Crypto Token Economy Design for Disruptive BM

Jongseung Kim
SK Telecom Blockchain Business Development Unit
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Why Token Economy is Important?
Main Figures for ICOs of Q1 2018

$3,331,005,381 for the quarter is the total funds raised by 412 projects.

412 ICOs staged in Q1 2018

204 have raised more than $100,000

89 were able to list on exchanges. It takes 21 days on average from the completion of an ICO to the vesting of tokens for secondary trading.

Source: ICO Rating, ‘ICO Market Research Q1 2018’
83% of tokens (among 89 tokens) were traded below the ICO price.

According to results from the 1st quarter of 2018, the median return from tokens is 49.32%. Among those listed on exchanges, 83% of tokens were traded below the ICO price. A large amount of funds raised do not guarantee a high return on investment.

ROI was calculated using the formula: (Current Value - Beginning Value) / Beginning Value, where Beginning Value is the minimum price for 1 token at the ICO and Current Value is the closing price on March 29, 2018.

During the calculation, 89 tokens from projects of the first quarter of 2018 which were listed on exchanges were considered. Coinmarketcap is the data source.
Vote tokens were one of the most unpopular types of tokens.  

<table>
<thead>
<tr>
<th>Token Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vote token</td>
<td>1.7%</td>
</tr>
<tr>
<td>Reward token</td>
<td>2.9%</td>
</tr>
<tr>
<td>Utility token</td>
<td>3.6%</td>
</tr>
<tr>
<td>Cryptocurrency</td>
<td>3.8%</td>
</tr>
<tr>
<td>Hybrid token</td>
<td>9.3%</td>
</tr>
<tr>
<td>Security token</td>
<td>13.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65.8%</strong></td>
</tr>
</tbody>
</table>

Of tokens function only as a form of payment for project's services. Tokens which could easily be replaced with ETH, for example, without significantly affecting the product are included in this category.

*Source: ICO Rating, ICO Market Research Q1 2018*
ICO Success depends on the ‘Token Economy’!

Because the Token Ecosystem is the Core of BM Sustainability!
What is Token?
A unit of value that an organization creates to self-govern its business model, and empower its users to interact with its products, while facilitating the distribution and sharing of rewards and benefits to all its stakeholders.

<Source: William Mougayar, 'Status of the Token Market', 2018>
Main Features of Crypto Token

- Tokens are Digital Representations of Assets
  - Tangible or Not Tangible
  - Goods vs Rights

- Ownership is governed by a Decentralized Ledger Technology

- Ownership can be transferred via Smart Contract

- Programmable Functions built into Tokens
  - Access, Voting, Action-Taking, Fundraising, Dividends, Notification, Participation, Liquidity, etc.
What is Tokenization?

"Tokenization"

Process of turning an Asset, Right, or Digital Goods into an Interchangeable Unit to Power an Ecosystem

Participation  Voting  Choosing  Resource Access

(Source: Melanie Swan, 'Blockchain Economics', 2018)
Token Classification Framework

**Technical Layer**
- Blockchain-native Token
- Non-native Protocol Token
- dApp Token

**Purpose**
- Cryptocurrency
- Network Token
- Investment Token

**Utility**
- Usage Tokens
- Work Tokens
- Hybrid Tokens

**Legal Status**
- Utility Token
- Security Token
- Cryptocurrency

**Underlying Value**
- Asset-backed Token
- Network Token
- Share-like token

Cryptoassets: 7 Types

- Cryptocurrencies
- Utility Tokens
- Natural Asset Tokens
- Crypto-Fiat Currencies and Stabletokens
- Platforms
- Security Tokens
- Crypto-Collectibles

Source: Don Tapscott, 'State of the Blockchain World', 2018
# Functional BCP (Blockchain Crypto Property) Classification

<table>
<thead>
<tr>
<th>BCP Class</th>
<th>1 - Native Utility Tokens</th>
<th>2 - Counterparty Tokens</th>
<th>3 - Ownership Tokens</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCP Sub-Class</td>
<td>Basic Tokens</td>
<td>Infrastructure Access Tokens</td>
<td>Application Access Tokens</td>
</tr>
<tr>
<td>FINMA Equivalent</td>
<td>Payment Tokens</td>
<td>Payment and/or Utility Tokens</td>
<td>Payment, Utility and/or Asset Token</td>
</tr>
<tr>
<td>Medium of exchange, unit of account and store of value providing access to an underlying technology (1)</td>
<td>Access to enhanced functionality infrastructure, i.e. SSCS or burning mechanisms, without legal claim against a counterparty (1)</td>
<td>Access to decentralized application or platform without legal claim against a counterparty (2)</td>
<td>Tokenization of a claim against a legal counterparty (e.g. right to receive funds, services or use infrastructure) (1)</td>
</tr>
<tr>
<td>Functionalities</td>
<td>Use as P2P settlement instrument on an application/platform (2)</td>
<td>Use as P2P settlement instrument on an application/platform (2)</td>
<td>Tokenization of a fund share (1)</td>
</tr>
<tr>
<td>Underlying Value</td>
<td>None</td>
<td>None</td>
<td>Debt / Claim (1)</td>
</tr>
<tr>
<td>Examples</td>
<td>Bitcoin, Bitcoin Cash, Litecoin, Monero, zCash</td>
<td>Ether, Ether Classic, Cardano, Lisk, ICON, EOS</td>
<td>Siacoin, Mysterium, Filecoin</td>
</tr>
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</tbody>
</table>

Payment Tokens are synonymous with cryptocurrencies and have no further functions or links to other development projects. Tokens may in some cases only develop the necessary functionality and become accepted as a **means of payment** over a period of time.

Utility Tokens are tokens which are intended to provide **digital access to an application or service**.

Asset Tokens represent **assets** such as participations in real physical underlyings, companies, or earnings streams, or an **entitlement to dividends or interest payments**. In terms of their economic function, the tokens are analogous to **equities, bonds or derivatives**.

Price-Stable Cryptographic Token

**Fiat-Collateralized**
- 100% price-stable
- Simplest
- Less vulnerable to hacks
- Centralized
- Expensive and slow liquidation into fiat
- Highly regulated
- Need regular audits
- Ex) Tether, TrueUSD, Digix Gold

**Crypto-Collateralized**
- More decentralized
- Can liquidate quickly and cheaply
- Can be used to create leverage
- Less price stable than fiat
- Tied to the health of a particular cryptocurrency
- Inefficient use of capital
- Ex) BitUSD, Dai

**Non-Collateralized**
- No collateral required
- Most decentralized and independent
- Require continual growth
- Most vulnerable to crypto decline
- Difficult to analyze safety bound or health
- Ex) Basecoin

(Source: [https://hackernoon.com/stablecoins-designing-a-price-stable-cryptocurrency-6bf24e2689e5](https://hackernoon.com/stablecoins-designing-a-price-stable-cryptocurrency-6bf24e2689e5))
Decentralized trust network is empowered by token ecosystem.
Behavioral Economics for Token Ecosystem

Token economist is a behavioral public policy maker.

Extrinsic Motivation  
Intrinsic Motivation

《Choice Architect》 based on ‘Libertarian Paternalism’*

*Libertarian paternalism is the idea that it is both possible and legitimate for private and public institutions to affect behavior while also respecting freedom of choice, as well as the implementation of that idea.

Source: https://en.wikipedia.org/wiki/Libertarian_paternalism
Token as an Enabler for Disruptive Business Model

Token Itself is *not* Important!

We have to Build up New **Circular Ecosystem** disrupting Traditional Value Network!

“Tokens are just Enabler”

<Source: William Mougayar, ‘Status of the Token Market’, 2018>
Crypto Token Value Proposition

✓ By Whom will the token be used?

✓ How?

✓ At what Cost?

✓ For what Benefit?

✓ Resulting in what Valuable Transactional Activity?

<Source: ‘William Mougayar, Status of the Token Market’, 2018>
Token Valuation Approaches
The DCF Model

An asset’s value is the present value of its (expected) future cash flows.

The value of a traditional security-like financial asset is straightforward to model, and usually translates into the famed discounted cash flow equation.

In the case of security tokens, the model may still apply.

<Source: https://medium.com/parati/on-the-immaturity-of-tokenized-value-capture-mechanisms-1fde33c2bde>
The Price, $p^*$, serves as a theoretically lower bound for the market price, below which a miner would operate at a marginal loss.

Cost per day as $/day and mining production is expressed as BTC/day.

$E$ represents $$/day.

The market price of a bitcoin will have its lower bound theoretically set at the marginal cost of bitcoin mining in a competitive market. The marginal product of mining a bitcoin should theoretically equal its marginal cost in a competitive market which should, in turn, equal its selling price.
The INET Model (Chris Burniske)

\[ MV = PQ \]

M = size of the asset base
V = velocity of the asset
P = price of the digital resource being provisioned
Q = quantity of the digital resource being provisioned

A cryptoasset valuation is comprised of solving for \( M \), where \( M = \frac{PQ}{V} \). 
M is the size of the monetary base necessary to support a cryptoeconomy of size \( PQ \), at velocity \( V \).

<Source: https://medium.com/@cburniske/cryptoasset-valuations-ac3479fca7>
## INET Token Model

### INET Supply Schedule Inputs

<table>
<thead>
<tr>
<th>Metric</th>
<th>Assumption</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Planned Supply</td>
<td>100,000,000</td>
<td></td>
</tr>
<tr>
<td>Percent of Tokens Issued in Private Sale</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Lock-up Period for Private Sale Investors</td>
<td>3</td>
<td>Dictates # of yrs of release</td>
</tr>
<tr>
<td>Percent of Tokens Issued in ICO</td>
<td>75%</td>
<td>No lockup</td>
</tr>
<tr>
<td>Percent of Tokens Issued to Foundation</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Lifetime of Foundation</td>
<td>50</td>
<td>Dictates # of yrs of release</td>
</tr>
<tr>
<td>Percent Issued to Founders</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Lock-up for Founders</td>
<td>5</td>
<td>Dictates # of yrs of release</td>
</tr>
<tr>
<td>Percent of Tokens in Float Bonded by Nodes</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Percent of Tokens in Float Initially hodl'd</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Decrease in percent of INET that is hodl'd each year</td>
<td>1%</td>
<td></td>
</tr>
</tbody>
</table>

Blue represents a particularly subjective assumption.

### INET Economy Inputs

<table>
<thead>
<tr>
<th>Metric</th>
<th>Assumption</th>
<th>Notes/Sources/Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per GB for INET</td>
<td>$0.25</td>
<td>Market will set pricing, de</td>
</tr>
<tr>
<td>Cost decline for bandwidth</td>
<td>16%</td>
<td><a href="https://www.telegeograph">https://www.telegeograph</a></td>
</tr>
<tr>
<td>Annual global IP traffic (2016)</td>
<td>1,200,000,000,000</td>
<td><a href="http://www.cisco.com/c/">http://www.cisco.com/c/</a></td>
</tr>
<tr>
<td>CAGR for global IP traffic (2016-2021)</td>
<td>24%</td>
<td>Assume this goes to 2025</td>
</tr>
<tr>
<td>% of global IP traffic addressable for INET</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Velocity</td>
<td>20</td>
<td></td>
</tr>
</tbody>
</table>

Blue represents a particularly subjective assumption.

### Supply Schedule Output

<table>
<thead>
<tr>
<th>Year From Launch</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>INET Released from Private Sale that year</td>
<td></td>
</tr>
<tr>
<td>INET Released from Public Sale that year</td>
<td></td>
</tr>
<tr>
<td>INET Released from Foundation that year</td>
<td></td>
</tr>
<tr>
<td>INET Released from Founders that year</td>
<td></td>
</tr>
<tr>
<td>Aggregate Number of Tokens Released</td>
<td></td>
</tr>
<tr>
<td>Number of Tokens in Float after Bonders</td>
<td></td>
</tr>
<tr>
<td>Percent of Tokens Released that are Hodl'd</td>
<td></td>
</tr>
<tr>
<td>Number of Tokens in Float after Bonders &amp; Hodl</td>
<td></td>
</tr>
</tbody>
</table>

### INET Economy and Utility Value Output

<table>
<thead>
<tr>
<th>Year From Launch</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost per GB for INET use (S/GB)</td>
<td>$</td>
</tr>
<tr>
<td>Annual global IP traffic (GB)</td>
<td></td>
</tr>
<tr>
<td>Annual global IP traffic available to INET (GB)</td>
<td></td>
</tr>
<tr>
<td>% Share of VPN Market Facilitated by Token</td>
<td></td>
</tr>
<tr>
<td>Traffic Facilitated by INET Each Year (GB)</td>
<td></td>
</tr>
<tr>
<td>GDP Facilitated by INET Each Year</td>
<td>$</td>
</tr>
<tr>
<td>Monetary Base Necessary for INET’s GDP</td>
<td>$</td>
</tr>
<tr>
<td>Current Utility Value of Each Token in the Float</td>
<td>$</td>
</tr>
</tbody>
</table>

<Source: https://medium.com/@cburniske/cryptoasset-valuations-ac83479ffca7>
The VOLT Model (Alex Evans)

Step 1: VOLT Supply Schedule
Step 2: The VOLT Electricity Demand
Step 3: Money Demand for VOLT Tokens
Step 4: Revisiting the Velocity Thesis

\[ R \times Y - \frac{R \times Y}{2N^2} + C \]

Minimum cost \( N = \sqrt{\frac{R \times Y}{2C}} \)

Average VOLT holding = \( \sqrt{\frac{Y \times C}{2R}} \)

# The VOLT Model (Alex Evans): Sample

## VOLT Token Model

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Money Supply</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Tokens Issued</td>
<td>3,000</td>
<td>3,090</td>
<td>3,183</td>
<td>3,278</td>
<td>3,377</td>
<td>3,478</td>
<td>3,582</td>
<td>3,687</td>
</tr>
<tr>
<td>Tokens Released By Founders</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
<td>2,500</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tokens Released By Foundation</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Circulating Tokens</td>
<td>82,000</td>
<td>89,500</td>
<td>97,090</td>
<td>104,773</td>
<td>112,551</td>
<td>115,927</td>
<td>119,405</td>
<td>122,987</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Electricity Demand</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total kWh Consumed (000s)</td>
<td>1,372,516,860</td>
<td>1,386,242,028</td>
<td>1,400,104,449</td>
<td>1,414,105,493</td>
<td>1,428,246,548</td>
<td>1,442,529,014</td>
<td>1,456,954,304</td>
<td>1,471,523,847</td>
</tr>
<tr>
<td>Total Residential Electricity Spend in $ (000s)</td>
<td>$164,702,023</td>
<td>$166,349,043</td>
<td>$168,012,534</td>
<td>$169,692,659</td>
<td>$171,389,586</td>
<td>$173,103,482</td>
<td>$174,834,516</td>
<td>$176,582,862</td>
</tr>
<tr>
<td>kWh Provided by VOLT (000s)</td>
<td>62,729</td>
<td>189,896</td>
<td>573,813</td>
<td>1,724,519</td>
<td>5,100,881</td>
<td>14,425,290</td>
<td>36,423,858</td>
<td>73,576,192</td>
</tr>
<tr>
<td>Annual Spending In VOLT in $</td>
<td>$2,195,525</td>
<td>$6,664,366</td>
<td>$20,083,465</td>
<td>$60,358,161</td>
<td>$178,530,819</td>
<td>$504,885,155</td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Market Adoption</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Market Penetration</td>
<td>0.00%</td>
<td>0.01%</td>
<td>0.04%</td>
<td>0.12%</td>
<td>0.36%</td>
<td>1.00%</td>
<td>2.50%</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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<tbody>
<tr>
<td><strong>Annual Money Demand</strong></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Transaction Cost in $</td>
<td>$20.00</td>
<td>$20.00</td>
<td>$19.9</td>
<td>$19.7</td>
<td>$19.2</td>
<td>$17.8</td>
<td>$14.4</td>
<td>$9.0</td>
</tr>
<tr>
<td>Number of Transfers Per Year</td>
<td>52</td>
<td>91</td>
<td>159</td>
<td>277</td>
<td>482</td>
<td>843</td>
<td>1,486</td>
<td>2,671</td>
</tr>
<tr>
<td>Average VOLT Balance Held In $</td>
<td>$20,955</td>
<td>$36,440</td>
<td>$63,247</td>
<td>$100,143</td>
<td>$185,178</td>
<td>$299,502</td>
<td>$428,985</td>
<td>$482,012</td>
</tr>
<tr>
<td>Annual Forgone Return in $</td>
<td>$1,048</td>
<td>$1,822</td>
<td>$3,162</td>
<td>$5,457</td>
<td>$9,259</td>
<td>$14,975</td>
<td>$21,449</td>
<td>$24,101</td>
</tr>
<tr>
<td>Token Velocity</td>
<td>105</td>
<td>182</td>
<td>318</td>
<td>553</td>
<td>964</td>
<td>1,686</td>
<td>2,972</td>
<td>5,343</td>
</tr>
<tr>
<td>Utility Value Per Token</td>
<td>$0.26</td>
<td>$0.41</td>
<td>$0.65</td>
<td>$1.04</td>
<td>$1.65</td>
<td>$2.58</td>
<td>$3.59</td>
<td>$3.92</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
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<th>2020</th>
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<th>2023</th>
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</thead>
<tbody>
<tr>
<td><strong>Transaction Cost Decline</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Decline in Transaction Cost</td>
<td>0.103%</td>
<td>0.307%</td>
<td>0.915%</td>
<td>2.679%</td>
<td>7.500%</td>
<td>18.750%</td>
<td>37.500%</td>
<td>56.250%</td>
</tr>
</tbody>
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<table>
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<tr>
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<tbody>
<tr>
<td><strong>Variable Growth Rates</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>YOY Velocity Growth</td>
<td>74%</td>
<td>74%</td>
<td>74%</td>
<td>74%</td>
<td>74%</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>YOY GDP Growth</td>
<td>203%</td>
<td>202%</td>
<td>201%</td>
<td>196%</td>
<td>183%</td>
<td>153%</td>
<td>102%</td>
<td>59%</td>
</tr>
</tbody>
</table>
The Mature equilibrium Model (John Pfeffer)

\[ MC = MR \]

**MC** : Marginal Cost  
**MR** : Marginal Revenue  

MC really only comes down to the raw computing costs of maintaining the blockchain and capital charge.

<Source: John Pfeffer, ‘An (Institutional) Investor’s Take on Cryptoassets’, 2017>
The Black-Scholes Option Model (Johnny Antos)

\[
\frac{\partial V}{\partial t} + \frac{1}{2} \sigma^2 S^2 \frac{\partial^2 V}{\partial S^2} + rS \frac{\partial V}{\partial S} - rV = 0
\]

\begin{align*}
V & \text{ the price of the cryptoasset} \\
S & \text{ the real economic utility value of the underlying product provisioned by the cryptoasset. Note that this is not necessarily equal to the simple sum of the cost of raw inputs. For example, this could include abstract drivers of value such as privacy, decentralization, or censorship-resistance.} \\
t & \text{ time} \\
r & \text{ risk-free rate} \\
\sigma & \text{ volatility of } S \\
K & \text{ strike price, the frictional transaction cost of spending a token at exercise (the time when realizing the benefit, } S) \\
\end{align*}

Some cryptoassets have the chance of becoming ubiquitous, paradigm-shifting platforms beyond imaginable incremental innovation on existing technology infrastructure.

‘Call Options’ on the utility value of what that cryptoasset might provision

<Source: https://medium.com/therationalcrypto/an-efficient-markets-valuation-framework-for-cryptoassets-using-black-scholes-option-theory-a6a8a480e18a>
Game Theory vs. Mechanism Design
Design of Tokenized Ecosystem

Game Theory

Analyzing incentives from an economic standpoint

Mechanism Design

Synthesizing incentivized systems

Token Engineering for Optimization Design

<Source: https://blog.oceanprotocol.com/towards-a-practice-of-token-engineering-b02f3ef7ca>
The larger and more decentralized the network becomes, the increased difficulty in accomplishing an internal or external attack.

It becomes increasingly more costly to act dishonestly than it does to act honestly within the system. This creates a positive feedback loop where miners have a consistent positive incentive to maintain the valid blockchain and mitigate against malicious actors, resulting in a secure network.
Mechanism Design for Token Economy

Mechanism Design = Optimization Design

✓ Formulate the Problem
  - Who are my potential stakeholders?
  - What do each of them want?
  - What are attack vectors?

✓ Try An Existing Pattern: Identify if there is an existing solver, i.e. tokenized network design pattern that can solve your problem.

✓ New Pattern?: Design your own tokenized network.

Proper simulators of tokenized ecosystems is important!
→ “Agent-Based Modeling”

<Source: https://blog.oceanprotocol.com/towards-a-practice-of-token-engineering-b02f0eef7ca>
“Agent-Based Model (ABM)” is a class of computational models for simulating the actions and interactions of autonomous agents with a view to assessing their effects on the system as a whole.

The modelling of tokenomics through ABM allows us to bypass any theoretical limitations and model the agents of our assumptions directly, while taking into account any kind of constraint or assumption we want.

[Source: https://en.wikipedia.org/wiki/Agent-based_model]
Rules for Sustainable Token Ecosystem
Business Model – Token Economy Fitness

User Group/Community

Token Ecosystem

Network Effect

Business Sustainability

Concept Coherence
Real Need (Real Problem Solving)
Value Proposition (Value for All Participants)
Visionary (Scalability)

Decentralization
Inherent Value (Usefulness)
Value Accretion
Token Incentives (for Token Holder, User)

Source: https://medium.com/@sebastianhw/a-simple-framework-for-ico-due-diligence-9a4a905f6e4d
Token Economy Design Rules for ICO

- Provides a significant advantage to users of the tokens
- Incentivises users to be early adopters of the token
- Incentivises players to bring new users to the ecosystem
- Is appealing to token buyers at the ICO in their "speculative" role, as something that will appreciate if the project gets traction

The Discount - Exclusive Membership - Network Effect - Disintermediation

Data Monetization - Payment System - Token Supply and Demand
What Should Regulators Do?

- Apply existing regulations
- Update existing regulations
- Allow Self-Regulation
- Create new regulations
- Freeze regulation with Safe Harbors
- Recognize a new asset class
- Harmonize global regulation

More Difficult! More Innovative!

<Source: William Mougayar, 'Status of the Token Market', 2018>
“Break things first, then ask for forgiveness”

- In <Cryptoassets> written by Chris Burniske