limited to, verifying transactions, enabling instant and private transactions, and providing governance oversight.

Network: a collection of nodes which interact.

Node: a device running the software of a specific Blockchain. Nodes validate transactions and keep the network secure ensuring it remains decentralised.

Smart Contract: applications, rules or actions stored on a Blockchain that run when predetermined conditions are met. Smart Contracts enable transactions to occur without an intermediary and without parties having to trust one another.

Technology working group (the TWG): the Government-convened Asset Management Taskforce established the TWG to explore the use of tokenisation in funds. The TWG includes the Investment Association (IA), HM Treasury, the Financial Conduct Authority (FCA), and industry experts. The TWG is chaired by Michelle Scrimgeour, CEO of Legal & General Investment Management Limited. The TWG is responsible for identifying and addressing the key technical challenges and opportunities for fund tokenisation, such as interoperability, scalability, security, data standards, and governance, and to encourage collaboration within the industry and with the regulators.

Tokenisation (of an asset): the process of creating and issuing a digital representation (typically referred to as “Tokens”) of an asset which is stored on a Blockchain.

Tokenisation (of a fund): the process of creating and issuing digital Tokens representing different elements of an investment fund's key stores of information such as the asset register, unit register, and client register and representing the information in a token stored on a blockchain.

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