ASSET TOKENISATION UNPACKED

EVERYTHING YOU NEED TO KNOW

CHAPTER OVERVIEW

This is an interactive pdf.
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Executive Summary

Asset tokenisation represents a significant leap forward in democratising investment and ownership of a wide array of assets. It allows the conversion of both tangible and intangible assets into digital tokens on blockchain platforms, thereby addressing inefficiencies of traditional asset management, such as liquidity issues, opacity, and high barriers to entry.

However, alongside these promising advancements come challenges and potential risks, including ownership fragmentation, regulatory uncertainty, technical complexity, and counterparty risk. These must be carefully managed to secure the integrity and potential of the tokenisation market.

Understanding these dynamics is pivotal for those looking to navigate the tokenisation space, regardless of whether you are entering the tokenisation space to tokenise assets yourself or for investment opportunities. This ebook delves into various facets of tokenisation, offering a step-by-step guide to both asset tokenisation and investment in tokenised assets, with a special focus on addressing the peculiar challenges each may entail.

For asset owners, tokenisation opens up pathways to unlock value and engage with investors on a new level. The comprehensive process consists of 3 main phases, namely the pre-tokenisation, tokenisation, and post-tokenisation phase, and involves multiple steps, from platform selection and onboarding to valuation, deal structuring, and ensuring regulatory compliance.

Conversely, investors have the opportunity to delve into tokenised assets with relative ease. The procedure typically involves vetting platforms, registering and conforming to KYC and AML protocols, potentially further verification steps, due diligence on investment opportunities, and — the final step — making the investment itself.

Defactor stands as a key enabler in this sphere, providing an indispensable array of tools and resources. The Defactor ecosystem not only simplifies the complex world of asset tokenisation but fosters a community that supports transparency and engagement.

> To summarise, this ebook is a comprehensive guide that equips you with the right knowledge to ambitiously, yet cautiously, undertake the tokenisation journey.

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Introduction

01

Asset tokenisation is the conversion of real-world assets into digital counterparts—tokens that are tradeable on blockchain platforms. This innovative practice encapsulates a wide range of assets, providing a new way to manage and invest in anything from real estate and fine art to financial instruments and even carbon credits. Tokenisation facilitates the ownership and exchange of these assets in a secure and transparent way, addressing the challenges of traditional ownership structures by presenting a modern solution built on efficiency and diminished fraud.

Market overview: A focus on growth and accessibility

As asset tokenisation matures, we see its application expanding into multiple industries, offering opportunities for fractional ownership and increased liquidity. The market is particularly ripe for assets typically perceived as illiquid or reserved for high-net-worth individuals and institutional investors. Real estate and art, for example, are being fractionalised and made available to a broader audience, allowing for participation by small-scale investors and enhancing overall market activity.

The market is also evolving in response to technological advancements and regulatory trends. Companies leveraging tokenisation are focusing on compliance with legal frameworks, considering aspects like anti-money laundering (AML) and know-your-customer (KYC) regulations, which are paramount in the unfolding landscape. Furthermore, with growing global connectivity, these assets are reaching an international audience, forging a market that thrives on diversity and inclusivity.

Defactor: Empowering the tokenisation journey

Defactor simplifies the road to asset tokenisation with its cutting-edge solutions. As a catalyst in the space, Defactor equips clients with the tools and expertise needed to break barriers, ensure compliance, and navigate this novel terrain with confidence.

Through this e-book, we invite you to discover the comprehensive details of the tokenisation process and the monumental shift it represents for the financial industry—one where access, transparency, and efficiency are not just ideals, but reachable realities.

Ebook overview: Dissecting asset tokenisation

In this ebook, we unpack the concept of asset tokenisation, breaking down the intricacies of converting real-world assets into digital tokens that reside on the blockchain. We will explore the benefits and challenges associated with the tokenisation of assets, delve into the technical processes involved, and examine the far-reaching consequences of this technology across various industries. Each chapter is designed to enlighten and guide you through the transformative potential of asset tokenisation, whether you're an investor, asset owner, or industry observer.

Basics of Asset Tokenisation

02

Tokenisation is rapidly emerging as a game-changer in the world of asset management and investment. By leveraging the immutable and secure nature of block-chain technology, tokenisation offers a novel approach to representing real-world assets as digital tokens. This shift not only democratises investment opportunities but also introduces a level of liquidity and accessibility previously unattainable with traditional asset classes.

In this chapter, we demystify the basics of asset tokenisation and explore its wide range of benefits.

What is asset tokenisation?

Asset tokenisation is the process of converting rights to an asset into a digital token on a blockchain. This method enables tangible and intangible assets—ranging from real estate and art to intellectual property and commodities—to be divided into shares that are sold and traded. Each token represents a proportional stake in the underlying asset, providing a bridge between the physical and digital worlds. Blockchain's inherent characteristics ensure that these tokens are secure, verifiable, and easily transferable, which brings unprecedented efficiency to the trading and ownership transfer of assets.

At the heart of asset tokenisation is blockchain technology. Blockchain acts as a decentralised registry for tokenised assets, recording each token's issuance and transaction with complete transparency. The tamper-proof and permanent record instils confidence in the validity and authenticity of asset ownership, which is paramount in a system where assets are bought, sold, or exchanged.

Benefits of asset tokenisation

But what exactly are the benefits of asset tokenisation? Some of these advantages can be summarised as follows:

• Fractionalisation
• Greater liquidity
• Increased transparency
• Lower transaction costs

Each of these benefits will be explained in more detail below.

Fractionalisation

Tokenisation allows assets to be divided into smaller portions which means that investors can buy and sell fractions of an asset, rather than having to buy the whole asset. For example, instead of buying an entire real estate property, investors can purchase a percentage of ownership in the property. This opens up investment opportunities to a wider range of investors, including those who may not have enough capital to buy an entire asset.

Another benefit of the fractionalisation is that it allows for more flexible ownership structures which can be better tailored to the investors, in turn increasing the appeal of the investment.

Lastly, the fractionalisation of assets can also be beneficial for community building, in the case of valuable art for example. Instead of having a single owner, it becomes a community-owned asset which can increase both the appeal and value of a physical asset. Who wouldn't want to own part of the Mona Lisa?

Greater liquidity

Tokenisation makes assets more accessible and tradable on a blockchain, which can increase liquidity. In traditional markets, it can be difficult to find buyers and sellers for certain assets. However, by tokenising an asset and trading it on a blockchain, investors can quickly and easily buy and sell the tokens without needing to go through intermediaries. This can increase the speed and efficiency of transactions, making it easier for investors to enter and exit the market. And unlike traditional asset purchases transactions are instantaneous and seamless.

Furthermore, given that the asset is split up into smaller portions (represented by tokens) the asset becomes an investment opportunity to a wider range of investors, increasing liquidity even further.

It is important to note that this is not the case for every type of asset depending on the jurisdiction in which the physical asset resides. Token transactions may still be subject to rules and regulations which can make the buying or transfer process equally inefficient as the regular process, and even more cumbersome in some cases.

Increased transparency

Tokenisation can make it easier to track ownership and movement of assets, as all transactions are recorded on a blockchain. This increases transparency and reduces the risk of fraudulent activity, as ownership of the asset is easily verifiable. Additionally, since all transactions are recorded on the blockchain, it is easier to audit the history of the asset (and tokens). Thus, this can be important for compliance and regulatory purposes.

This can also be beneficial for tracking the provenance of certain assets, as the digital twin can contain the full history of the physical asset.

Lower transaction costs

Generally speaking, tokenisation can reduce the costs associated with buying, selling, and managing assets. By removing the need for intermediaries like brokers and custodians, tokenisation can significantly reduce transaction fees. Additionally, tokenisation has the potential to make it easier to manage assets. All ownership and transaction data is stored on the blockchain, reducing administrative and legal costs associated with traditional asset management.

It is important to mention that the tokenisation process can also increase costs if the stakeholders want greater trust and transparency before, during, and after the tokenisation process.

Key aspects of tokenisation

During the tokenisation process the value chain with its stakeholders remains central. There are 6 key aspects of tokenisation that need to be considered during the process of tokenising and securitising real world assets which all play a role in the success of the whole process. They can be summarised as follows:

• Technology
• Secondary markets & liquidity
• Legal & compliance
• Custody & settlement
• Dispute resolution
• Data

Technology

One of the first and foremost aspects of the tokenisation process is the technology aspect. This refers to all the technical questions such as which blockchain will be used, what data standards will be used, if the tokens will be fungible or non-fungible, and more.

The type of blockchain that is best suited for tokenising an asset usually depends on the goals one has in mind when tokenising an asset. Different blockchains have different data standards suited for specific purposes and different marketplaces which facilitate the trading of tokens of real world assets. Additionally, the costs of deploying a tokenised asset varies per blockchain.

Another key technology component is smart contract support and the preferred programming language of the smart contracts. And lastly, specific communities on a blockchain can also influence if a tokenised asset is likely to succeed in a certain ecosystem.

All of these considerations combined, along with the decision to go for a certain data standard which determines whether you will end up with a fungible or non-fungible token can be a key determining factor of the success of the tokenised asset.

Secondary markets & liquidity

The second aspect to consider during the tokenisation process is the availability of secondary markets and liquidity. This is usually closely related to the choice of blockchain, as most marketplaces tend to support tokens or assets from a single blockchain. Although this is likely to change with a multi-chain future around the corner.

Nevertheless, the availability of trusted and proven marketplaces and a community to facilitate the liquidity of the tokens is essential for the success of a tokenised asset.

Legal & compliance

The third aspect to consider in the tokenisation process is the regulatory and legal factors which are relevant at all stages of the process, especially for assets that are deemed to be securities or require other regulatory oversight.

The first part of this is regulatory compliance. Tokenising physical assets usually involves regulatory requirements depending on the jurisdiction in which the asset is located. For example, in the United States, securities laws may apply if the tokens represent ownership in the asset and are sold to investors. Compliance with anti-money laundering (AML) and know-your-customer (KYC) regulations are usually also required either when selling the tokens or when registering on a token marketplace.

The process of issuing tokens should also be carried out in compliance with applicable laws and regulations. This includes ensuring that the tokens are not being sold as unregistered securities. And lastly, there may be tax implications when tokenising a real world asset.

Custody & settlements

The fourth aspect to consider in the tokenisation process are any custody and settlement requirements. The tokenisation process basically just creates a digital twin of the asset, but for the asset to actually be tokenised various things ought to be considered. For example, it should be ensured that the ownership of the real world asset is actually in the hands of the token holders. And that the party that tokenises the real world asset holds the deeds and titles to prove the ownership of the asset at the time of tokenisation.

But this is of course not the only relevant point related to this aspect of the tokenisation process. Other things like the management of the physical asset needs to be carefully outlined. This refers to things like loans that need to be repaid before an asset can be released, measures to prevent things like theft, loss, or damage also need to be agreed upon and be put in place, or arrangements regarding the movement, renovation, etc. of an asset.

These aforementioned considerations mostly refer to the management of the physical asset. But for the tokens, there are also various considerations depending on the jurisdiction. There may be restrictions on the transfer of tokens representing ownership of physical assets. For example, in some cases, the transfer of ownership may require the involvement of a licensed broker or agent.
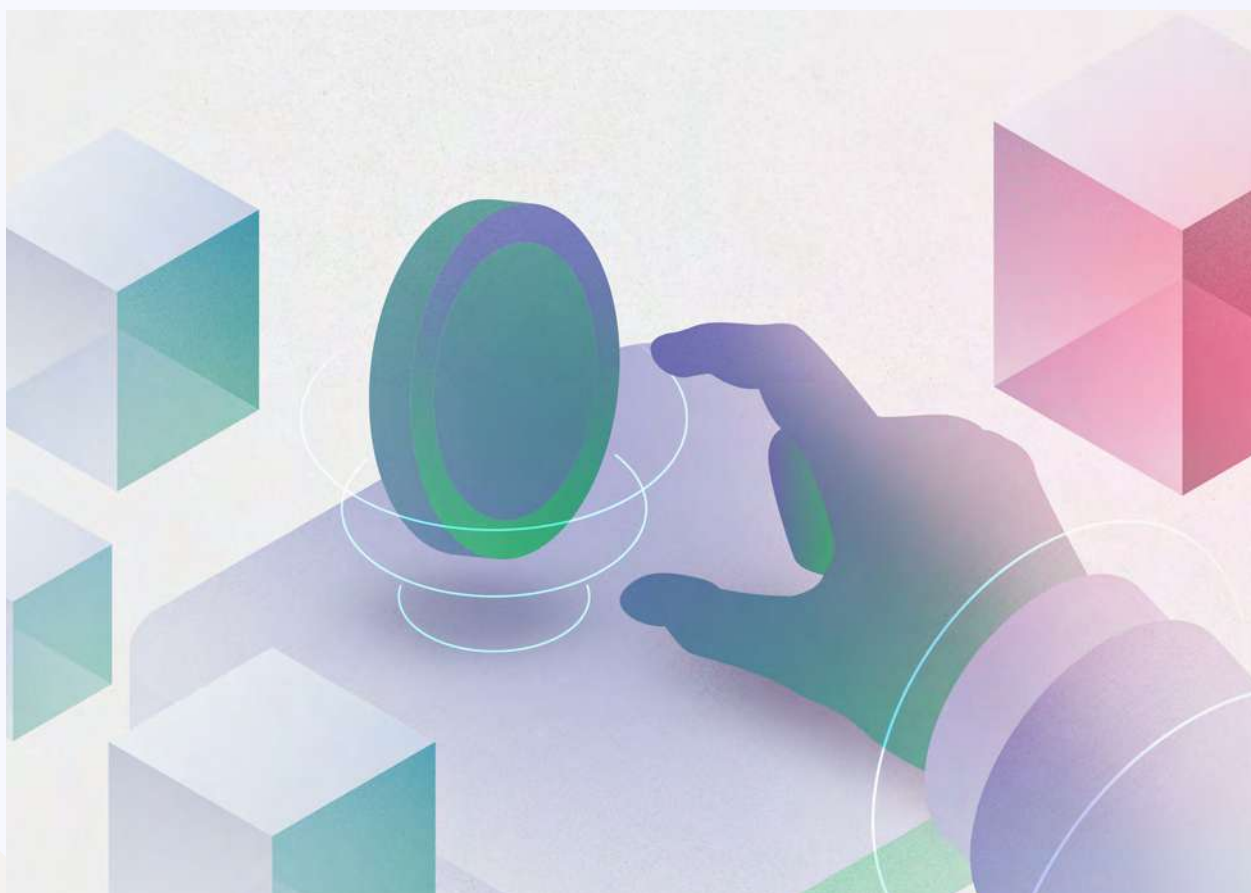
Dispute resolution

The fifth aspect of the tokenisation process is dispute resolution. Even with all arrangements and precautions in place there will always be times where there are misunderstandings and disputes. So how does this work with tokenised real world assets?

When it comes to dispute resolution in the context of tokenised physical assets, the process can vary. This depends on the specific platform or protocol being used to facilitate the tokenisation. In most cases, the smart contract of the tokenised asset outlines the exact rules and agreements related to the token (and real world asset), as well as the process for dispute resolution.

However, another approach is to rely on established legal systems and frameworks to resolve disputes. For example, if a dispute arises between parties involved in a tokenised real estate transaction, traditional real estate laws, and courts could be used to resolve the dispute.

Nevertheless, it's worth noting that tokenisation of physical assets is a relatively new technology. There may be some legal grey areas and uncertainties when it comes to dispute resolution. As a result, it's important for parties involved in tokenised physical asset transactions to seek legal advice and carefully consider the terms and conditions of any smart contracts or agreements before entering into a transaction.

Data

The sixth and final aspect of any tokenisation process is data, and the various types of data. Data, as well as its validity, availability and accessibility is key throughout the whole tokenisation process. After all, no data, no tokenisation.

However, not all data is the same, and different types of data need to be treated and managed differently. Generally speaking, each asset has 3 types of data, namely:

Dynamic data:
– Real-time data
– High rate of change and amount of data
– For example: Stock prices, weather data

Static data:
– Properties, attributes, etc.
– Medium rate of change and amount of data
– For example: Product name, warranty
   information, etc.

Core data:
- General identification data
- Low rate of change and amount of data
- For example: Product ID, date of birth, etc.

Depending on the needs and goals of the tokenisation process, certain data within each of these three categories will have to be made available and accessible. Typically, core data and static data are stored on-chain. Dynamic data is either stored off-chain and linked to on-chain, or it is broadcasted to the blockchain through the use of oracles.

Furthermore, depending on the specific data, it may be encrypted before it is stored on-chain. In this case, the encrypted version or hash of the data serves as a way to validate off-chain data without making it publicly available.

The Tokenisation Process

03

Every asset tokenisation process is unique and comes with its opportunities, challenges, and risks depending on the type of asset, jurisdiction, and more. Nevertheless, every asset tokenisation process consists of the same 3 phases. This chapter outlines these 3 phases, the main activities in each of these phases, and the various considerations for each of these phases.

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The 3 phases in every tokenisation process can be summarised as follows:

Pre-tokenisation: The initial phase involving asset evaluation, ownership verification, legal due diligence, and strategic preparations for entering the digital realm.

Tokenisation: The conversion stage where a digital twin of the asset is created, relevant information is encoded onto the blockchain, and digital tokens are minted.

Post-tokenisation: The final phase that encompasses the distribution and management of tokens alongside the perpetual management of the underlying asset and digital asset.

Pre-tokenisation

This phase grounds the tokenisation process in a secure legal and practical foundation, ensuring that all real-world considerations are addressed systematically.

Key activities

Asset valuation: Conducting appraisals to determine the market worth of the asset.

Ownership verification: Collecting and verifying all documentation to proof ownership rights of the asset.

Legal footwork: Performing research on the legal side to futureproof the tokenised asset against potential disputes or liquidations. This can also help identify potential deal breakers early on. Additionally, part of this step is assessing which legal structure fits best with the situation, considering the asset type, jurisdiction, etc.

Process implementation: Outlining vital management procedures for the asset's physical (or digital) care, such as maintenance and insurance strategies.

Tokenisation partner: Researching and selecting the right tokenisation provider or platform is an important step before proceeding to the tokenisation phase. Less experienced asset holders will benefit from working with tokenisation providers whereas more experienced asset holders enjoy cost reductions by working together with tokenisation platforms directly.

Tokenisation

Transition from the tangible to the digital is the essence of this phase, as the asset becomes encoded and represented within the blockchain environment.

Key activities

Token creation: Mint tokens that encapsulate the asset's value and the rights of token holders.

Data integration: Incorporate core and static asset data and use oracles as necessary to connect external dynamic data sources to the tokenised asset, guaranteeing up-to-date information flow.

Legal structure: Set up the legal structure of your tokenised asset. The legal structure of a tokenisation process can be done in multiple ways. One of the most common ways is creating an entity which will hold the asset getting tokenised, after which ownership of this entity is tokenised.

Post-tokenisation

The essence of this phase is the perpetuation and monetisation phase, where tokens gain liquidity and the asset is managed both tangibly and digitally.

Key activities

Token distribution: Employ targeted strategies to introduce the tokens to the market, leaning on niche exchanges or bespoke marketplaces for visibility.

Asset oversight: Carry out the previously made strategy for physical asset management, ensuring alignment between the token's promise and the asset's condition.

Token management: Administer the flow of information to token holders and manage the tokens' lifecycle, including updates to ownership and stakeholder rights.

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Use Cases of Tokenisation

04

One of the key selling points of tokenisation is its versatility. Tokenisation can provide benefits across a wide range of asset classes and industries. In order to demonstrate this, this chapter highlights a variety of use cases across various industries and asset classes.

Trade Inventory & Finance Transformation

Company: Standard Chartered plc

Problem: Standard Chartered faced considerable issues rooted in the opaque nature of traditional trade-finance processes. Lack of liquidity and duration issues common in trade finance have made it difficult for non-institutional investors to gain access to assets. As a result, Standard Chartered has limited access to customers.
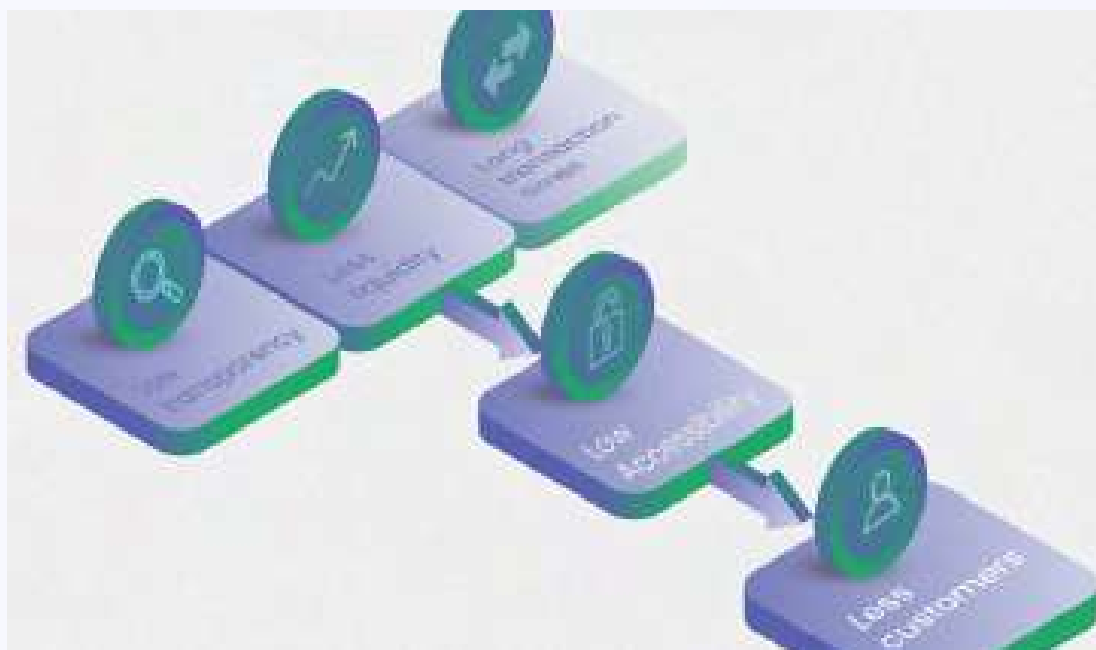
Solution: Collaborating with the Monetary Body of Singapore, Standard Chartered embarked on a pilot scheme to tokenise trade-finance receivables under the MBS flagship Project Guardian. This initiative, aiming to enhance transparency and liquidity in the market was executed on the Ethereum blockchain and represented specific portions of trade-finance receivables as tokens. A digital marketplace for institutional investors was launched and the tokens were listed on the Singapore Exchange.

Results: Improved liquidity, more transparent inventory tracking, and a stronger ability to manage stock levels in response to demand fluctuations.

As reported by Standard Chartered, a group of investors purchased $500 million worth of tokenised trade-finance assets, successfully recorded on the public Ethereum blockchain. This robust demand highlights the potential for achieving liquidity in tokenised assets as Project Guardian continues to establish standards for financial applications on-chain, fostering interoperability and wider industry involvement while preventing market fragmentation.

Bonds Modernisation

Company: Siemens

Problem: Siemens encountered inefficiencies in its bond issuance processes and struggled with restricted access for potential investors.

Solution: Siemens opted to issue a €60 million bond on Polygon's public blockchain, departing from traditional issuance methods. This offered advantages for Siemens such as the elimination of paper-based global certificates, bypassing the need for central clearing, and streamlining the sales process by excluding banks and intermediaries. By shedding the complexities associated with traditional processes and intermediary entities, Siemens sought not only to accelerate the issuance process but also to enhance efficiency and cost-effectiveness. Furthermore, this move aimed to leverage legislative changes, such as the Electronic Securities Act 2021, to provide direct issuance to investors. The initiative attracted substantial interest from financial institutions, resulting in expedited capital access compared to conventional methods.

Results: The entire process was completed in under two days - a fraction of the time this process typically takes. The successful bond issuance attracted investments from financial institutions, providing Siemens with faster access to capital. Furthermore, the Electronic Securities Act 2021 enabled the direct sale of securities to investors without involving established central securities companies.

Equity Tokenisation

Company: Enegra

Problem: Enegra faced challenges related to high asset transfer costs and limited direct investor engagement.

Solution: To address these challenges, Enegra partnered with Tokeny, issuing equity-backed EGX security tokens. These tokens, hosted on Ethereum and Polygon blockchains, facilitated efficient asset management and direct interaction with investors, ensuring compliance and scalability. In offering EGX as securities, potential investors underwent thorough KYC/AML checks and secured whitelisting before being eligible to acquire the tokens. Once whitelisted, investors gained the ability to engage in the purchase and sale of EGX exchanging cryptocurrency for the tokens which were offered as an STO .
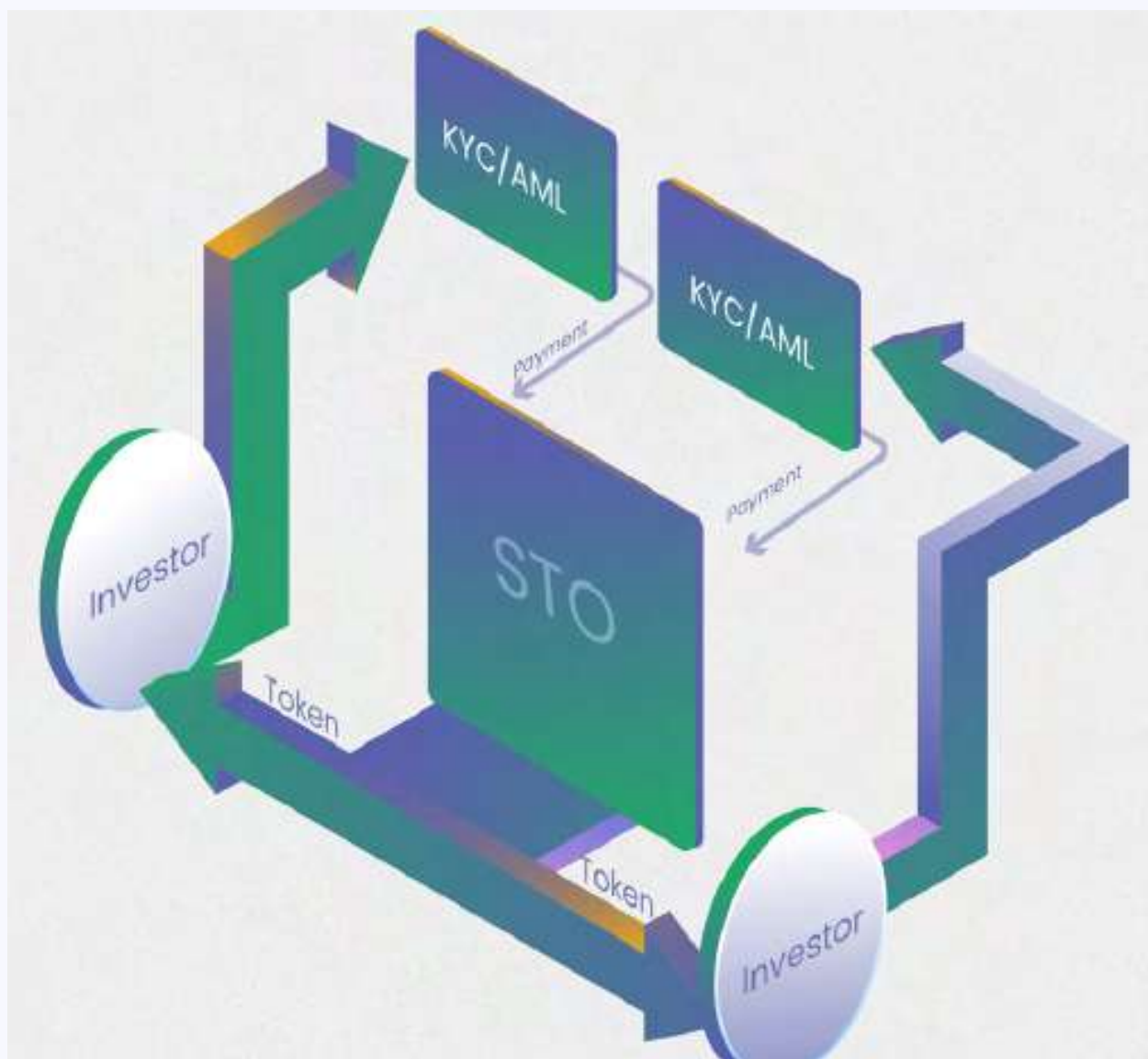
Buying tokenised securities as an investor

Results: Improved transactions, and accessibility for Enegra and its investors. 87 million EGX tokens are in circulation, each symbolising an ordinary share of Enegra Group Ltd. The token is actively listed and traded on exchanges (XT, BigOne, P2B, and Biconomy). This listing further enhances accessibility and liquidity, providing investors with diverse avenues for trading and engaging with tokenised equity. To ensure secure and transparent management, these shares are entrusted to a licensed Trust Company. Enegra no longer sells EGX on the primary market. The only way to acquire EGX is to purchase it directly from a current EGX holder on the secondary market.

Real Estate Evolution

Company: The Clapton Residence & Tokeny

Problem: The Clapton Residence faced limited market access and low liquidity in the real estate market.

Solution: To overcome these barriers, Tokeny enabled ownership tokens for The Clapton Residence, broadening investor accessibility and enhancing price discovery. The tokenisation process was designed to offer simplified sales, fostering an inclusive, efficient, and liquid market where shares of the property were turned into tokens representing ownership. In the form of STO's the tokens were launched on the Tokeny platform, providing a seamless avenue for investors to acquire tokens representing fractional ownership shares in The Clapton Residence.
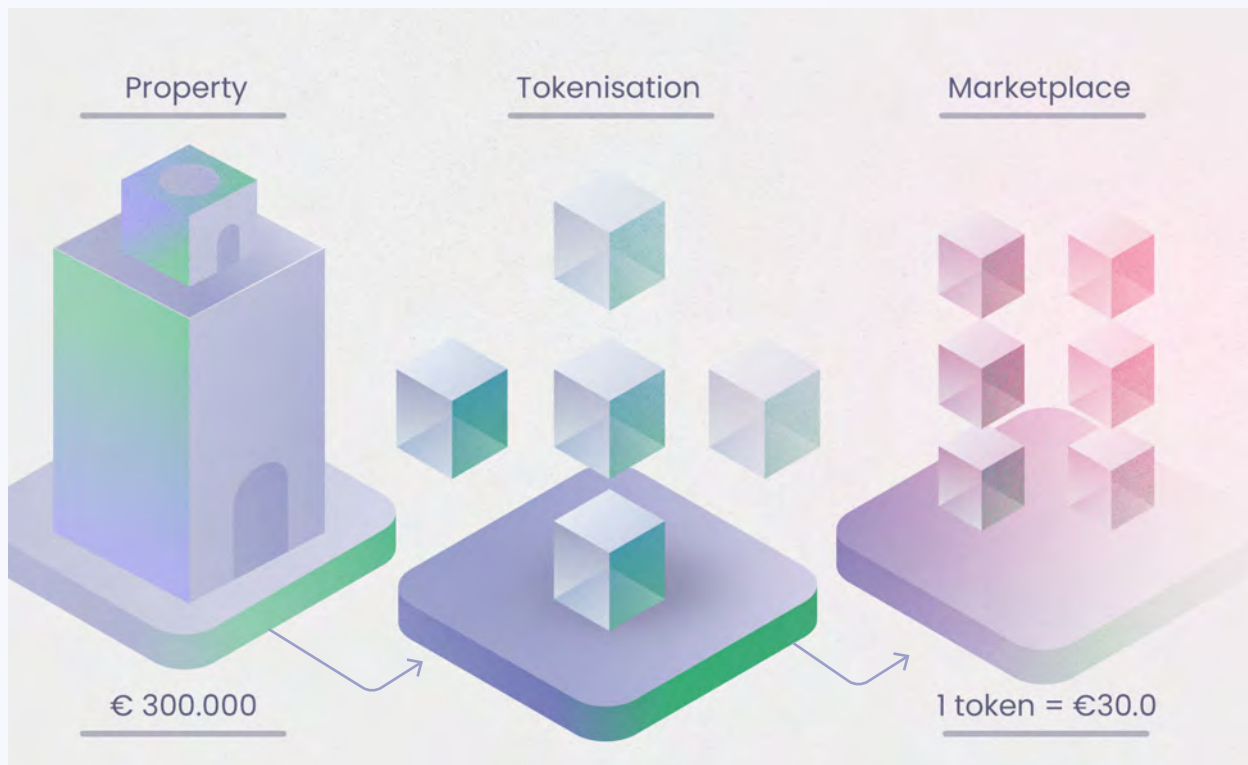
Real estate tokenisation process

Results: This strategic move increased liquidity, and fractionalised ownership, and provided a more diverse investor base. The Clapton Residence became an attractive investment opportunity, paving the way for blockchain in real estate projects globally. The residence owners reported a 90% reduction in compliance and administrative costs, attributing this efficiency to the implementation of Blockchain smart contracts. Beyond the tangible benefits of increased liquidity and fractional ownership, the tokenisation process introduced transparency and efficiency to the investment landscape.

Challenges of Tokenisation

05

While the benefits of tokenising real-world assets are numerous, it's essential to acknowledge that the introduction of any groundbreaking technology comes with its own set of challenges. Tokenisation is no exception, and it is critical to consider the potential disadvantages and risks associated with transforming physical assets into digital tokens.

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The most prominent challenges and disadvantages can be summarised as follows:

• Fragmentation
• Regulatory uncertainty
• Technical complexity
• Counterparty risk

Let's take a deeper look at each of these.

Fragmentation

The process of fractionalisation, while broadening access to asset investment, inherently leads to the dispersion of ownership. This diffusion can complicate consensus-building among stakeholders, especially when it comes to decisions on asset management, disposal, or restructuring. With an increased number of voices and interests at play, the risk of conflicts and deadlock scenarios rises, potentially impacting the asset's strategic direction and, ultimately, its market value.

Fragmentation can also translate into complexities in asset management. The underlying asset—be it real estate, art, or intellectual property—might require more elaborate governance structures to accommodate the multitude of shareholders. These structures will need to be transparent, fair, and efficient in managing the diverse expectations and rights of token holders.

Regulatory uncertainty

Tokenisation exists at the intersection of technology and financial regulation—a sphere fraught with grey zones. Stakeholders may find themselves parsing through an array of national and international directives to decipher applicable laws, leading to ambiguities in compliance and increased due diligence costs.

Given the pace at which regulations can change, especially in a field as dynamic as digital assets, companies and investors must stay nimble to adapt to new legal frameworks. The possibility of stringent future regulations looms as a threat, potentially imposing additional compliance burdens and altering the tokenisation landscape.

Technical complexity

Tokenisation platforms, while groundbreaking, present a considerable learning curve that could deter asset owners unfamiliar with blockchain technology. The intricacy of deploying smart contracts, ensuring interoperability between blockchains, and safeguarding digital assets requires a degree of technical literacy that many potential users may lack.

Insufficient technical knowledge can have severe repercussions, including the risk of flawed smart contract code. Poorly executed code is not only a beacon for malicious activities—such as hacking and fraud—but can also result in substantial financial losses. Additionally, token holders may lack the cybersecurity savvy needed to protect themselves against novel forms of scams and phishing attacks that target digital wallets and exchanges.

Counterparty risk

While tokenisation can reduce the need for intermediaries, it can also create new forms of counterparty risk. As is the case with any type of marketplace or exchange, if the tokens are held on that marketplace or exchange, you do not control the funds yourself. If one of these exchanges goes bankrupt or gets hacked, it can become difficult to recover the investments on that marketplace or exchange.

While this can of course be mitigated by taking the tokens out of the platform, history has shown that many people still prefer the convenience of keeping their tokens on an exchange, despite the possible risks. Furthermore, if organisations want to manage their tokenised assets themselves they might require specific roles and functions to manage the relevant wallets which hold the tokens.

How to Get Started with Asset Tokenisation

06

Whether you're considering tokenising your assets to capitalise on this emerging sector or interested in investing in tokenised assets for potential returns and diversity, this chapter is tailored to assist you in getting started.

To navigate the tokenisation process successfully, an understanding of both technical requirements and market conditions is essential. From ensuring regulatory compliance to selecting the optimal platform for your needs, this chapter seeks to empower you with the knowledge to confidently step into the tokenisation space.

This chapter discusses two ways of getting started with tokenisation, namely tokenising your own assets as well as investing in tokenised assets.

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How to tokenise your assets

The first way to get started with tokenisation is by tokenising your own assets. Turning your assets into digital tokens is a process that holds the possibility of unlocking value and achieving new levels of investor engagement. While chapter 4 already gives an in-depth explanation of the tokenisation process, this chapter will provide a more hands-on step-by-step approach to tokenising your own asset.

The steps, although they slightly vary per asset class and tokenisation platform, are as follows:

01

(Optional) Consult an expert: Considering the multifaceted nature of tokenisation, consulting with a tokenisation expert can be advantageous, especially for large or complex assets. Consultants can provide in-depth guidance on tokenomics, technical planning, legal considerations, and best practices for investor relations.

02

Platform selection: When identifying and selecting a tokenisation platform, ensure the platform has robust security protocols, legal compliance, and a user-friendly interface. Solutions like Assets by Defactor offer end-to-end services that facilitate the tokenisation of assets, from the initial assessment to the eventual trading on secondary markets.

Depending on the type of asset to be tokenised and your location and/or the location of the asset, there can also be platforms tailored to your specific needs. Some examples include the Vave platform for real estate tokenisation or the T-Rex platform for security tokenisation.

03

Onboarding: Engage with the platform to evaluate the suitability of your assets for tokenisation. This involves a comprehensive review of the asset's legal documentation, ownership rights, and potential regulatory issues.

04

Valuation and deal structuring: Determine the market value of your asset and decide on the tokenisation strategy. This includes identifying the volume of the asset to tokenise, the number and price of tokens to issue, and the rights each token will convey to the holder.

06

Technology and smart contracts: The platform will assist in creating and deploying the smart contracts that will facilitate the issuance, ownership, and trading of your tokens. This step necessitates meticulous attention to detail to encode the rights and obligations associated with the token accurately.

07

Marketing and distribution: Develop a marketing strategy to attract potential investors. Once ready, launch the token offering and manage the distribution of tokens through the platform, ensuring a fair and transparent process.

05

Regulatory compliance: Work with the platform to ensure your tokenisation project adheres to current laws, including securities and tax regulations. This often requires engaging legal experts and ensuring disclosure documentation is prepared. Furthermore, this may include setting up specific legal structures to reduce liabilities and ensure compliance. One example is a special purpose vehicle (SPV) structure, in which a separate legal entity is created to hold ownership of the asset, after which ownership of the legal entity is tokenised.

After following these steps the asset will be fully tokenised and ready to be distributed. However, we recommend paying close attention to the earlier described challenges and possible disadvantages of tokenisation before committing to the process.

Investing in tokenised assets

For those who would rather not tokenise their own asset, there is still a way to participate in tokenisation. Investing in tokenised assets through various platforms is an accessible way to engage with this rapidly growing field and to tap into novel investment streams.

Investing in tokenised assets is much simpler than tokenising your own asset. The process usually consists of simply registering on a platform which offers tokenised assets, and buying tokenised there. To be more specific, the process consists of the following steps:

01

Vetting platforms: Investigate various platforms that offer the types of tokenised assets you're interested in. Look into their track records, the diversity of available assets, and the transparency of their operations. Some options include RealT for tokenised real estate, or Centrifuge for loans backed by tokenised assets.

02

Platform registration: Register on the platform and comply with platform-specific registration procedures, typically involving KYC and AML protocols, to establish your investor profile. For buying certain kinds of (tokenised) assets, additional information or verification may be required.

03

Conducting due diligence: Ensure the platform complies with all relevant regulatory requirements and offers a secure investment environment. Look into the details of each investment opportunity, including the underlying asset's performance history and the terms of the tokenised asset.

04

Making an investment: Once you have found a (tokenised) asset which you want to purchase, make the investment. This process often involves fiat currency, cryptocurrency transactions, or both, depending on the platform.

05

Portfolio management: Regularly manage and reassess your digital asset portfolio. Platforms provide tools for tracking performance metrics, and many offer liquidity options through internal marketplace features or connections to external exchanges.

With this detailed guide, you're equipped with the essential information to commence your tokenisation journey. Always practise thorough research and consult with experts when necessary to make informed decisions. And lastly, stay cautious and remember that if it sounds too good to be true, it likely is.

How Defactor Enables Tokenisation

07

Defactor stands at the forefront of financial innovation, crafting a token-powered ecosystem dedicated to facilitating the tokenisation of real-world assets. By bridging the traditionally separate worlds of Trad-Fi and DeFi, Defactor is not just enabling but actively shaping the future of accessible and democratic finance.

At its core, Defactor equips users with a comprehensive suite of tools and resources, meticulously designed to encompass every aspect of tokenisation. This ecosystem embodies the seamless merger of technology, community engagement, liquidity provision, and robust governance—each aspect woven into the fabric of Defactor's cutting-edge platforms.

Assets

represents a pinnacle of innovation in the tokenisation space, simplifying the asset tokenisation process for diverse asset types and expanding the frontiers of what can be tokenised.

Engage

serves as the vibrant community hub where users discover and interact with the pulse of Defactor's ecosystem, facilitating transparency and communal involvement.

Pools

allows businesses to create liquidity pools, democratising the lending landscape and fostering the smooth exchange of assets within the DeFi sphere.

Together, these products not only form the toolkit for tokenisation but also manifest the Defactor mission—to create the 'rails' upon which new business models can thrive worldwide. Defactor offers a foundation, not merely for tokenisation, but for the innovation that comes from a fully engaged, liquidity-rich, and well-governed ecosystem. Here, the power and potential of asset tokenisation are unlocked, making it easy and accessible for all.

Reach out to explore how Defactor Pools can assist you in your asset tokenisation journey. We're here to help you make informed decisions and navigate the world of decentralised finance effectively.

TALK TO THE TEAM

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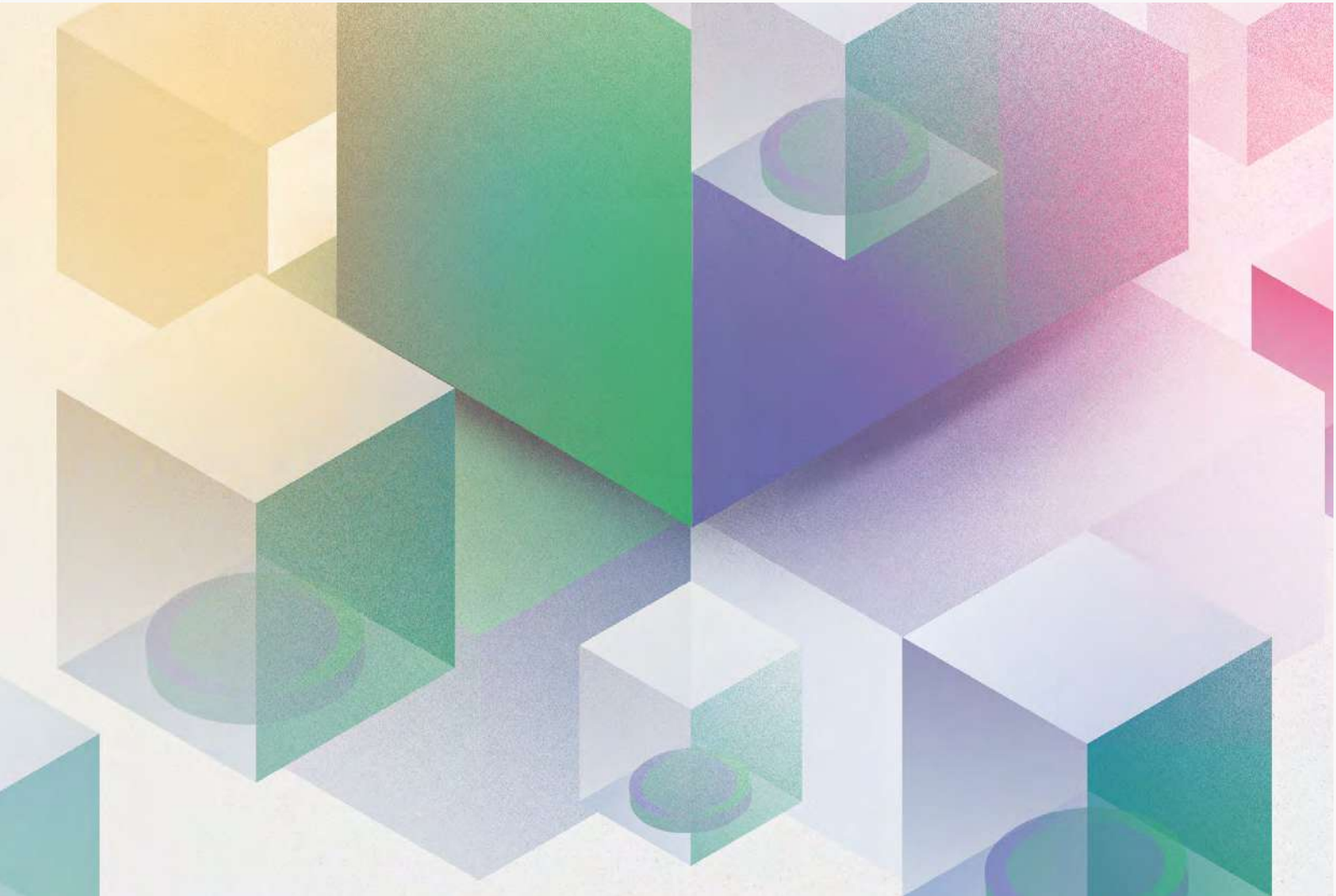
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