KINKA



KINKA GOLD WHITEPAPER

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Introduction.

Gold, the world's local asset. The fundamental medium of storing and transacting value for all of human history. From the plains of Mesopotamia to the shores of the Nile, inside the halls of Uruk's court to journeys out on the Silk Roads - in life, death, and art - gold has been the foundation of wealth, hierarchy, exchange, and prestige for millenia. Like fire and writing, it is a basis for civilization itself.



Durable, malleable, divisible, fungible and most of all shiny - until only very recent times gold was the only currency humankind knew.

Today, still - despite the rise of electronic fiat currencies - it is still a premium investment vehicle and remains the time-honoured hedge against inflation, crisis, and political upheaval. Even Bitcoin, the latest asset trend of the decade, is after all just 'digital' gold. Gold remains a pivotal value system even after millenia of financial sophistication. In 2021, gold's daily trading volume was the 4th highest of all asset types, with **$130.9** billion daily flowing through the world's international trading desks*.

* Word Gold Council, Accessed October 26, 2023 GOLD.ORG

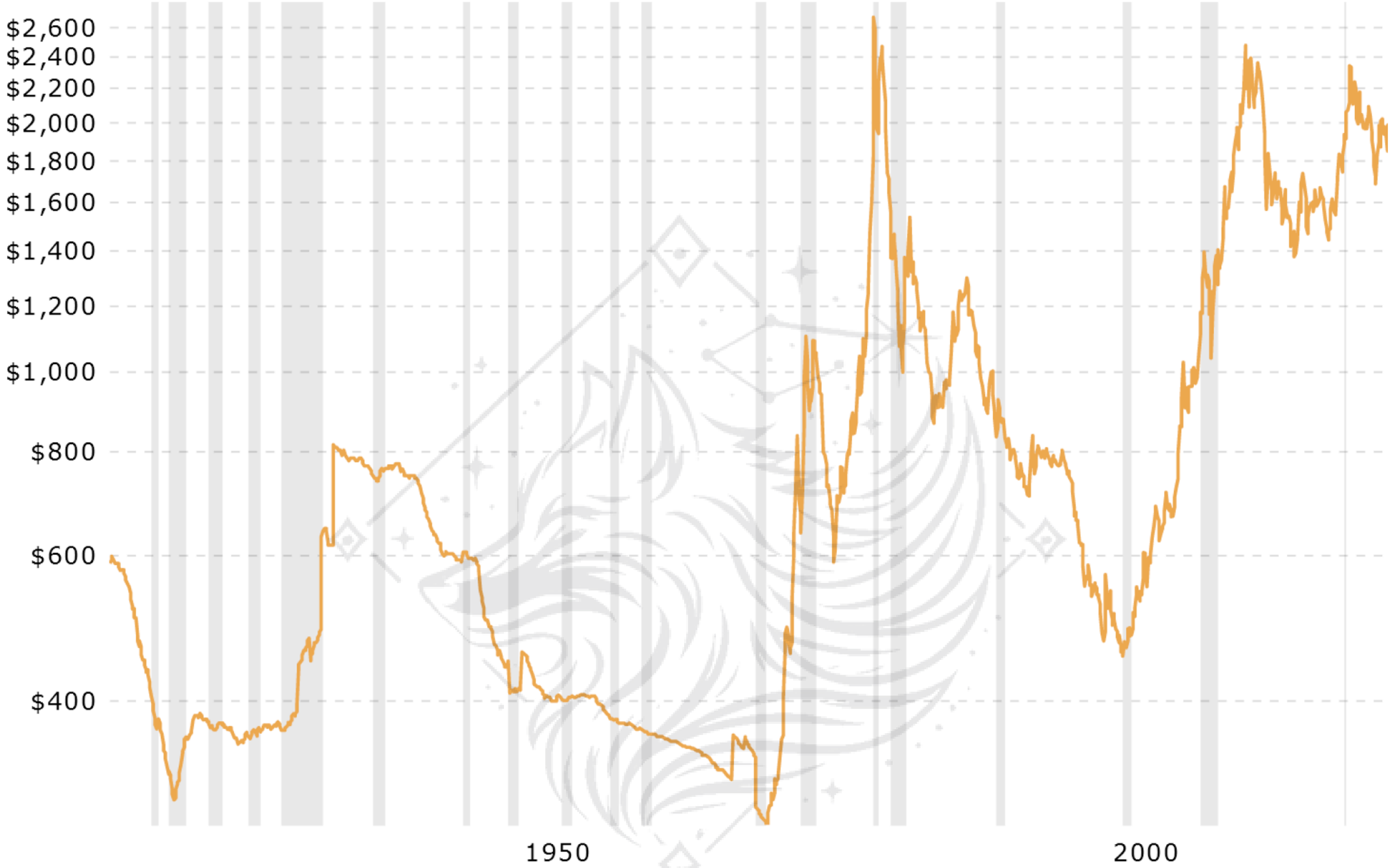
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The Demand for Gold.

As such, the demand for gold has never wavered. Despite Bretton Woods and the subsequent Nixon Shock, with the US leaving the gold standard and other countries around the world following suit, gold has still prospered and currently sits near its 100y all-time high. Fiat tried to end civilisation dependence on gold; it only made it increase. **6000** years of civilization later and gold has retained its position.



Source: Macrotrends: Gold Prices - 100 Year Historical Chart

Gold is fully integrated into the modern financial machine, with countless financial instruments based on or collateralised with gold bullion. Gold is a favourite of pension funds, portfolio managers, and Mom ‘n’ Pop, and is universally seen as a ‘safe’ asset.

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The Need for Gold.

If the government engaged in large-scale quantitative easing - as it has repeatedly done for decades - then gold is the beneficiary. The more money national governments print, the faster gold accumulates value. 2008 has woken this generation up to the importance of finite assets. One ounce of gold was worth $38 in 1971. Today, it's worth $1,900. In comparison to gold, the US dollar has lost **98%** of its value.

Gold Price/US-Money Stock (M2) Ratio



Source: FRB & LBMA

There is after all, like Bitcoin, only so much gold to go around. The above-ground stock of gold discovered or mined by humans since the beginning of recorded history is approximately 208,874 tons* as of the end of December 2022, an amount equivalent to only four Olympic swimming pools. Demand in the future will only ever increase.

* World Gold Council, Accessed October 26, 2023 GOLD.ORG

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Creating Access to Gold.

Gold isn’t going away, but access to it is.

Access that’s appropriate for an on-chain financial system, with all the efficiency, integration, custody and storage benefits that come with it.

Kinka is creating that access.

Current Issues with Buying and Storing Gold.

Owning gold is expensive. Custody risk of theft makes it risky to store yourself. Custody suppliers like banks are expensive and make access difficult. Transacting with gold assets is highly illiquid, and only available through specialist routes that come with high transaction fees. Owning small amounts of gold - the preferred route of retail investors - is highly inefficient.

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The Importance of Creating Gold On-Chain.

It doesn’t have to be this way. Blockchain opens up new routes of gold custody that sidestep all these issues while still operating in a highly regulated framework.

By creating a safe haven gold-backed stablecoin for liquidity on-chain, it gives Web3 denizens a powerful option to store, secure, hedge, and exchange their net worth. All the benefits of owning gold, with none of the transactional headache.

> Global financial systems are moving on-chain due to the immense liquidity, fungibility, and security the blockchain offers. So should gold.

Blockchains are creating a global, trustless, transparent, permissionless network on which the systems of modern life will run, and through **Kinka**, gold can be fully liquid on it - at a fraction of the cost of current systems.

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Kinka's New Golden Age.

Kinka is creating and improving gold ownership, unlocking the world's local asset to the next generation of investors, and improving gold's fungibility, malleability, and distribution throughout Web3.

Kinka (XNK) is an ERC-20 standard gold-backed crypto asset, and its backing gold bullion is stored in Loomis International's high-security warehouses with locations around the world. In addition, the gold bullion used as the underlying asset is of the highest quality brands manufactured by Japanese refiners that meet the Good Delivery Standards set by the London Bullion Market Association (LBMA). Many of Kinka's gold bullions are designated brands of the gold futures market listed on Japan's Osaka Exchange. The purity of **XNK's** backing gold is 99.99%, the highest quality in the world.

XNK will expand access to gold and boost integration with Web3 both inside Japan, across the Far East, and around the world.

XNK is issued by **Kinka(BVI) Ltd.** Each **XNK** is equal to one troy fine ounce equivalent of gold bullion. **Kinka (BVI) Ltd's** parent company is **Daiichi Commodities Co., Ltd.**, which began selling gold bullion in 1981 and has supported the asset management of Japanese investors for over 40 years. **XNK** represents just the first step into the broad waters of Web3 for the company, bringing reputable, regulatory gold-services to the blockchain generation.

XNK will spearhead gold ownership in the new on-chain financial system, with each **XNK** redeemable for the highest quality Japanese brand gold.

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XNK: Efficient Gold Ownership.

Unlike other gold tokens, **XNK** charges no custody or management fees. There are no transaction fees when purchasing **XNK** aside from Ethereum's nominal gas fees. Settlement risk is zero, with smart contracts processing on-chain transferral of **XNK** ownership.

Once you buy **XNK**, the tokens are sent directly to your wallet and can technically be used anywhere in Web3 (trading pairs, DeFi, payments, gaming).

XNK and gold bars can be exchanged in units of 10 kilograms (321.5 troy ounces) or more and 1 kilogram (32.15 troy ounces), with the bar size being 1kg. As long as you have at least 321.5 tokens, which equals 321.5 troy ounces, you can exchange your tokens for physical gold at any time.

The **Kinka** platform is a fast and reliable service that is compliant with world-class regulations. KYC is required for redemptions, while **Kinka (BVI) Ltd.** is committed to preventing money laundering, terrorist financing, financial crime, proliferation and misappropriation.

Gold is safe, and so are we.

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The goal is simple: Increase regulated gold ownership for everyone and activate gold's liquidity in blockchain markets creating a licensed, legal bridge between gold ownership and Web3.

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XNK: A Stable Asset for Japanese Markets.

Japan has no legally recognised stablecoin. Traders, funds, and institutions in Japan thus struggle to hold stable assets on-chain in a fully regulated way. It’s impossible to exchange BTC for, as an example, USDT, in Japan. The existing regulatory framework is recognition of the lack of transparency in the reserves of these crypto assets.

By creating **XNK**, **Kinka** aims to provide a safe haven for on-chain assets for Japanese customers. Gold is a historically stable asset that doesn’t swing as much in price. **Kinka** is thus a fluid, dependable asset for regular exchange with every single token transparently backed by real gold.

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Financial, Custody and Smart Contract Auditing.

Kinka (BVI), Ltd. issues **XNK** backed by the world's highest quality gold bullion provided by its parent company, **Daiichi Commodities Co., Ltd.**, which has been listed on the Tokyo Stock Exchange since 1996 and is one of Japan's leading gold trading companies. As such, it undergoes regular audits by an independent and reputable Japanese auditing firm - as demanded by law. The audit includes **Kinka** and verification of our issuance, custody, and storage compliance.

For over 40 years, **Daiichi Commodities Co., Ltd.** has provided gold bullion sales and purchase services of approximately **150** tons to over **20,000** customers.

In addition, the information regarding gold investment provided by **Daiichi Commodities Co., Ltd.** is highly evaluated by investors. We provide information to investors by analysing factors that are likely to affect the gold price from multiple angles, such as the physical demand and supply of gold, investor trends in the gold ETF market and gold futures market, central bank monetary policy, and gold reserve holdings.

The smart contracts that govern **XNK** issuance were audited by CertiK in October 2023. CertiK is a renowned pioneer and leader in blockchain auditing and tests smart contracts to the highest levels of destruction using its cryptographic expertise.

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Redemption.

If an investor holds at least **321.5 XNK**, they can exchange 99.99% pure gold bars (1 kg bar) bearing the LBMA hallmark at Loomis International's own warehouses and affiliated warehouses located in over 15 countries around the world, which can be further exchanged for 10 pieces. Investors can then receive the gold bullion in their desired location.

For physical redemption, a fee will be charged and may differ depending on the collection point.

Additional Token Issuance.

Additional **XNK** beyond the initial supply will be issued at **Kinka (BVI)** LTD's discretion in any quantity, and at any time the issuing body becomes aware of demand for XNK that exceeds the existing supply. All future issuance will be verified by a 3rd party auditor.

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Bankruptcy Isolation.

XNK implements Japan’s widely used corporate bankruptcy isolation structure to protect client assets at every stage of custody.

Kinka (BVI) Ltd. entrusts the management of **XNK**-backed gold bullion to Gold Management (GM), a Japanese company. GM will take custody of the gold bullion from **Kinka (BVI) Ltd.** and will assume obligations for **XNK** holders' exchange claims.

GM will enter into a deposit agreement with a warehouse company and separately manage the gold bullion held by **XNK** holders.

Therefore, even if **Kinka (BVI) Ltd.** or its parent entity go bankrupt, the gold bullion in the warehouse managed by GM, which has no capital relationship (with ownership rights of **XNK** holders), cannot be seized, and customers' assets are legally protected and will be preserved.

The set-up was designed in collaboration with one of Japan's largest law firms to ensure strict legal compliance and customer protection, ensuring all gold is bankruptcy remote.

Asset Freeze.

Assets will only be frozen in light of demands made through legal channels by regulatory authorities or other legislative bodies.

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