

# Terra, the stable coin

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**In news-** Do Kwon, the co-founder and CEO of the firm behind the Terra blockchain, confirmed that it has purchased more than \$1 billion in Bitcoin since the end of January.

## **About Terra-**

- Terra is an **open-source blockchain payment platform for algorithmic stablecoins.**
- A **stablecoin is a digital currency that is pegged to a “stable” reserve asset** like the U.S. dollar or other assets like gold.
- **The Terra protocol creates stablecoins that consistently track the price of any fiat currency** (a government-backed currency such as the U.S. dollar or euro).
- It also refers to **one of the two main cryptocurrency tokens under this protocol, the other one being Luna**, which is used for governance and mining.
- The protocol maintains the price of the Terra stablecoin by ensuring that supply and demand for it are always balanced and this is achieved by using Luna as the variable counterweight to the Terra stablecoin.
- For instance, the base Terra stablecoin tracks the price of the IMF’s Special Drawing Rights and is named TerraSDR or SDT.
- **Other Terra stablecoin denominations include TerraUSD (UST)**, which tracks the U.S. dollar, and **TerraKRW (KRT)**, which tracks the South Korean won.
- These are designed to **reduce volatility relative to unpegged cryptocurrencies like Bitcoin.**
- Terra was created by a startup called Terraform Labs in 2018, founded by Do Kwon and Daniel Shin.
- The Terra blockchain enables users to spend, save, trade, or exchange Terra stablecoins instantly on it.
- **Users mint new Terra by burning Luna.**

## Luna:

- It is the Terra protocol's staking token that absorbs the price volatility of Terra stablecoins.
- Users stake Luna to Terra blockchain miners (called "validators"), who record and verify transactions on the blockchain and receive rewards from transaction fees as compensation.
- As usage of Terra grows, Luna's worth increases as well.