



ASSETS TOKENIZATION

WHAT IS ASSET TOKENIZATION?

Asset tokenization is the process of transforming a physical asset into a token, a kind of digital asset. This is possible using shared data storage and editing technology, called distributed ledger technology (DLT). In this case, it is possible to store information in digital copies, available in different locations on the same network, as if it were a chain of “blockchain” information blocks so that there is no need for a centralized authority for this information.

A benefit of storing information on a blockchain is that, unlike the traditional storage system, which consists of just one central file that, if corrupted, compromises the others, decentralized registration guarantees the integrity of the information recorded in all the digital copies available on the network, since one block is independent of the other and therefore does not generate interference.

This innovation makes it possible to transform securities, commodities, and various financial and non-financial assets into encrypted digital assets or tokens. These assets are then registered and traded on a decentralized network. In the context of non-financial assets, which do not have an organized market structure for trading, the tokenization of assets provides a variety of possibilities, driving the emergence of new markets and business models.

Categories of tokens

The Brazilian Securities and Exchange Commission (“CVM”) expressed its opinion on crypto assets in Report No. 40 and identified the following taxonomy to categorize tokens:



WHAT ARE THE ADVANTAGES OF ASSET TOKENIZATION?

Asset tokenization provides a variety of significant advantages, which can vary depending on the type of asset and the context in which the tokenization is applied. Some of the main advantages of tokenized assets include:

Liquidity: Tokenization transforms previously illiquid assets into assets easily traded on digital platforms, allowing investors to buy, sell, or exchange these assets more quickly.

Global Access: The digital nature of tokens makes it possible for investors worldwide to participate, eliminating geographical barriers and broadening the market's reach.

Transparency and Reliability: The blockchain technology underlying tokenization offers an immutable and transparent record of all transactions, increasing participants' confidence and reducing the risks of forgery and fraud.

Automation: Smart contracts can automate various aspects of transactions, such as dividend payments, compliance with regulations, and execution of agreements, eliminating the need for intermediaries in some cases.

Music Royalty Tokens: amounts paid to copyright holders for a song whenever it is played, whether in concerts, audiovisual content, or streaming platforms.

Examples of Tokenized Assets

The convenience and versatility of tokenizing assets provide a range of investment possibilities today:

Precatory Payment Tokens: digital representation of the public debt security issued by the Judiciary, divided into smaller quotas, and distributed to different people at a more affordable price.

Artwork Tokens: Artwork tokens represent fractional ownership of a work of art, such as a painting. Whoever owns this token has the right to be paid when the piece is sold to a collector in the amount proportional to its fraction. This differs from NFTs in that non-fungible tokens represent the entire work of art.

Real Estate Tokens: fractionalization of real estate properties, such as houses and apartments, as a more accessible form of investment. In these cases, instead of buying a real property, the investor buys fractions of that property and receives, for example, rent proportional to their fraction of that property.

Fractionalization: Assets can be divided into smaller fractions through tokenization, allowing investors with different levels of resources to participate in a more accessible way.

Asset tokenization represents a significant innovation redefining how we perceive and interact with investments. This initiative provides several notable benefits by transforming traditional assets such as real estate and shares into blockchain-based digital tokens. The liquidity, historically a challenge in long-term investments, is enhanced as the tokens can be easily traded on secondary markets, allowing investors a more flexible outcome.

In addition, the divisibility of tokenized assets makes investments accessible to a wider audience since investors can acquire fractions of high-value assets. The transparency and security offered by blockchain technology add confidence to the ecosystem, reducing fraud and simplifying processes. The tokenization of assets exemplifies the transformative potential of the technology and is destined to play a key role in the evolution of financial markets.

Despite the great advances and possibilities that asset tokenization can provide today, it is important to remember that it also presents challenges and considerations, including regulatory, technological, and security issues. Therefore, before getting involved in tokenized assets, it is advisable to conduct thorough research and seek expert advice to understand the associated risks and benefits fully.

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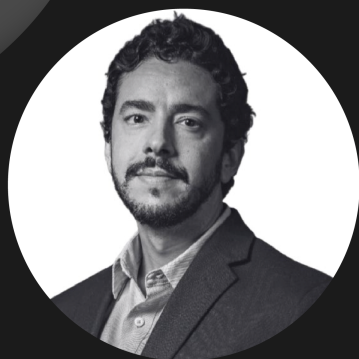
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