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Top Decentralized Tokenization Projects to Watch in 2021



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Securitized assets represent a significant segment of the global economy. According to the Securities Industry and Financial Markets Association, the securities industry was responsible for $2.1 trillion in raised capital for businesses in 2019.

The ability to translate tangible assets like oil and gold into securitized, tradable units has been central to global markets for decades. This securitization allows investors and asset issuers—not to mention middlemen—to grease the wheels of the global economy in ways that would not be possible without mechanisms of securitization.

Hence, the $2.1 trillion in business capital in a single year, all attributed to securities-related activity.

Decentralized tokenization projects aim to establish a parallel, blockchain-powered infrastructure for securities trading that exists alongside legacy securities frameworks. One clear reason why such a parallel network is worthwhile: the removal of the middleman in favor of bringing security issuers and investors together directly.

In these decentralized securities marketplaces, smart contracts play several roles. They facilitate the creation of security tokens representing a securitized asset such as a mortgage, invoice, or work of art. Smart contracts also document and execute the sale of security tokens to investors, and the corresponding release of funds to the asset originator.

The creation of tokens representing a real-world asset is referred to as “tokenization”, and it is the basis for blockchain securities marketplaces and adjacent products.

Several projects are putting their own noteworthy spin on this concept of decentralized tokenization.

Neufund

Neufund is a blockchain-powered platform for fundraising, investing, and asset tokenization. NEU tokens are the governance tokens of the Neufund platform, which are issued as an incentive reward each time you invest in an offering. NEU tokenholders are the owners of the Neufund platform, which is the basic framework for any decentralized organization.

Asset owners can issue security tokens on Neufund. Purchasing those tokens represents an ownership stake in the listed asset, and those tokens are legally-binding. Asset tokenization is one of many features of Neufund, along with the ability to create digital wallets, invest in specific projects, issue and claim dividends, and vote on the future of Neufund itself.

Securitize

Securitize is a blockchain-powered platform for the purchase and sale of digital securities, and also provides other financial services. Users can invest in digital securities through the Securitize investor dashboard. Once they've verified their identity they can obtain a Securitize iD to streamline the login process and access Securitize markets more quickly.

Securitize is accepting applications from those who would like to list their primary and secondary market assets on the platform. Funds, real estate, and companies are among the assets listed as tradable through the Securtitize platform. Securitize also offers services such as investor onboarding and management and transfer agent services through their decentralized platform.



Tinlake

Tinlake is an asset-backed financing DApp from Centrifuge. Those who own assets ("Asset Originators") can go through the process of structuring and financing collateralized asset pools. Some of the asset classes that Tinlake cites as fit for the platform are mortgages, auto loans, and royalties. Smart contracts govern all transactions and agreements on the Tinlake marketplace.

Asset classes on Tinlake are organized by the asset type and the risk associated with them. The goal of Tinlake is to reduce the cost of securitization by bringing together asset originators and investors directly, and in doing so allowing originators to access "instant funding". The attraction for investors is the potential to engage in high-yield investments without a middleman taking a cut.



Openfinance

Openfinance is a blockchain-powered platform for those who want to issue and invest in tokenized alternative assets. By tokenizing assets like real estate, artwork, and stakes in venture capital and hedge funds as a digital representation, Openfinance explains that it can reduce the cost of trading such assets and stakes.

Trades made on Openfinance are executed using the Ethereum blockchain. Every transaction is recorded on the blockchain and makes clear who owns a tokenized asset. The use of blockchain to complete transactions lends Openfinance its decentralized status.

Harbor

Harbor is “the digital platform for alternative assets” which uses blockchain technology to enforce contracts for the exchange of tokenized assets. Tokenization allows Harbor to facilitate the purchase and sale of “traditionally illiquid assets”. Broker-dealers and issuers can work with the platform to list whatever asset they are looking to sell.

Harbor’s services are registered with the Financial Industry Regulatory Authority (FINRA) to ensure that every transaction is compliant with prevailing regulations. Some of the features of the Harbor platform include private marketplaces, investor management services, tools for the issuance and sale of private securities, and the ability to issue digital dividends.

Tokensoft

Tokensoft is a security token platform, which is another name for a platform facilitating the trading of tokenized securities. It provides assistance to those who want to get their blockchain-powered assets to public markets.

Tokensoft also helps companies raise capital through the process of tokenizing equity at scale. It claims to onboard ten thousand investors per day and ten million U.S. dollars per hour all within the regulatory guidelines of FINRA and the Securities and Exchange Commission (SEC).



Polymath Network

The team at Polymath "provides technology to create, issue, and manage digital securities on the blockchain". Their Polymesh blockchain is created specifically to enable the issuance of regulated, tokenized assets. The Polymath Token Studio is the tool for users to issue a security token tied directly to ownership of an asset or class of assets. The broker-dealer toolkit is available to those who plan to issue and manage security tokens through the Polymath Network.

The Polymesh blockchain is set to go live in March 2021. This blockchain will include an updated version of the Token Studio.



OpenLaw

OpenLaw is a digital contracting platform built specifically for the legal sector. Using smart contracts, OpenLaw allows users to create contracts (a form of tokenization) and engage in legally-binding agreements. It is an open-source platform that allows users to set up approvals, alerts, and to keep clients updated on the progress of drafts, among other features.

OpenLaw continues to innovate. It announced in April 2020 that it would create a Legal DAO known as a Limited Liability Autonomous Organization, or LAO. It is an investment vehicle by which investors are distributed and capped at 100, investing specifically in Ethereum-based projects.



Templum

Templum is an “institutional-grade technology platform for capital raising and secondary trading”. Templum announced in 2019 that it would begin using private blockchains for its operations to increase transaction speed and ensure that everyone participating in the Templum marketplace is qualified to do so.

Templum offers services including investor onboarding, investment management tools, a trade matching engine, document management tools, data for different asset classes, and the ability to integrate Templum into existing application programming interfaces (APIs).

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Conclusion

McKinsey explains how investors are “flooding private markets”, and how the term “private market” itself has evolved to fit a growing number of investment offerings. The advent of tokenized securities typifies the demand for new, focused investments, and particularly those with the backing of real assets.

Those who provide marketplaces for issuing and investing in tokenized assets could be in the midst of significant opportunity in 2021. As concern about the global economy continues to threaten traditional markets, investors may see alternative investments like tokenized securities as less susceptible to flash crashes or steadily diminishing returns.

Demand for tokenized securities may also continue by the fact that they are a new model lacking traditional middlemen. With smart contracts taking the place of brokers (and the fees that they command), investors may secure fairer deals through tokenized marketplaces.

Tokenized securities may allow investors to stake a claim in asset classes that are not readily available to them through legacy markets, whether it is a work of art, a bundle of outstanding invoices, real estate, or another type of security.

Those who seek securitized investments sans the middleman may turn to one or more of the decentralized tokenization projects we’ve listed here as they invest in 2021.

Thank you.

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