Asset-Based Cryptocurrency

Digital Tokens Used To Represent Quantifiable Assets by Steven Dryall

This paper presents information about the technical and structural elements of asset-based cryptocurrencies. This paper does not aim to provide legal or regulatory information but could be used for reference in those efforts.

Overview

Cryptocurrency has created a secure and reliable method for exchanging digital tokens using decentralized systems.

Digital tokens can be used to represent anything that is measurable or quantifiable.

Quantifiable assets, with the potential for redemption upon availability can gain liquidity through digital exchange. Associating digital tokens with specific assets increases market potential for those assets.

Digital tokens can be traded in open markets because of the security with using digital tokens.

Asset-Based Tokens

Digital tokens are perfectly suited for augmenting the exchange of assets. Digital tokens are a secure method for representing any quantifiable asset and transacting with that asset. Digital tokens make use of open-source, now-proven technologies that are easy to integrate into other systems. Exchange of digital tokens is reliable to be suitable for many types of asset association.

Assets that are quantifiable and can be associated value can be represented by digital tokens. Asset acquisition can be based on reserves, future output or other measures. Asset issuance, redemption and market exchange can be handled by different entities.

- A digital token is issued for a set price based on asset valuation.
- Digital tokens are sold to open markets or traded based on value of underlying assets.
- Digital tokens are valued against the asset pool.
- Tokens are redeemed for their value from the pool through market orders.

Digital tokens can be redeemed from the asset pool. Digital token holders can redeem or trade tokens in open markets. Open access increases market potential and liquidity.

Structure and Organization

Asset-Based Cryptocurrencies are best managed and controlled by distinct organizations with specific purposes. Some functions may be combined into organizational entities where no conflicts exist.

Funding and Structure
Entity creation, licensing, asset control and pool management.

Asset management
Asset handling, escrow, redemption, distribution.

Technology deployment
Creation and management of technology components and network functionality.

Awareness and education
Marketing efforts from issuance to redemption.

Digital token issuance
Organization of token distribution.

Open exchange
Partnerships with established cryptocurrency exchanges for improved liquidity.

Asset escrow
External holding of fund pool used for redemption markets.

Insurance
Assurance for holders of digital tokens.

Redemption market
Redemption of tokens and removal from market for valuation equalization.

Conclusion

Digital tokens assigned value based on specified assets can create expanded market opportunities for those assets. Digital tokens are an ideally suited method for tangible assets that can benefit from additional liquidity. Digital token and project management are best handled by organizations with dedicated functions specific to the asset.