

## Facts About Crypto

### Defining Digital Trading

The definition of a digital asset is “anything that exists in binary data which is self-contained, uniquely identifiable, and has a value or ability to use.” The term originated in the mid-1990s, in relation to items such as videos, images, audio, and documentation. Today, online and technological advances have taken digital assets up to another level.

### Blockchain Technology

Blockchain technology and inventions such as cryptocurrencies are part of the digital asset revolution. Blockchain is a system of recording information in a way that makes it difficult or impossible to change, hack, or cheat the system.

A blockchain is essentially a digital ledger of transactions that is duplicated and distributed across the entire network of computer systems on the blockchain. Each block in the chain contains a number of transactions, and every time a new transaction occurs on the blockchain, a record of that transaction is added to every participant’s ledger. The decentralised database managed by multiple participants is known as Distributed Ledger Technology (DLT).

Blockchain is a type of DLT in which transactions are recorded with an immutable cryptographic signature called a hash.

This means if one block in one chain was changed, it would be immediately apparent it had been tampered with. If hackers wanted to corrupt a blockchain system, they would have to change every block in the chain, across all of the distributed versions of the chain.

Blockchains such as Bitcoin and Ethereum are constantly and continually growing as blocks are being added to the chain, which significantly adds to the security of the ledger.

### Why Did Blockchain Create More Digital Assets?

To understand why digital assets evolved so much, you need to first study why blockchain technology creates new efficiency in the market, and even new markets. Simply put, a blockchain is nothing more than a giant network of computers that simultaneously verifies data on a digital ledger. This network enables data to be stored, unaltered, and verified via code.

The transparency blockchain technology brings to the world is unprecedented. This technology allows people, for the first time in history, to unequivocally prove certain aspects of a digital asset. You can prove items such as ownership, authenticity, transaction history, and location without the need to involve third-parties. As such, blockchain technology ushered back in the age of bilateral exchange.

The ability to erase the middleman comes from blockchain’s programmability. Blockchain digital assets utilize rules that are built into the code of the network, and, or, the token itself. Importantly, these standards receive continuous auditing via the network. This coding has

advanced significantly since the emergence of blockchain tech. Today, advanced integrated protocols known as smart contracts are at the core of the digital asset revolution.

### Bitcoin – The Code that Changed the World Forever

Bitcoin represented the biggest change to the meaning of the term digital asset to date. This coding was the first time someone attempted to combine cryptography and blockchain technology to create a digital asset successfully. In essence, the Bitcoin whitepaper was the beginning of the digitization of the economy. Discussing the impact of Bitcoin globally, Marc Lowell Andreessen, the father of the internet browser said: “We’ll all look back in 20 years and conclude that bitcoin was as an influential platform for innovation as the internet itself.”

### Digital Assets – The Bitcoin Whitepaper

#### 2008 Financial Collapse

To understand the motivation behind the Bitcoin concept, you need to take a look at the economic state of the world in 2008. The international banking system was in the middle of a crisis. In multiple instances, governments and central banks altered regulations to further their debt holding capabilities. It was this perceived instability of fractional-reserve banking that led the anonymous founder of Bitcoin, Satoshi Nakamoto to seek to create a decentralized international economy. This new open market would be free from the stranglehold of government and borders.

### Bitcoin – The Start of an Industry

As the Bitcoin concept began to gain international attention, so to did the coin’s value. In less than five years, other developers started to create their own coins. These coins such as Litecoin, Ethereum, and Monero all utilized blockchain technology to secure their value. Although these coins utilized similar technology, each digital asset had a different approach to the market.

For example, Litecoin sought to be the silver to Bitcoin’s gold, whereas Ethereum wanted to provide developers an alternative to Bitcoin’s scripting limitations. Monero took a totally different approach, creating a digital asset that focused primarily on privacy.

### Digital Assets as an Asset Class

Today, blockchain technology allows us to tokenize nearly everything we own. Consequently, items that were once non-liquid such as debt can now be traded between anyone, anywhere, in person, or across the internet. This ability to tokenize any item creates entirely new digital asset classes in the market. These new asset classes continue to develop. As such, lawmakers continue to adjust regulations to account for the new efficiency that these services bring.

### Token Taxonomy

As the world of digital assets continues to grow, also has the desire for regulators and investors to categorize the different types of tokens in existence. Token taxonomy is the classification of digital assets on the blockchain. Importantly, token taxonomy will play a prominent role in the markets moving forward because the classification of a digital asset determines its issuance and trading capabilities. For example, security tokens must adhere

to securities regulations. If not, there are legal repercussions. The three main types of token classifications are:

- **Cryptocurrency** – This type of digital asset includes traditional cryptocurrencies such as Bitcoin and Litecoin. These tokens usually function as a form of digital cash. As such, they are decentralized and offer a true peer-to-peer exchange protocol.
- **Utility Token** – This type of digital asset operates within the ecosystem of a platform to derive value and complete various tasks. Importantly, it doesn't represent any direct ownership or investment in a firm.
- **Security Token** – Security tokens are any token that by design represents a share of ownership or an investment in a company. Usually, these tokens are found in highly-regulated markets such as real estate, securities, or stock markets.

Tokenization – Changing Markets Forever

Digital assets such as security tokens continue to disrupt the real estate market. For example, platforms such as Red Swan allow property owners to tokenize their real estate. The firm recently partnered with Polymath to tokenize \$2.2 billion in commercial property across the US. Tokenized properties offer some huge advantages over traditional real estate sales. For one, the entire sales process is faster and requires less involvement from third-party organizations. Also, tokenized properties can transfer ownership in seconds.

Digital Assets are Everywhere

Today, digital assets are everywhere we look. Every single currency, asset, supply chain, and even reward point has the potential for tokenization. As such, the term digital asset will continue to encompass a growing number of items. For now, tokenization appears to be the path towards the future.