

LYBRION. GUIDE

# Precious Metal Tokens



# Guide. Precious Metal Tokens

One of the most interesting implementations of blockchain is backing physical matters. [Lybrion](#) prepared an article on tokenization of precious metals.

The price of gold is on the verge of breaching all-time highs and is driving increased **investment** in precious metals. Since gold's record high of 1,920.30 in 2011, blockchain development has become increasingly robust and is bringing enhancements to numerous industry sectors.



# Digital security systems

As security tokens can be continuously and globally traded they are far more **liquid** than many other forms of precious metal ownership. Tokens are also easier to safely store and do not carry the risks of theft associated with physical metal custody.

As the industry matures there will be greater demand for significant **transparency** in the process of owning tokens backed by precious metals. After all, it was a lack of transparency which created the theft, fraud and manipulation associated with traditional markets. Delivering secure and transparent storage combined with regular third party audits will continue to grow investor confidence in precious metal-backed security tokens.

# Gold



Using gold to back blockchain-based security tokens makes sense given the current state of fiat currency and allegations of rigging across the markets for precious metals. Gold-backed blockchain products are enjoying a vibrant marketplace and are setting the standards for delivering asset-backed digital products. The nature of **decentralized** markets is encouraging best practices such as transparent auditing and storage of assets backing the tokens.

The **benefits** that the blockchain is bringing to the process of buying, storing and trading gold can be applied to other metals and should be a catalyst for new and innovative investment products.

In a mirror to gold's recent price rise, silver is on an upward trend and drawing investors into the marketplace. The value proposition for **tokenizing** silver is very similar to that of gold. Both gold and silver have been used as stores of value for thousands of years. They both have industrial as well as health applications and are relatively limited in their production volumes.





# Silver

There has been significant manipulation of the market for silver is currently under criminal investigation for spoofing the silver market. Sadly, fines and legal fees seem to be considered part of the cost of doing **business** for some of the largest traders. The ability to transparently back tokens with silver will provide a market segment for investors wishing to have direct access to their silver, without the necessity to store bulky metal themselves. Several market pundits have expressed the belief that silver is vastly undervalued and if this is the case a rise in silver prices will generate strong growth for silver-backed tokens.

# Platinum group metals



Beyond gold and silver, there are other metals which would greatly benefit from the tokenization process. Not only does it provide storage options that enhance the process of buying and trading precious metals, it can also provide enhanced **accountability** within supply chains. Commodities can now be registered on a blockchain from the source of production using photos and weights. As tokenization is bringing accountability to the trade and storage of precious metals it can also bring accountability to production for reduced exploitation and fraud.

Many commodities will benefit from tokenization but there are advantages to tokenizing those with strong value propositions. We are already witnessing the active development of the sphere of tokenization of such metals as palladium, platinum and rhodium. Similar processes to those utilized in the tokenization of gold could be applied to these valuable commodities to bring transparency and improved ease of investing. **Tokenization** will provide investors with the opportunity to diversify their portfolios and swiftly trade out of their position as required.



# Token portfolio

As a variety of valuable commodities are tokenized there exists the potential to manage such products in a portfolio. Portfolio tokens such as these could be actively managed so that they rebalance in reaction to predicted market changes. Not only is the market for tokenized precious metals vibrant at the moment but we can look forward to innovative new products reaching the market in the near future. From an investor's perspective, it has never been easier to buy and hold such assets. In this global **economic** environment, precious metals are the best store of value to hedge against inflation and the effects of the current global panic.





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