

A tokenised economy: could it become a reality in the UAE?

Monark Modi, CEO of Bitex UAE, discusses how Security Token Offerings are gaining momentum and how the UAE is embracing the concept of tokenisation.

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[/EINPresswire.com/](https://EINPresswire.com/) -- In just over a decade, the terms Bitcoin, blockchain and cryptocurrency have become well-known around the world. No longer a novelty, cryptocurrencies have taken centre stage in global financial markets, encouraging industries and governments to rethink money in the wake of technological advancement. It has become clear that cryptocurrencies can do far more than replace traditional asset-backed, or fiat currencies. They can also be used to tokenise assets, meaning a value is placed on a physical asset or idea so when a token is purchased, it entitles the buyer to ownership of part of an asset, allowing individuals and collectives to buy a share of a company's equity. Effectively, buying these digital tokens enables holders to become active participants in a decentralised network – or a token economy.



Monark Modi, CEO at Bitex UAE

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To understand how security tokens could shape the future of trade and investment in the UAE and around the world, we must first look at tokenisation's beginning. During its early stages, tokenisation aimed to change how assets were bought and sold, making the exchange of assets both financially viable and time-efficient, as all transactions are paperless, monitored and stored on a secure blockchain. A value is given to tangible assets and patented concepts, which can then be converted into digital tokens that can be traded between parties using an already established blockchain system. Parties execute a smart contract, replacing traditional legal paper contracts, which can often be slow, cumbersome and open to fraudulent activity.

As a pioneer in the FinTech ecosystem, the UAE government is taking steps towards regulating the token market. Last year, the UAE's Securities and Commodities Authority (SCA) announced plans to introduce Initial Coin Offering regulations by mid-2019. Working with the Abu Dhabi Securities Exchange and Dubai Financial Market, SCA is legitimising the token market to further bolster developments to the UAE economy and attract increased levels of Foreign Direct Investment to the emirates. For tokenisation to be fully embraced as a legitimate global concept, governments must go beyond technology in order to mitigate risk for all parties.

In 2018, the UAE also revealed the Emirates Blockchain Strategy 2021, a government initiative



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*Monark Modi, CEO at Bitex
UAE*

which aims to migrate 50 per cent of all government transactions to blockchain technology by 2021. The strategy will achieve savings of up to Dh11bn, the amount currently spent on paper transactions each year. Advanced legalisation is one of the four pillars the strategy will focus on, ensuring the relevant frameworks are in place. Initiatives such as this create confidence in a market that is still clouded by regulatory 'grey areas'.

This new way of executing transactions opens doors for a wider variety of businesses and individuals to become players in a tokenised economy. Investment opportunities will increase as projects raising capital will be open to anyone looking to invest in a particular sector, without

needing to go through the traditional paper process. The investments made are immediate and no longer require a physical third party for the transaction.

The immediacy of a token trade makes token transactions attractive to FinTech-savvy investors. However, there are still governance challenges that must be addressed, such as guaranteeing the legitimacy of an asset, ensuring the value of tokens remains the same as a physical asset and whether current international laws regulate the transaction.

In 2019, the token ecosystem shows no sign of slowing down. The strengthening of infrastructure and a progressive approach from global industry leaders will ensure the legitimacy and longevity of tokenisation. The use of established blockchain systems as the sole way we trade real-world assets is a long way off being implemented globally. The UAE is leading the way and establishing itself as a regional and global FinTech pioneer, embracing new technologies and navigating its way to creating regulations and frameworks to support them. With a wealth of industry leaders calling the UAE home, a strong financial hub and the government support for burgeoning industries such as Fintech, the emirates are in a strategic position to successfully tokenise elements of the economy.

Christina Bostock
iHC
+ +971 558873054
[email us here](#)

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