Tokens

Return to Glossary

Tokens are digital assets, issued by the project, which can be used as a method of payment inside project's ecosystem, performing similar functions with coins, but the main difference is that it also gives the holder a right to participate in the network. It may perform the functions of digital asset, represent a company's share, give access to the project's functional and many more—with the launching of new projects unknown facets of tokens' functional are discovered. Ticket to a concert, for example, is a "real-life token"—you may use it at a certain time, at a certain place. You can't go to the restaurant and pay your bill with concert ticket—ticket has its value only at concert hall. Digital tokens are the same—they have certain use case only inside certain project.

Tokens represent an asset or utility, so security and utility tokens are distinguished. Security tokens are designed to be the company's share (token of notorious project DAO, that was hacked right after launching, was recognized as security token), while utility tokens have certain use case inside the project (BON Token).

Creating a token is easier than creating a coin, as you don't have to create a new code or modify already existing one—you just use a standard template from platforms like Ethereum, that are blockchain-based and allow anyone to create tokens in just few steps. Using a template for creating tokens provides smooth interoperability, so users can store different types of tokens in one wallet. Ethereum was the first to simplify the process of creating a token, being not the last reason why tokens flooded the market.

Source: Tokens

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