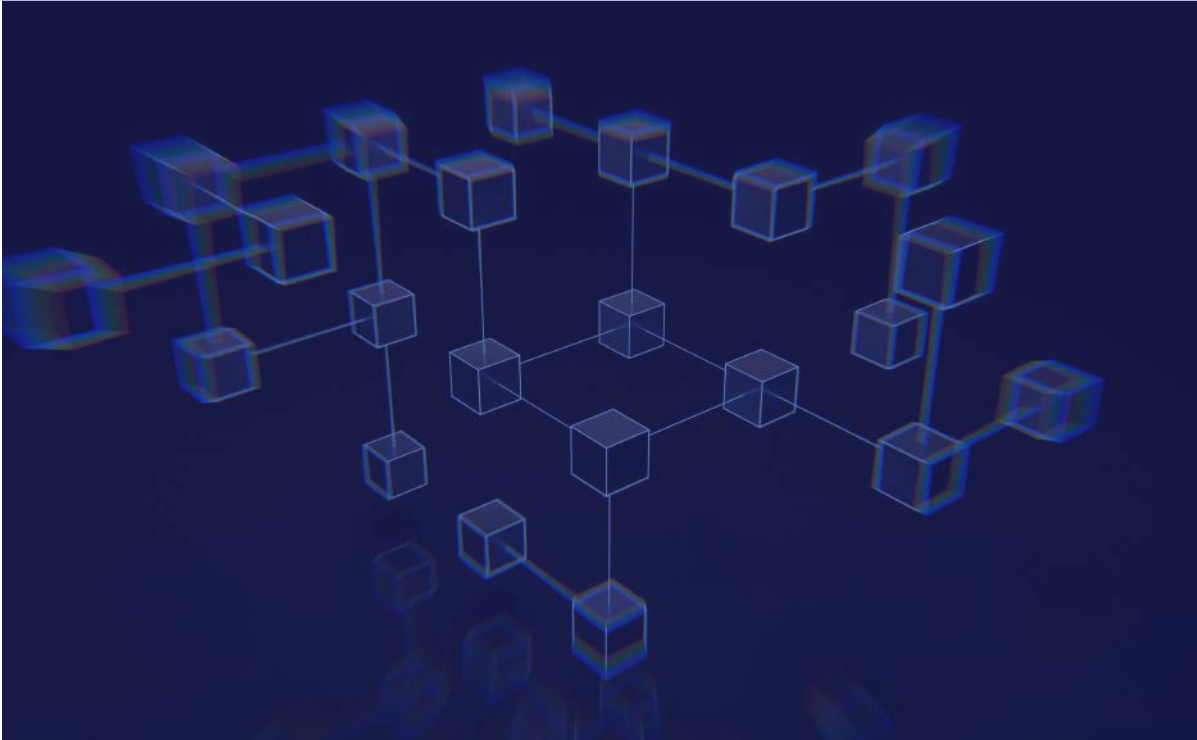# SECURITY TOKEN OFFERING

The Growth Financing of the Future

Real and digital values can be issued and traded via the blockchain.

Security tokens are digital representations of value units (so-called digital assets or crypto values) that are deposited on the blockchain in a tamper-proof manner and digitally represent a specific property item/claim, an asset/contract value or a utility service. [1]

Generally, almost any asset and any existing security can be issued as a Security Token and divided into fractional shares - such as shares, bonds, loans and debentures, but also participation rights in specific projects, plans and values as well as certificates.

A key unique selling point of security tokens is that they enable project-based capital raising - without debt (taking out guarantees, loans, mortgages or credit) or dilution (giving up company shares) - thus offloading financial risk for individual projects and maximizing funding leverage.

[1]

[2]

[3]

These properties enable issuers to lower the investment threshold, reduce transaction costs, reduce the number of intermediaries and increase their liquidity. Furthermore, they make security tokens predestined for a number of application areas where issuance via the traditional route - such as the IPO of a public limited company, the land register entry as (co-)owner of a property, or the notarization as owner of a company or a closed-end investment fund - is very time-consuming and cost-intensive, or where splitting into fractions is costly.

Moreover, unlike NFT or cryptocurrencies, security tokens are the only token group that are subject to traditional securities laws - i.e., they must comply with the regulations of the German Federal Financial Supervisory Authority (BaFin) and are therefore treated like traditional regulated capital investments in regulatory terms.

Security Token Offering (STO): The New Way Of Growth Financing

Security tokens are distributed via the so-called Security Token Offering (STO).

A security token offering (STO), also known as a tokenized asset offering (TAO), describes the public sale of security tokens - values, rights or debt relationships (securities) that are mapped via digital assets (tokens). The technical basis for this is provided by blockchain technology, which is used to issue the digital securities and validate subsequent transactions.

The Most Common Application Areas for Security Token Offerings

Unlike other tokenization types such as Initial Coin Offering or Non-Fungible Token Offering, which can have many motivations, STOs are exclusively for generating equity or debt capital and/or digitizing and managing assets with a regulatory framework. Therefore, the most common areas of application include:

- Tokenization of real estate (e.g. real estate objects or construction projects)
- Tokenization of real tangible assets (e.g. works of art, classic cars or rare pieces of jewelry)
- Tokenization of digital tangible assets (e.g. in-game objects or digital collectibles such as jingles, music tracks/catalog rights ...)
- Tokenization of entrepreneurial projects (e.g., acquisition or construction of a new manufacturing facility, shipyard, truck fleet, etc.)
- Tokenization of securities (e.g., individual securities or funds)
- Tokenization of company participations (e.g. in a limited liability company)

STOs are exclusively used to generate equity or debt capital and/or to digitize and manage assets with a regulatory framework: Tokenization makes it possible to convert real as well as digital assets into virtual units and make them tradable via the blockchain - even in fractions. In the process, security tokens offer a number of advantages for issuers and investors:

Benefits of Security Tokens

For Issuers	For Investors
✔ BaFin-regulated ✔ Fractional ownership ✔ No intermediaries / P2P ✔ No geographical barriers ✔ Transparent & tamper-proof	
✔ Outsourcing of financing risk ✔ Growth financing without debt or dilution ✔ Increased liquidity of an illiquid asset class (real estate) ✔ Open to non-listed individuals / companies ✔ Fast and inexpensive issuance	✔ Additional diversification effects ✔ unlimited growth potential ✔ Access to real estate as an asset class ✔ Open to private and professional investors ✔ Fast and favorable transactions anti-inflationary store of value

Tokenisierung von Real Estate. Quelle: iVE.ONE (2022)

Benefit from the first fully regulated investment case in blockchain applications!

Unlike the issuance of coins (ICO) or NFT, the regulated STO process offers tremendous securities on both the investor and issuer side and also qualifies it for institutional investors and issuers interested in trading digital assets. In addition, security tokens can be traded directly (P2P) on the secondary market after initial issuance (STO). This saves intermediation costs and makes Security Tokens an attractive asset class.

If you would like to start your own STO, or are not yet sure which form of tokenization is suitable for your very specific use case, please feel free to contact us. Our team of experts is always ready to answer your questions.

In our experience, our customers quickly realize that tokenizing their first security token is just the beginning of an exciting journey into the digital world. The possibilities of tokenization are limitless.

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Disclaimer

Note: For reasons of better readability, the simultaneous use of the language forms male, female and diverse (m/f/d) is omitted. All references to persons apply equally to all genders.