

TOKENIZE EVERYTHING

ASSET TOKENIZATION IN PRACTICE: AUSTRIAN PERSPECTIVES

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WHAT IS TOKENIZATION?

– Tokenization

“Process of creating a digital representation of real assets using blockchain technology.”

- Securities, means of payment, loans or debt (relative rights)
- Ownership, real estate, precious metals (absolute rights)

– Benefits

- Reduce intermediaries
- Increase liquidity



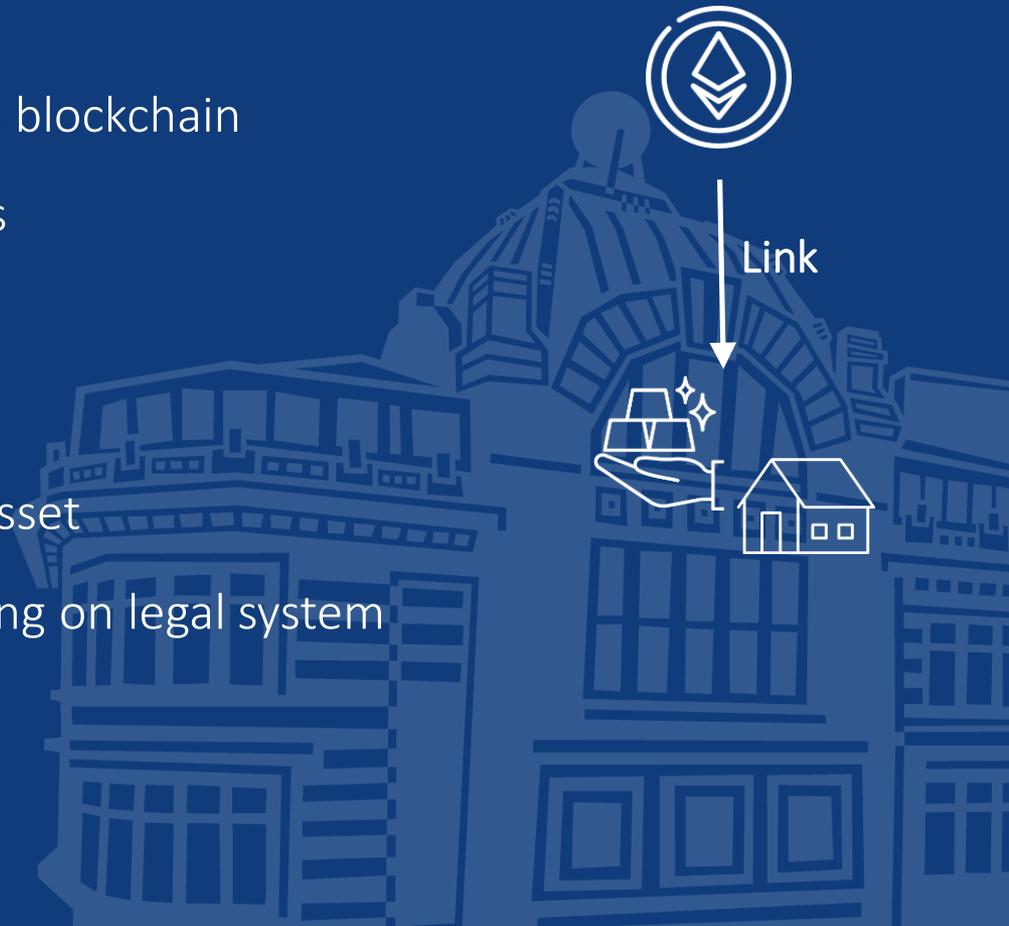
STEPS TO TOKENIZATION

1. Generate tokens

- Deploy smart contract (SC) on blockchain
- SC manages transfer of tokens

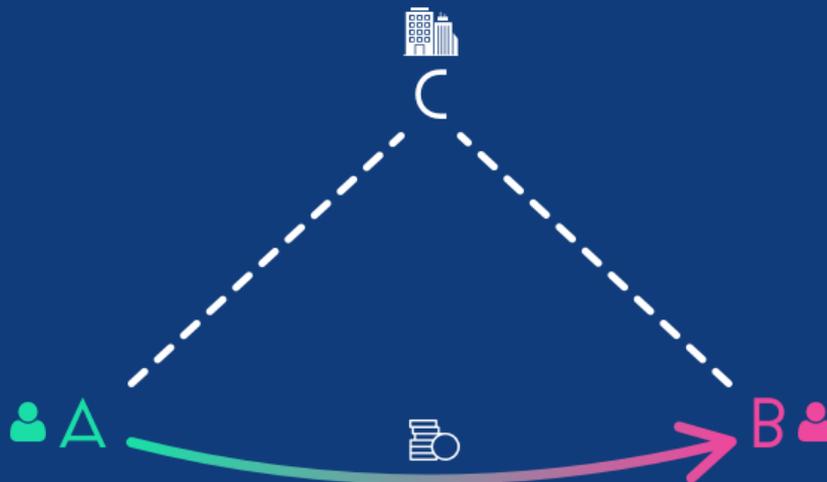
2. Link token to asset

- Core act of tokenization
- Token holder entitled to the asset
- Differing approaches depending on legal system



MODEL 1: DIRECT LINK OF RIGHT AND TOKEN

- Suitable for relative rights (payment claims, debt)
- Transfer claim by transferring token
- Implemented using clauses (terms & conditions)



C: Company (Issuer)

A: Previous creditor

B: New creditor

Assignment of claims
by transfer of tokens

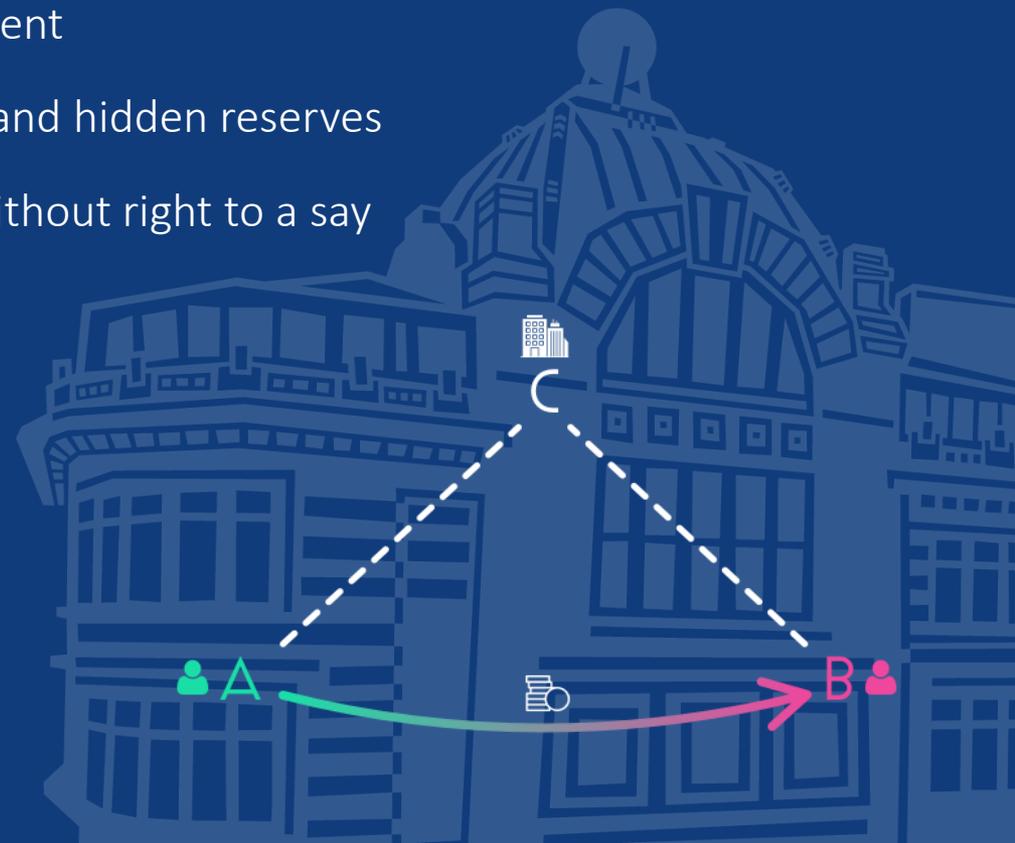
TOKENIZED PROFIT PARTICIPATION RIGHTS

– Key Facts

- Most common tokenized instrument
- Promise of a share in profit, loss and hidden reserves
- Position similar to shareholder without right to a say
- Repayable or non-repayable
- Equity or debt in balance sheet

– Tokenization

- Model A: Direct link
- Transferable security (MiFID II)



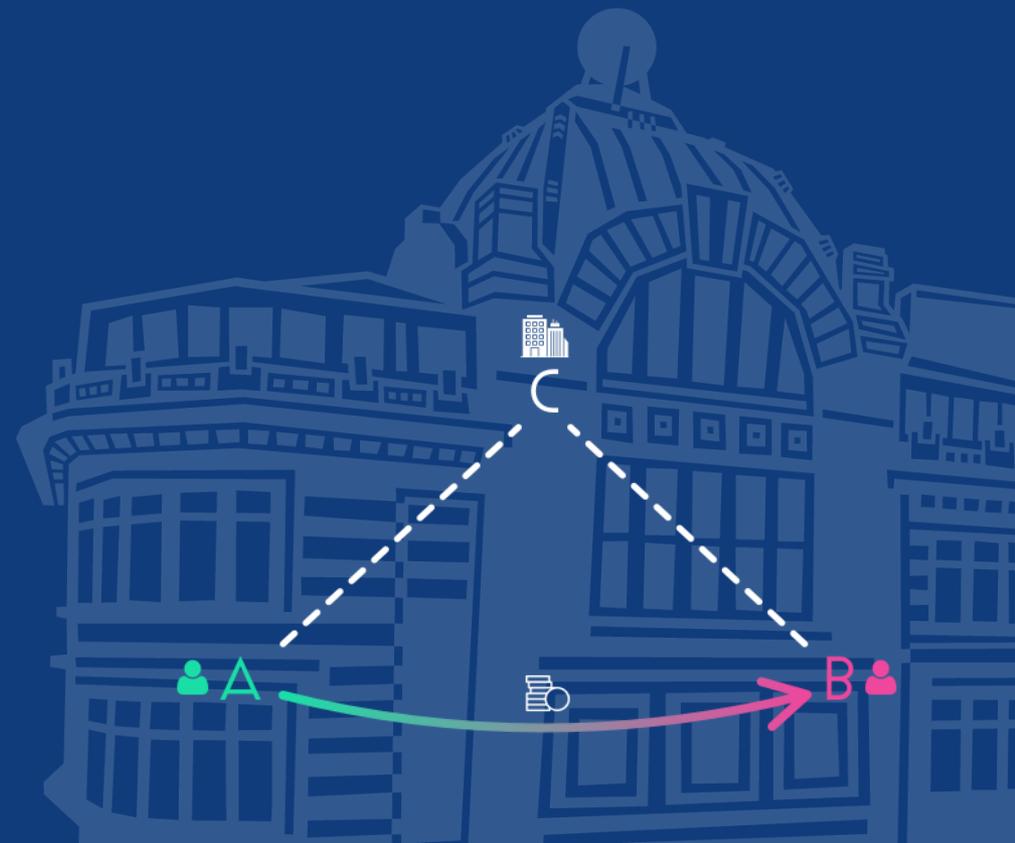
TOKENIZED REVENUE PARTICIPATION RIGHTS

– Key Facts

- Form of corporate financing
- Promise of a share in revenue
- Repayable or non-repayable

– Tokenization

- Model A: Direct link
- Transferable security (MiFID II)



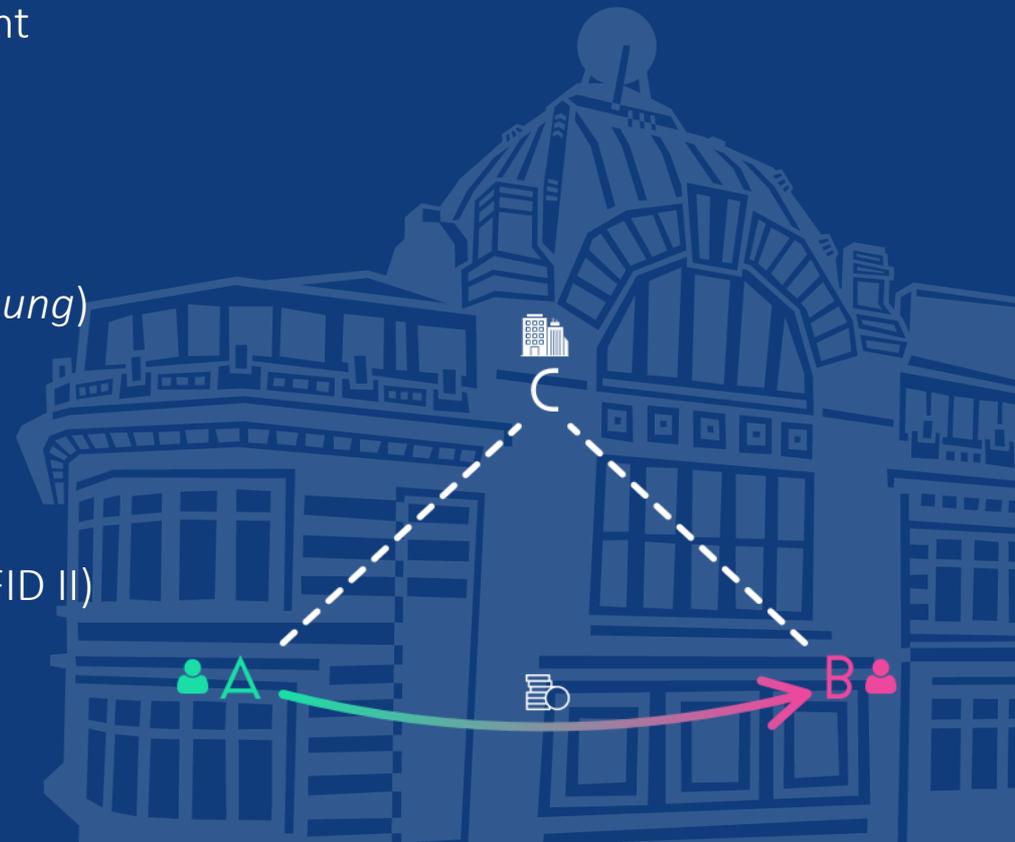
TOKENIZED SUBORDINATED LOANS

– Key Facts

- Promise of interest and repayment
- Popular in crowdfunding
- Qualified subordination
- Considered investment (*Veranlagung*)

– Tokenization

- Model A: Direct link
- Likely a transferable security (MiFID II)

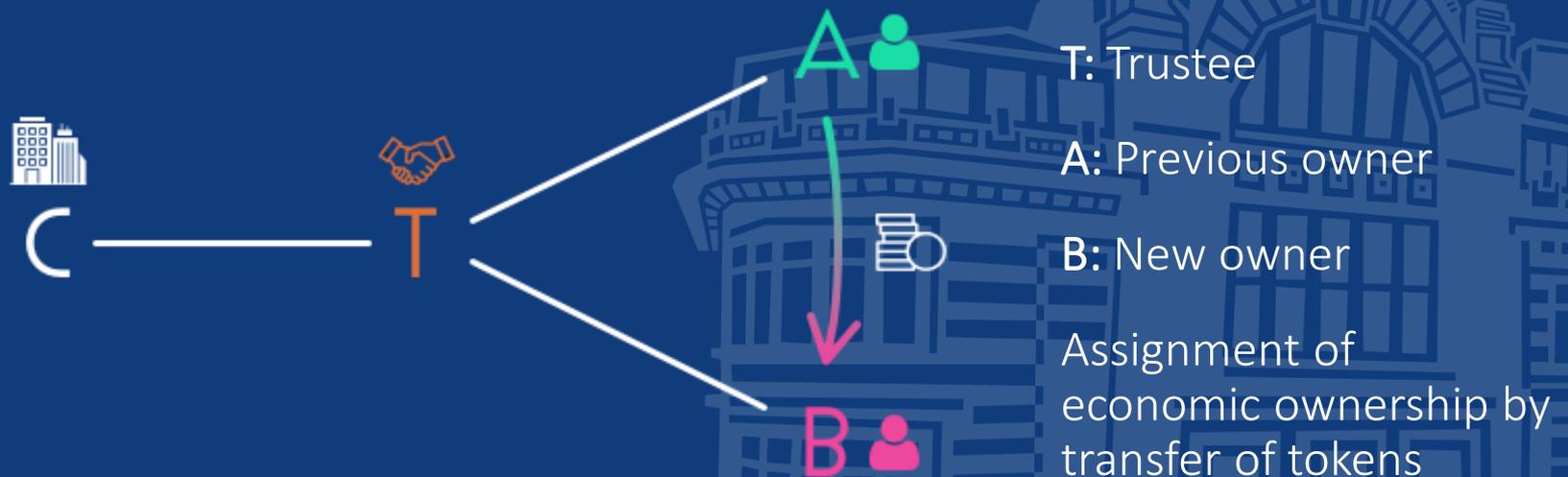


MODEL 2: INTERPOSITION OF A TRUSTEE

- Required in certain cases to comply with formal legal requirements
- Suitable for relative and absolute rights, e.g.
 - Ownership to shares in real estate
 - Claims to shares in limited liability companies

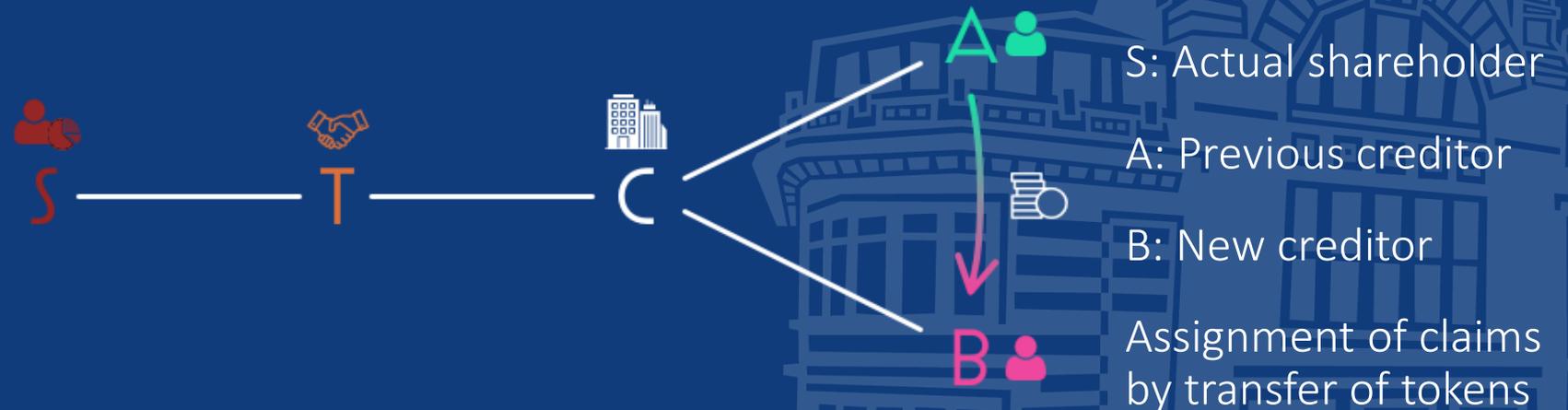
MODEL 2.A: MEDIATED OWNERSHIP

- Suitable for absolute rights (e.g., real estate)
- Transfer economic ownership by transferring token
- Implemented using escrow agreement



MODEL 2.B: TRUST SHAREHOLDER

- Suitable for corporate claims (e.g., GmbH, see later)
- Implemented in Articles of the company
- Transfer claim by transferring token



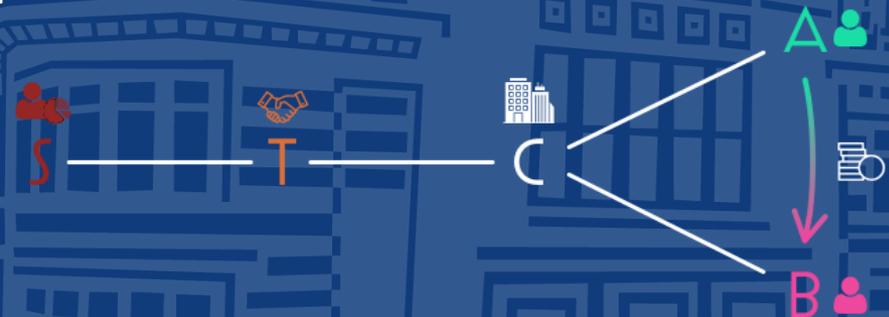
TOKENIZED EFFORTS OBLIGATIONS

– Key Facts

- Based on project finance considerations
- Promise requiring performance of third party, e.g.
 - Concerning own shares (call, co-sale, pre-emption)
 - Profit distributed to shareholders
- Does not effectively bind third party!

– Tokenization

- Model B.2: Trust shareholder
- Transferable security (MiFID II)



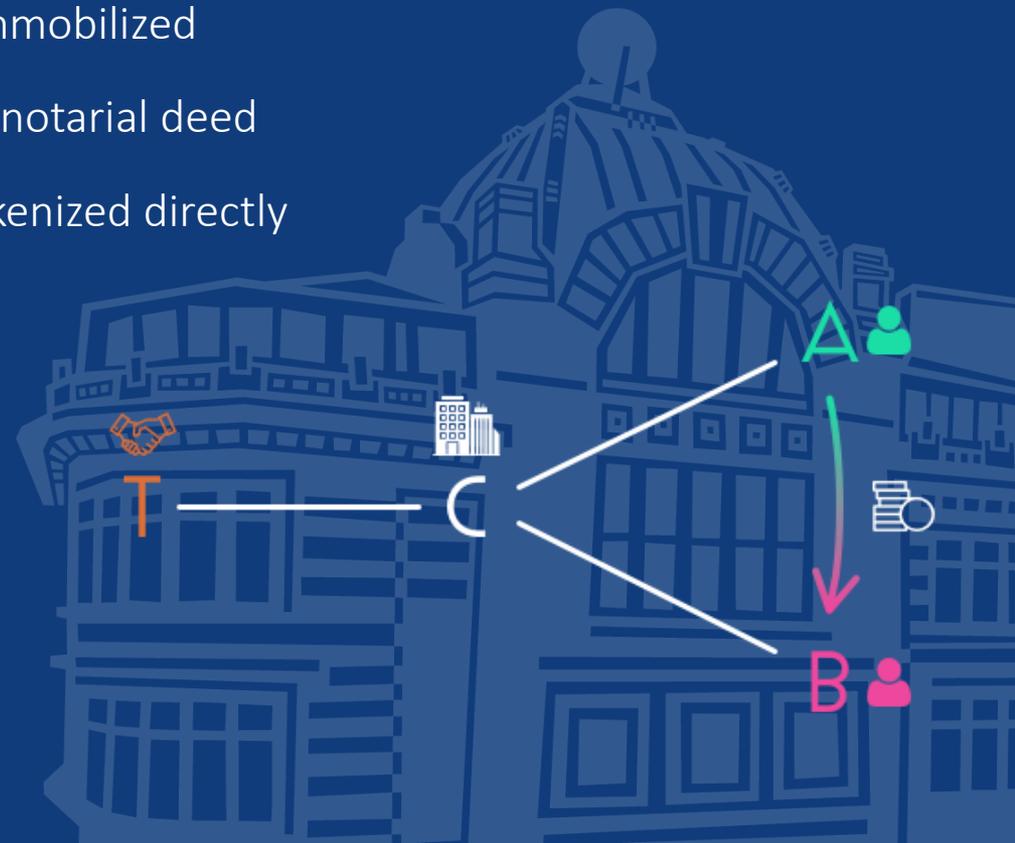
TOKENIZED SHARES IN A GMBH

– Key Facts

- Shares of Austrian LLC (GmbH) immobilized
- Transfer, option, offer, all require notarial deed
- Shares of a GmbH may not be tokenized directly
- Efforts obligations can be issued

– Tokenization

- Model B.2: Trust shareholder
- Transferable security (MiFID II)



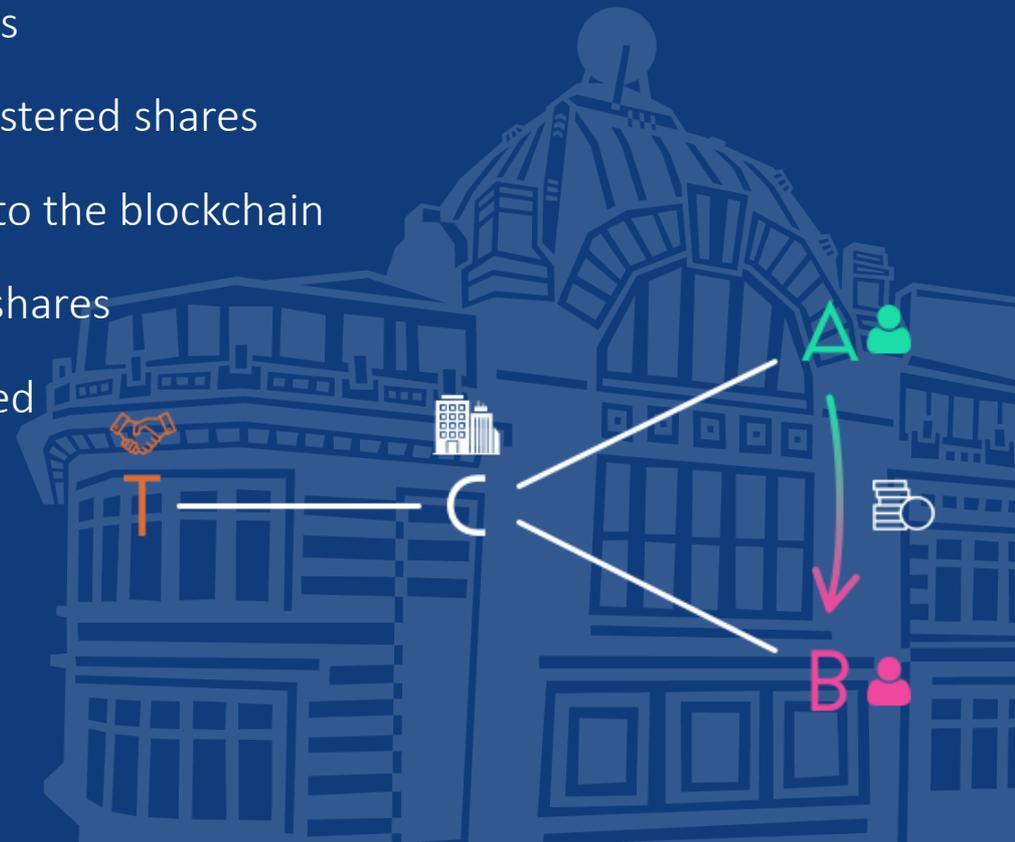
TOKENIZED STOCK COMPANY SHARES

– Key Facts

- Listed vs unlisted stock companies
- Unlisted ones may only issue registered shares
- Share register can be brought onto the blockchain
- No direct tokenization of bearer shares
- Commitments to use can be issued

– Tokenization

- Model B.2: Trust shareholder
- Transferable security (MiFID II)



CONSIDERATIONS WHEN TOKENIZING

- Legal, tax and accounting structuring
 - Effects on issuer's balance sheet
 - Tax burden
 - Requirements for the public offering of security tokens
 - Volume < EUR 250,000: general risk disclosure
 - Volume < EUR 5 Million: information sheet
 - Volume \geq EUR 5 Million: Capital market prospectus
 - Capital market prospectus may be passported within the EU
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