Digital Tokens

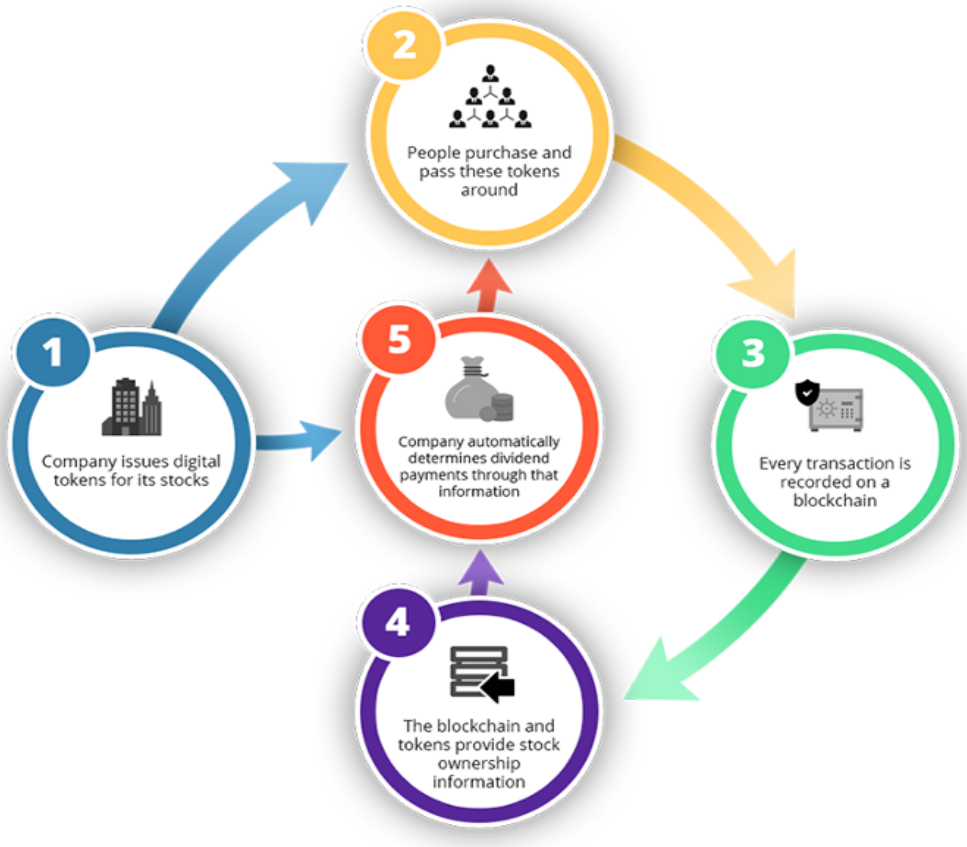
Utilizing blockchain technology, digital tokens revolutionize the way of transferring real-world assets. We provide an established method of implementing digital tokens: Colored Coins.

How Digital Tokens Work

A digital token is similar to issuing a check in a digital form. The holder of the token has the right to claim the underlying asset. Any transferrable asset such as a car, a house, a computer, or also intangible assets such as property rights and licenses, can be represented through digital tokens.

If a company issues digital tokens for its stock, for example, the receiver of these tokens possesses the right to claim these stocks in exchange for the tokens. Or to go one step further, holding a token equals ownership of the underlying stocks.

Moreover, these tokens can also be passed around between other people. Every transaction of those digital tokens is recorded on a blockchain, providing full transparency about the ownership and security at the same time without needing a central authority or clearing house to regulate anything which in return saves costs and time. The company can even handle its whole dividend payment procedure automatically through these digital tokens because the whole logic behind dividend payouts can be embedded into each token.



Colored Coins

Colored coins as the name indicates are digital tokens based upon the Bitcoin blockchain. Every bitcoin transaction provides an optional text field which can be used as an identifier to make a normal transaction represent more than just a mere transfer of bitcoin. Simply put, one can use these identifiers to allow bitcoin represent any asset outside the Bitcoin blockchain (e.g., stocks, cars, property rights etc.). Such bitcoins which have other assets attached to them are called “Colored Coins”.

Colored Coins – Bitcoin Technology

Colored Coins enable real-world asset transactions with the help of the Bitcoin blockchain.

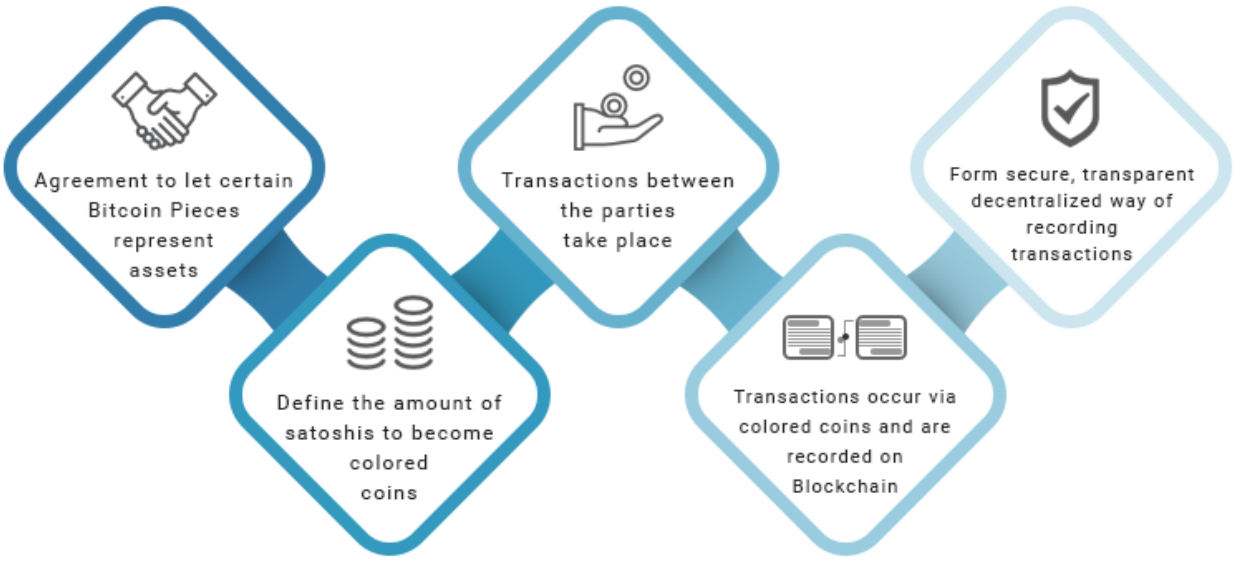
What Are Colored Coins

Due to the nature of the Bitcoin blockchain, every single generated coin can be uniquely identified along with its transaction history. The smallest identifiable Bitcoin unit is called “satoshi” and depicts a tiny amount of 0.00000001 Bitcoin.

The inherent embedded identifiability and traceability of Bitcoin enables the implementation of additional ledgers on top of the existing Bitcoin ledger.

If numerous parties arrange and acknowledge to attach meaning to one particular satoshi by letting it represent another asset, they can subsequently use the Bitcoin blockchain to track ownership of this asset and its associated transactions in a decentralized and secure manner.

Assuming such an agreement has been reached, these tiny, identifiable, pieces of bitcoin (satoshis) can then be employed to represent and record assets. Such coins are called “colored coins”. Below is an illustration of colored coins procedure:



Using the established Bitcoin blockchain

Building upon the established existing Bitcoin layer and utilizing colored coins makes it easy for users to implement additional asset layers on top of it. Using colored coins, therefore, saves time and resources which would be necessary if a separate blockchain was set up.

Furthermore, colored coins benefit from the huge amount of hashing power that the Bitcoin network already possesses which in addition protects the Bitcoin blockchain against various types of attacks.