

## What are Tokens?

In the previous video you learned what coins are.

Compared to coins, tokens are a special type of cryptocurrency. Tokens do not have their own blockchain. However, they can be generated on existing blockchains with relatively little effort.

Most tokens do not serve as digital money but have a wider range of functionalities.

A token is based on an existing blockchain, e.g. the cryptocurrencies Tether and VeChain are Ethereum tokens and network the ERC-20 protocol.

There are different token categories, e.g.

1. **DeFi token:** The entire DeFi sector is still relatively new and is intended to compete with existing banks with similar products such as lending, savings, insurance. Different tokens are issued here, which can be held or traded like any other cryptocurrency. Example tokens: Pancake Swap, Uniswap
2. **Governance tokens:** specialized DeFi tokens that give their holders the power to influence the future of a protocol or app as they have no boards or other central oversight bodies (since they are decentralized). For example, the popular savings protocol Compound issues a token called COMP for all users. This token gives holders a voice in deciding how to update or upgrade Compound. The more COMP tokens you own, the more votes you have. Similar to the right to co-determination if you hold shares.
3. **Non-Fungible Tokens (NFTs)** NFTs represent ownership rights to a unique digital or real-world asset.\*
4. **Security Token (or also called Equity Token):** new category of assets that aim to be the crypto equivalent of traditional securities like stocks and bonds. They are mainly used to sell shares of a company (similar to stocks or shares of shares sold in traditional markets) or other companies (e.g. real estate) without going through a broker.

\*See the NFT section for details