2.3.5.2.3 Payment Tokens

Return to Tokens

Payment Tokens are **Digital Assets** designed to operate in the same manner as traditional currencies such as the US dollar, euro or other form of Fiat Currency. Money is defined as anything that is a store of value, medium of exchange or unit of account. Payment tokens are designed and developed to be used in a similar way as sovereign money. Unlike the tokens discussed above, payment tokens do not represent an asset or a specific right, but rather create value through their scarcity, their ability to be transferred near instantly between parties, or by some other value proposition. Bitcoin is the first and most well-known example of a payment token. Bitcoin is designed to be scarce and thereby derives value through limitation of supply. Since bitcoin was introduced, other payment tokens such as litecoin and Facebook's Libra have been undergoing development. Payment tokens have become popular due to their ease of use and the ability for users to send money almost instantaneously without the involvement of a central bank.

[1]

[1] Mark Murray, Sam Auch, Understanding Digital asset Calssifications, RSM.com, 08 June 2020, Accessed: 24 September 2021, https://rsmus.com/what-we-do/services/assurance/featured-topics/audit-innovation/understanding-digital-asset-classifications.html