



**101 Blockchains**

**A COMPREHENSIVE  
GUIDE ON **TOKENIZATION****

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# What is Tokenization?



Tokenization is a process where users can transform their assets into digital tokens. If you have \$100,000 worth of real estate, you can turn it into 100,000 digital tokens or any amount of token you prefer.

Tokenization can help to represent fractional ownership, where each party gets their share of digital tokens representing an asset.

# Working of Tokenization



Intangibles



Fungible Assets



Non-fungible Assets

# Intangibles

The intangible assets don't have physical representations rather exist solely based on the legal perspective. Typically, various copyrights and patents are under this type of asset.

Intangible assets are easier to convert to digital tokens as you don't need physical storage. But jurisdictional issues may occur during the transfer of ownership.



# Fungible Assets



Fungible assets can be replaced by similar assets. As you can divide these assets into smaller units, these are easier to tokenize on the blockchain network.

Furthermore, it's easier to represent fungible assets as a single type of token can represent a similar type of assets. For example, a token can represent a specific unit of gold.

# Non-fungible Assets

Non-fungible assets are a bit harder to tokenize than fungible ones. As these can't be divided into smaller similar units, the whole asset needs to be represented by a single token.

Typically, creative elements such as digital art, songs, games fall into this category.



# Why Is Tokenization So Popular?



- Operational Efficiency
- Assets Divisibility
- Transparency
- Data Integrity

# Operational Efficiency

- ➔ Tokenization does not require any third-party involvement; thus, it maximizes operational efficiency by cutting out the middleman.
- ➔ By doing so, the transaction costs are heavily reduced, which is beneficial for any kind of participating individuals or company.
- ➔ Automation and reducing the manual labor of day-to-day activities can make the process more efficient. It saves time and settles any transaction faster than conventional means.



# Assets **Divisibility**

- ➔ Tokenization introduces fractional ownership. This allows multiple persons to own a single asset without needing any complicated paperwork.
- ➔ It also ensures that the investment barriers are lower, thus encouraging more people to invest in certain assets.
- ➔ Also, by digitizing the whole process, people from anywhere can own an asset, which increases the overall liquidity.



# Transparency

- ➔ Everything on the blockchain is fully transparent to the participating parties. But that doesn't mean that everyone can see personal information.
- ➔ Public blockchain platforms allow users to see the ledger, and thus, it improves the trust in the tokenization process.
- ➔ More so, it helps to easily identify and verify ownership of an asset on the platform.

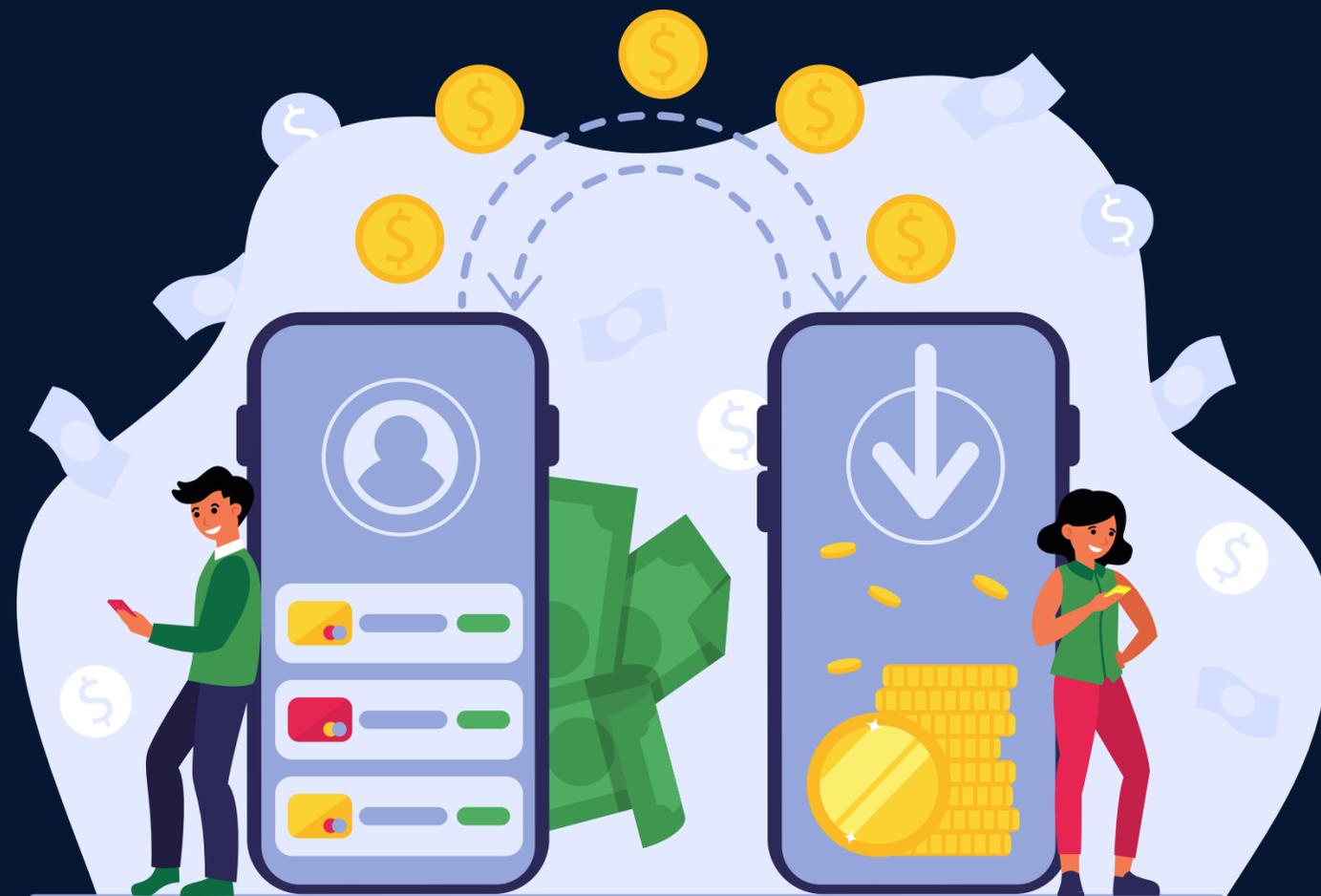


# Data Integrity

- ➔ As the tokenization process happens on the blockchain platform, it also offers data integrity.
- ➔ The immutable nature of blockchain makes sure that no one can alter any data on the ledger and corrupt the network.
- ➔ This acts as the primary security of the platform and is applicable to all participating parties of the network.



# Types of Tokenization in Payment Processing



Vault Tokenization



Vaultless Tokenization



# Tokenization Types in NLP



- Word Tokenization
- Character Tokenization
- Subword Tokenization

# Tokenization Types in Blockchain



- Platform Tokenization
- Utility Tokenization
- Governance Tokenization
- Non-fungible Tokens

# Use Cases of Tokenization



Precious Metals

Real Estate Assets

Logistics

Non-fungible Assets

# Tokenization of Precious Metals

- ➔ Investing in gold is one of the popular and major investments around the globe. But the process can become very complicated in terms of moving or even storing the gold.
- ➔ The market of precious metals has liquidity issues. Tokenization can easily solve the problem by introducing tokens representing these metals.
- ➔ Companies can offer vault facilities for users to safely store their assets and even offer fractional ownership of these assets.



# Tokenization for Real Estate Assets

- ➔ Tokenization can help the real estate sector by offering an option of fractional ownership. Here, people can invest in land or property in groups and own just a portion of that property.
- ➔ It can also ensure the digitization process of the official contract between the buyer and the seller.
- ➔ It can digitize securities and other financial instruments and get rid of all the manual complexities of owning a property.



# Tokenization in Logistics



The logistics industry relies on the Bill of Lading heavily as proof of the ownership of goods. Unfortunately, discrepancies in the Bill of Lading or misplacement can result in delays in delivery.



Tokenization can help this sector ensure that every delivery is on time and without any issues by offering the documents as a form of token.



Also, the payments between the importer and exporter can also happen on the network where both parties can automate the process by using smart contracts.



# Tokenization of **Non-fungible Assets**

- ➔ Tokenizing non-fungible assets helps in creating a new form of a marketplace where each of the assets represents a single token.
- ➔ Anyone willing to buy a non-fungible asset will get the asset in the form of a single token. The token pricing typically varies from asset to asset.
- ➔ Also, as it uses blockchain, it can show viable proof of the NFT being fully authentic so that buyers can safely bid on the token.



# Learn More About **Tokenization**



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<https://academy.101blockchains.com/courses/nft-fundamentals>



## Central Bank Digital Currency (CBDC) Masterclass

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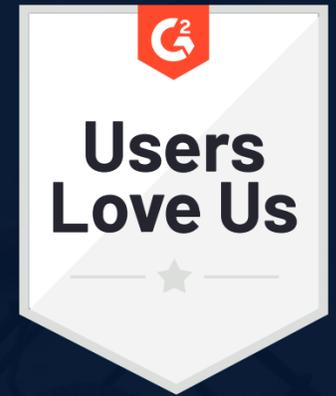




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