

TOKENIZATION OF UKRAINE'S ECONOMY: DREAM OR REALITY

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The two most common blockchain-based digital assets are cryptocurrencies and tokens. This paper is devoted to investigation of the nature and purpose of tokens, their relationship with the blockchain, cryptocurrencies and digital assets, as well as the study of legal aspects of Ukrainian economy tokenization.

Tokenization is the replacement of true values with virtual ones, a way to protect personal data with tokens (combinations of symbols on the Internet that do not valuable to fraudsters). The purpose of tokenization is to protect sensitive data.

Obstacles to the transition of real assets into the digital space: unlimited access to assets and excessive ease of registration and closing of accounts; there is no single approach to tokenization that affects other aspects (asset management and role allocation, security, integration with traditional payment systems). Therefore, state regulation is necessary. Ukraine adopts the law project #3637 "On Virtual Assets", which determines the legal status of virtual assets, provides legal protection to users and market participants, allows foreign and Ukrainian crypto exchanges to operate officially, gives banks the right to open accounts for crypto companies, allows Ukrainians to declare their profits in virtual assets. A detailed study of the bill #3637 raised a number of questions:

- what is the legal meaning of the term "token" (the definition of virtual assets is given, but their variants are not there, virtual assets are considered as property and not as a financial instrument);
- who will actually be the regulator of the virtual assets market;
- classification of tokens (there is only a division of virtual assets into secured and unsecured, although, depending on asset which is the basis for token, it may be difficult to determine its type, which may lead to incorrect regulation or lack thereof where necessary);
- establishment of types of secured tokens, regulation of the order of their issuance and turnover, set of requirements to issuers and token issuance system;
- providing legal mechanisms to protect the rights of investors, ensuring the security of the underlying asset (unclear legal status of tokenized assets carries a risk for market participants, i.e. it is necessary to ensure guarantees of issued tokens connection with real objects);
- determining the legal status of smart contracts, as they are the basis of token agreements, but are not considered legal agreements;
- interaction with other jurisdictions, harmonization of legislation.

Therefore, the bill needs to be finalized and supplemented with relevant bylaws - so that domestic and foreign potential investors can take advantage of assets tokenization: inclusiveness; justice; transparency; liquidity; accountability; reduction in price; security (entry in the register in the form of a unique code); efficiency (speed); flexibility (crushing); availability (online without physical presence).

Therefore, any investor and issuer of tokenized assets must act with reasonable caution and taking into account possible inaccuracies in the law, assess legal and financial risks, and only then decide on tokenization.

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