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**Why I am mad
about asset
tokenisation and
the opportunity
for Mauritius**

WHAT IS ASSET TOKENISATION?

Asset tokenisation is the process of creating digital tokens, which represent an asset, on a distributed ledger. One of the definitions of the term token in the Oxford dictionary is something that is a symbol of something else. In line with this definition, the term token in asset tokenisation means a coded representation on a blockchain of something else such as a piece of art, music, immovable property, commodities, or securities. Asset tokenisation can be applied to existing real-world assets or to assets already in the digital form.

The World Economic Forum predicts that up to 10% of global gross domestic product (GDP) could be stored and transacted via Distributed Ledger Technology and that tokenised markets could potentially be worth as much as US\$24 trillion by 2027. Tokenisation of assets is consequently an area worth understanding and exploring.

WHAT ARE SOME OF THE MAIN BENEFITS OF ASSET TOKENIZATION?

- Creating a cryptographic token that is unique and immutable, using blockchain technology, creates more transparency.
- Tokenisation of securities allows traditional share ownership of a company to be reflected digitally in a blockchain registry with ease of access for shareholders.
- The use of blockchain reduces administrative inefficiencies and settlement delays by allowing the almost instantaneous transfer of tokens, and therefore renders secondary trading, through the speed of transfer, more secure.
- Tokenisation of assets promotes cost effective secondary trading, through a flattening of the structure, as fewer intermediaries are required to facilitate the movement of tokens.
- The tracking of movement of tokens becomes much easier and more reliable using blockchain technology
- Tokenisation of assets allows wider syndication of investors through fractional ownership and therefore increases liquidity.
- Tokenisation of assets promotes administrative efficiency through automation of processes relating to corporate actions, KYC, AML and CFT. These rules can prevent someone who isn't qualified from buying the token.
- Tokenisation of assets enables people to be more creative, in terms of what can be tokenised, to allow capital raise or to create value. It is possible, for example, to bundle rights and perks within tokens that have no or low intrinsic financial value, but would have a high value to potential shareholders, such as Fan Tokens.
- Tokenisation presents opportunities to unlock value from traditionally idle or illiquid assets such as real estate.
- Digital assets are programmable, and, through smart contracts, help include corporate events, like ex-dividend and cum-dividend date, and proxy voting. They can also allow for seamless asset transfer between nodes, and across jurisdictions, aligned with regulatory approvals.
- Finally, we should not forget the marketing benefits of tokenisation to demonstrate innovation.

LET US LOOK AT SOME INTERESTING EXAMPLES OF ASSET TOKENISATION IN THE WORLD

- **Tokenisation of bonds for capital raising, as securities tokens**

In May 2021, multinational Singapore-based bank DBS issued a S\$15 million (US\$11.3 million) digital bond in its first security token offering, issued via its Digital Exchange (DDEX). Coindesk reported that DBS said the move paves the way for other issuers and clients to "efficiently access capital markets" for their funding needs and that the bank expects tokenization to become more mainstream as its clients start to embrace STO issuance as part of their capital fund-raising exercise.

- **Tokenisation of real estate for sale, as security tokens**

AnnA Villa valued at € 6.5 million was the first ever property in Europe that was sold entirely via a blockchain transaction. Forbes reported that the luxury building, located in the city's Boulogne-Billancourt district, was valued at €6.5 million, and was sold to French real estate companies, Sapeb Immobilier and Valorcim. The process involved first transferring ownership of the building to a joint-stock company (SAPEB AnnA), then dividing the company into 100 tokens to be distributed to the owners respectively. Each token can be further broken down into 100,000 units, meaning individual shares of the building can be bought and sold for as little as €6.50.

- **Tokenisation of artworks, as a Non-Fungible Token (NFT)**

Christie's announced the sale of the NFT work 'The First 5,000 days' by the artist Beeble on the 25th February 2021 and the final sale price by the closing of the auction on the 11th March 2021 was USD 69 millions. Christie's is the first major auction house to offer a purely digital work with a unique NFT and to accept cryptocurrency, in this case Ether, for this artwork, in addition to standard forms of payment.

- **Tokenisation of logistics**

The Bill of Lading is essential to the logistics industry. The blockchain-based Bill of Lading solution that CargoX advertises is said to preserve all paper Bill of Lading legacy features and enhance them with benefits offered by the decentralized ecosystem, including speed, security, and transparency. Additionally, it provides a base for further integration of value-added features such as smart contract Letters of Credit, insurance, etc.

- **Tokenisation of tickets, as NFTs**

The ticketing platform YellowHeart and MGM Grand Resorts have partnered to sell an exclusive collection of NFT tickets to a run of Jabberwockies dance performances, lasting until April 2022. The benefits of the exclusive collection were prime seating at the in-person show, food and drinks credits, digital collectibles, and meet-and-greet opportunities. Coindesk reported that the idea behind the NFT ticket issuance was that NFTs were not only a more secure and fraud-proof way to sell tickets but can act as a sort of social token for added utility between fans and artists.

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- **Tokenisation to support climate change**

Founded in 2020, Moss.earth is specialized in digitising carbon-neutral assets by using blockchain technology. "We have developed many significant Web 3.0 products and services, such as Amazon Forest NFTs, to deliver value for our fight against climate change. Through our team of blockchain experts, we want to make environmental accounting and digital asset management cheaper, faster, and more convenient," said Luis Felipe Adaime, founder and CEO at Moss. Moss flagship is MC02, a carbon credit token that is equal to one ton of carbon dioxide. MC02 is listed on the major cryptocurrency exchanges, such as Coinbase and are used by companies and institutions to offset their corporate and customer carbon footprints.

CONCLUSION

It is true that the tokenization of assets, using blockchain technology, can allow seamless peer to peer transactions, without any intervention from intermediaries or trusted third parties. However, the substantial number/value of scams and hacks as well as the significant money laundering risks in the digital/crypto space, force one to acknowledge the importance of third-party virtual asset service providers (VASPs), especially regarding higher value assets or where the retail market is being targeted, that fall under the purview of financial services regulators.

There is currently a race for countries to become jurisdictions of choice for VASPs seeking to be regulated. With the coming into force of the Virtual Asset and Initial Token Offering Services Act 2021 ('VAITOS'), which was promulgated in February this year, Mauritius has leap frogged many other jurisdictions in this said race.

The future of Mauritius as a Fintech hub is a promising one. Regulated digital exchanges and custodians will in the future allow the efficient trading (through reduced cost, time, and risk) of every type of security or non-security assets, in tokenised form.

The crucial ingredient for the success of Mauritius as the jurisdiction of choice for FinTech into Africa and beyond will lie in the implementation of the legal and accompanying regulatory framework. A transparent, flexible, and practical application, with the relevant regulators working hand in hand with stakeholders, could transform Mauritius for the better for many years to come.

About Digital Partners Network

Digital Partners Network (DPN) provides tailored professional services to meet the demands of disruptive businesses, which focus on automation, digitalisation, use of artificial intelligence (AI) and Blockchain technology. We have special expertise at the DPN group to advise on the creation, storage and trading of virtual assets and security token offerings, in various jurisdictions.

These include specialist legal, finance, compliance, corporate structuring, finance, strategic consulting, technology-enabled digital transformation and potential investment through a digital fund.

DPN consists of 7 major partners:

- Digital Associates Ltd - a Mauritian licensed law firm, providing cross border legal services and having special expertise in fintech and tech related activities. DAL is a member of Legal Network International and a member of TAGG Law.
- Digital Corporate Partners (Africa) Ltd - licensed by the Seychelles FSA, providing corporate structuring advice in the Seychelles and internationally, in partnership with licensed entities such as Management Companies/ Corporate Service Providers in multiple jurisdictions
- Digital Finance LLP - providing accounting, finance, valuation services, with special expertise in cryptocurrencies and tokenised assets.

About Digital Partners Network (continued)

- Digital Transformation Ltd – provides strategic advisory in the digital transformation space.
- Digital Investment Fund PCC – a PCC Professional Fund licensed by the Seychelles FSA, allowing investment in virtual assets
- Digital Fund Administrators (Africa) Ltd – licensed by the Seychelles FSA, whilst DFAAL will work with any sector fund, it has a specialised focus on funds operating in the FinTech sphere.
- Digital Bank Limited – DBL is licensed by the Central Bank of Seychelles and aims to become the banking partner for start-ups, SMEs and FinTech companies in Seychelles and across Africa. DBL will provide more efficient channels to customers and cost-effective technologies to enhance the customer experience through value-adding services. It intends to bring cheaper and more efficient technologically enabled financial services for corporate and retail clients. DBL plans to go live in the last quarter of 2022.

For more information, please visit: www.digitalpartnersnetwork.com

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Jessica T. Naga is a barrister, at the Bar of Mauritius and that of England & Wales. She is the founder of Digital Associates Ltd, a licensed law firm by the Attorney General's office, which specialises in FinTech and Tech related activity and forms part of the Digital Partners Network Group. She co-founded the SECDEX group, a regulated market infrastructure ecosystem located in the Seychelles, which includes an exchange, a clearing house, a securities depository, and a digital custodian, with the intent to bring funding and liquidity to African businesses, including SMEs and entrepreneurs. She also co-founded the MINDEX group, which is about to launch a similar ecosystem in Mauritius, licensed by the FSC. She was a WIA54 2020 Laureate in the digital and technology category for Southern Africa and was part of the Women in FinTech Powerlist 2021 in the category of international Senior Leaders, proclaimed by Innovate Finance, which is an independent industry body that represents and advances the global FinTech community.