



# Tokenization: *The Future of Assets*

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# Executive Summary

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Security Token Offerings (**STOs**) and Tokenized Securities are trending topics. But, if you find yourself, like the majority, a bit confused by what they really are, if and how they will impact you, or if they are just a passing craze, then the next few slides are for you.

Regardless of who you are, **Covid-19** has impacted you and also taught us / re-affirmed we are becoming more of a digitally dependent society. The implications of this fact are enormous. Think smart citizens, earning smart money, working with smart companies, doing smart transformations, in collaborations with smart governments. Where “smart” is the new “digital”.

For example, just last year alone, Depository Trust & Clearing Corporation (DTCC) processed securities transactions valued at more than U.S. \$1.85 quadrillion. It is public knowledge they are actively pursuing Distributed Ledger Technology (DLT), “**Blockchain**”, as a backbone to these transactions (i.e., post-trade processes - settlements).

In other words, the future of assets is tokenization. And regulations are the only bottleneck.

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This deck is a first step towards helping you prepare/become aware of tomorrow's reality.

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# What is Tokenization?

Most broadly defined as the process to digitally store the rights — that is, ownership — to assets on Blockchain (DLT)

*I Don't Trust You, But Blockchain & Bitcoin Will Help (pg. 28)*



# Types of Tokenization

These are the two MAIN forms of tokenization of ASSETS among others.



**Asset Backed Tokens**  
(a.k.a Tokenized Securities)



## 1. **The regulated custodian is linked with an on-chain digital representation**

i.e., existing securities such as equities, debt, bonds, Central Securities Depository (CSD) in a commodity warehouse, commodities such as gold, fractional ownership of Real Estate, Fine Art, carbon credits, etc...



**Native Tokens**  
(a.k.a., 'crypto assets', 'virtual assets')



## 2. **The token itself is the asset**

i.e., Payment Tokens, Exchange Tokens, Currency Tokens, Central Governance Token, Bank Digital Currencies (Retail / Wholesale), equity stake in a new company, etc...



# Benefits of Tokenizing Securities

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Regulated



Settlement time  
(Speed)



Access to capital  
(Borderless)



Liquidity

*Optional (asset-backed)*

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Fractional Ownership



Creates new business types and  
business models

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# Tokenizing Capital Markets

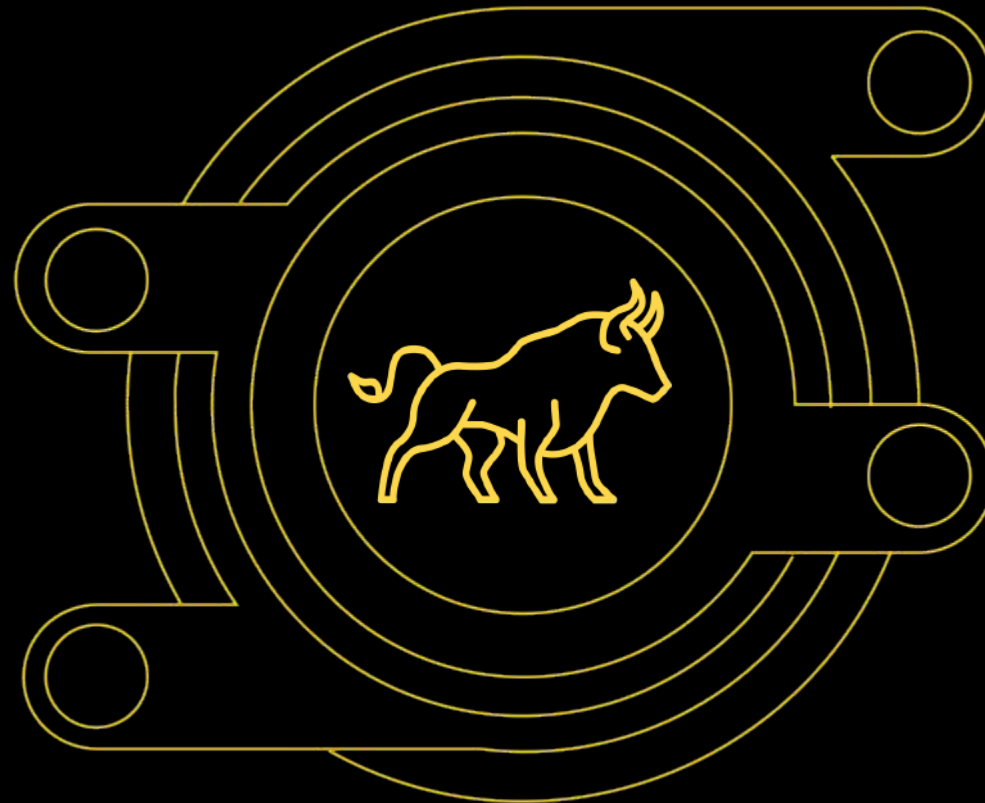
AS AN EXAMPLE: Innovating post-trade processes by tokenizing existing Capital Markets infrastructure has significant implications

## Trade Capture

1. Integrated to current trade capture capabilities
2. Allow Market and Member submission
3. Leverages NSCC's Risk practices

## Netting

1. Real time Netting with flexible cut-offs
2. Continuous Calculation of Net Projections
3. Accessible Data Stream via Node or API



## Asset Digitalization

1. Digitalization of Securities & Cash
2. Leverage Existing DTS Account System
3. Auto-Optimization of DTS Inventory & FedWire Cash

## Settlement

1. Atomic T+0 Settlement on-chain
2. End of Day & Intraday Slices with Partial
3. Alternative Settlement: Integrated DTS/NSCC Settlement & Prefunding

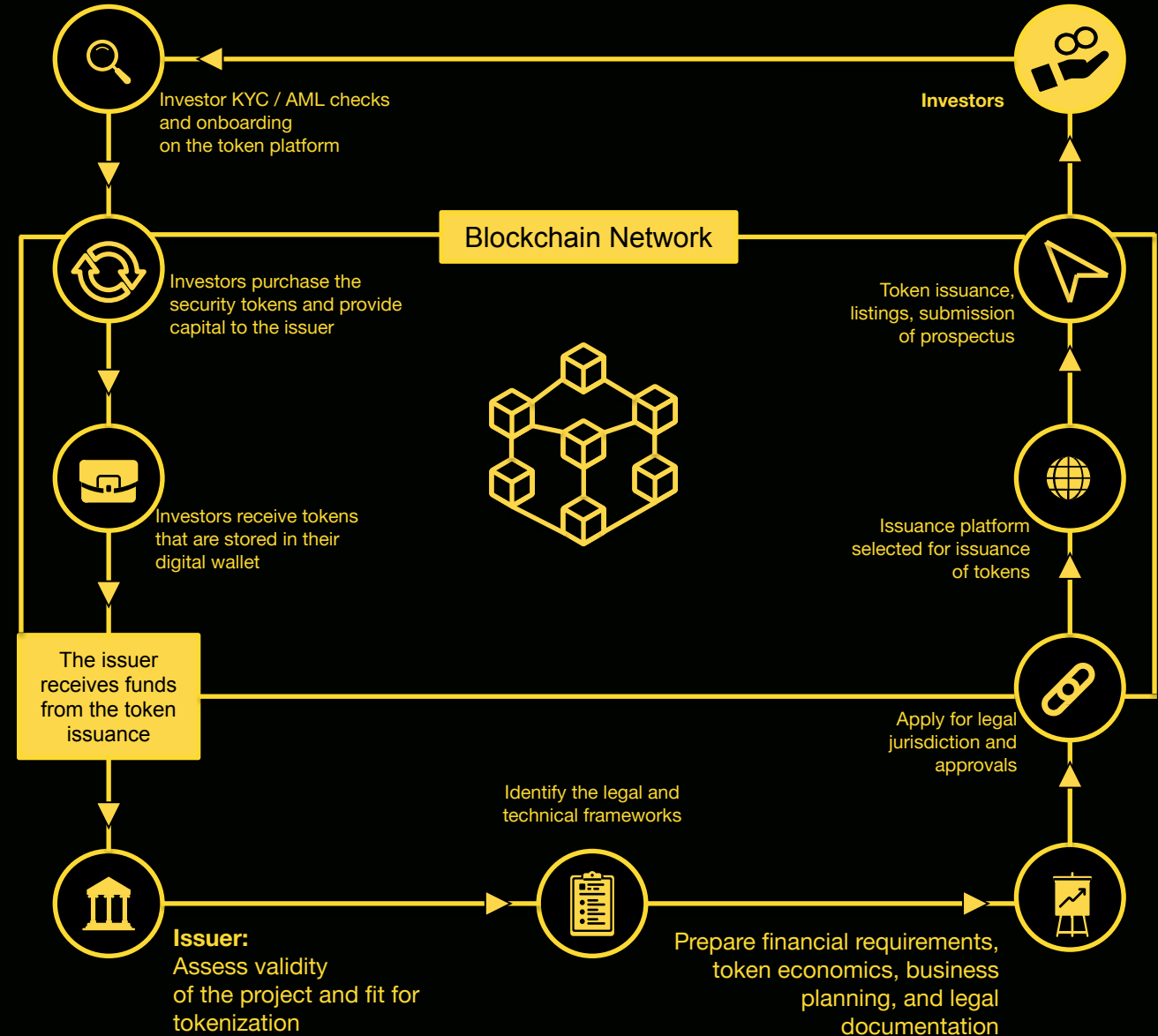


# Example Tokenization Process

Tokenization happens through a process called a Security Token Offering (STO). The tokenized asset is created, allocated, transferred, and managed through its life cycle on the blockchain platform.

Organizations directly or indirectly involved across the tokenization value chain:

- Issuance Platform / Investment Banks
- Courts and Arbitrators
- Regulators
- Custodial and Non-custodial Exchanges
- Third Party Digital Assets Custodians



Source: UAE C4IR & Dubai Future Foundation  
Nov. 2020 Report: Tokenization and Digital Assets (pg. 16)



# Stakeholder Mapping

Here is a highlight of SOME key stakeholders and the corresponding clear opportunities



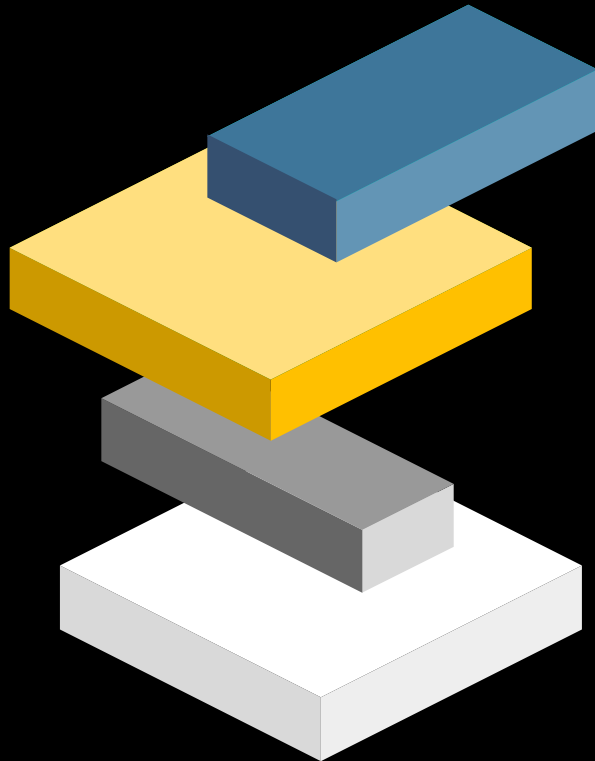
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# Key Signals Framework

## HEAR Framework



**H**

Happiness  
(i.e., market sentiment, social proof, willingness to share)

**E**

Engagement  
(i.e., activity volume, security, transparency, applications/integration)

**A**

Adoption - penetration of key products  
(i.e., bundling, decreased switching costs, new emerging fintech, GIG economy)

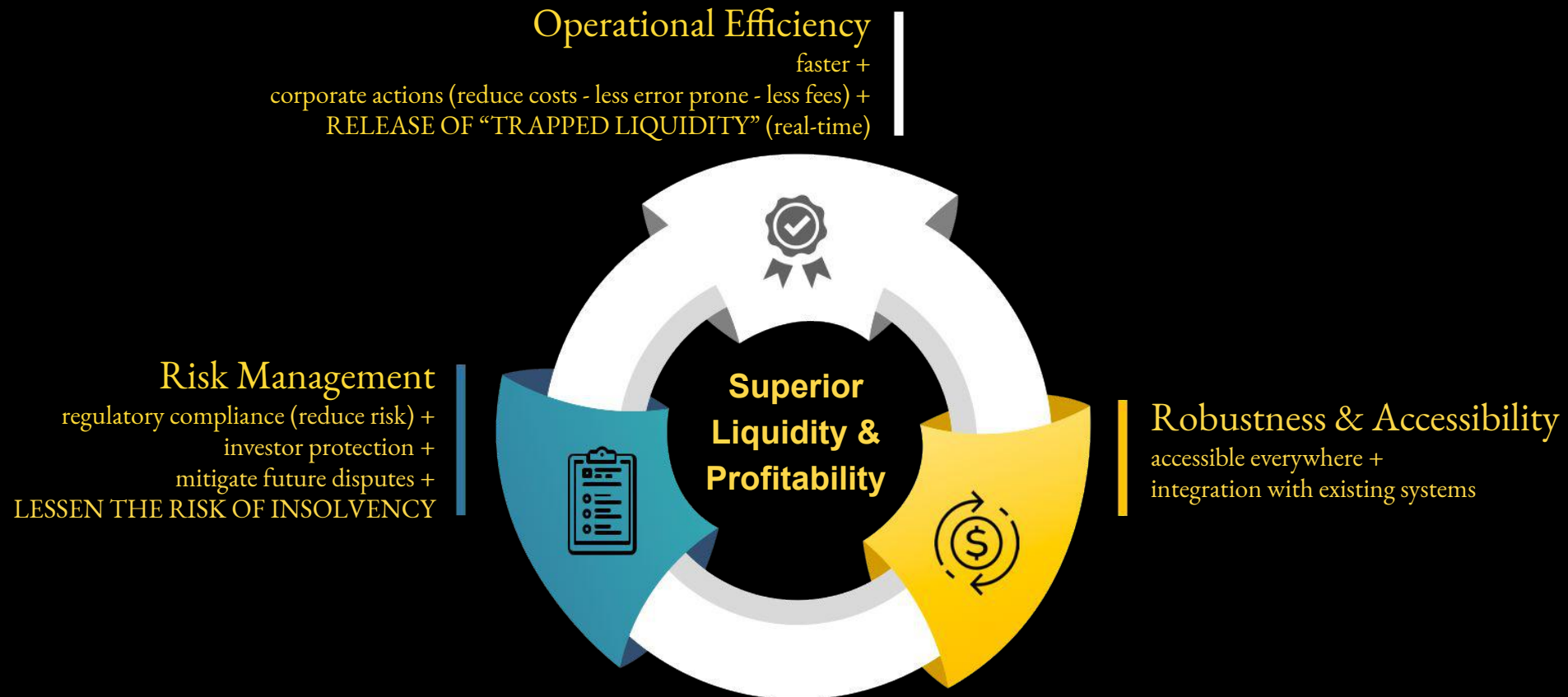
**R**

Retention/Revenue  
(i.e., talent relocation, registered businesses, market liquidity, market making opportunities)



# What will this mean?

Smart transformation of assets will provide a path for the world's existing investor base who use today's financial system to participate in the digital economy; leading to mass adoption of tokenized assets.



# Next Steps

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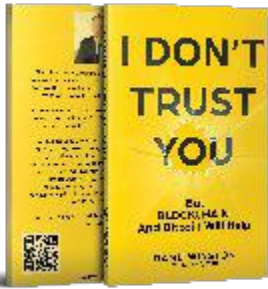


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