272. DEBT TOKENS AS A DIGITAL TOOL FOR RETAIL INVESTMENT

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The features of debt tokens as a digital investment instrument, their key parameters, and the feasibility of their use as investments by natural persons have been studied.

Debt token is a form of using digital signs as a tool, associated with investments. There is no definition of such concept as “Debt token” in legislation of the Republic of Belarus. This term refers to liability of issuer-company to return funds, acquired from an investor in time.

Debt tokens have two sides-participants: issuer of token – the company, which requires financing, and which issues debt tokens to raise investments, and investor – the party, which has discretionary funds and is intending to receive from these funds’ interest income [1].

Debt token is a program code inside a blockchain. The aforementioned investment tool is not just a banking document; thanks to technical components, the debt token can be referred to as an “independent” asset. With the help of smart contracts, blockchain allows for logging the token parameters, such as rate, interest payments dates and principal repayment date, inside its code. Such technology prevents human factor-related payment delays. All operations performed with the token are captured in Distributed Ledger (DLT). This ensures transaction transparency. Specifically, DLT guarantees protection of debt tokens from illegal changes in terms of payouts and repayment and supports public auditability [2].

Another advantage of blockchain is fractionalization – the process of dividing big amounts into small parts, which makes investments with debt tokens affordable to the broad segment of the population.

Thus, we can speak of a debt token as a reliable, technologically secure, and accessible digital investment tool.

In Belarus tokens are enshrined in law with the following normative legal acts:

The Decree of the President of the Republic of Belarus No. 8 “On development of digital economy” dated 21.12.2017. This document laid the foundation for use of token, which is defined as collection of records in blockchain, as evidence of receiving payments. It is also specified that natural persons are granted an exemption from payment of income tax from profit, received as a result of operations with tokens.

The Decree of the President of the Republic of Belarus No. 367 “On circulation of digital signs (tokens)” dated 17.09.2024. The present Decree specifies terms of execution of transactions for natural persons: operations with tokens can be conducted only on platforms of the residents of the High Technology Park.

Thus, debt tokens – new to Belarus, rapidly evolving digital instrument, the profit from which is exempt from income tax payments by natural persons [3].

The issuer company stipulates all of the parameters of debt tokens and terms of operations carried out with them in the offer – “White paper”. To the list of the most important parameters belong:

Currency of tokens. Debt tokens can also be issued in foreign currencies. Moreover, debt token payments are conducted specifically in the currency of the aforementioned tokens.

Face value of token. It reflects the price at which one unit may be acquired.

Interest rate. It is the value, reflected in percent per annum, which demonstrates the profits from the final price of obtained tokens.

Interest payment frequency. It reflects the intervals, after which investors will receive profit, based on the interest rate.

The list of the most important specified terms is as follows:

The possibility of early redemption of tokens by the issuer.

The possibility of token operations on the secondary market. These include resale of debt tokens to other investors or to the issuer itself and purchase of debt tokens from other investors, i.e. not directly from the company issuer [1].

Currency preferences and terms of execution of operations with debt tokens in foreign currency.

With each year the level of public welfare in Belarus grows. At the same time citizens form not only financial reserves, but also liquid assets, which can yield a profit, if invested wisely. Against the backdrop of development of electronic economy many instruments became digital: today every Belarusian can take out a loan, open a deposit in different currencies or an unallocated metal account, buy bank bonds without leaving home. Many online services, including finance management tools, have become commonplace for the population [4].

Citizens trust electronic funds operations, because they are convenient, safe, and are protected by law. This economic situation has allowed such a simple, clear and yet innovative tool, as debt tokens, to gain a foothold in the finance system of the country.

Debt tokens is a digital tool, affordable for simple and relatively safe investment of natural persons. This is caused by following factors:

Small face value of tokens. In the Republic of Belarus any adult citizen, which has liquid assets, can acquire digital tokens as investment tool due to their low price (commonly 20-50 BYN, 1000-2000 RUB, 10-20 USD, 10 EUR). Well-planned budgeting will make it possible to realize Dollar-Cost Averaging (DCA), contributing to the formation of constant capital and its protection from inflation.

Appeal of the tool. Income from debt tokens is higher than from bank deposits. It is related to the risk of tokens as a tool. Income from debt tokens, as well as from bank deposits with an age of over one year, exempt from income tax.

Debt tokens – state-regulated tool. Tokens can only be purchased on special platforms of the residents of High Technology Park, which guarantees legal security. Issuers undergo regulatory reviews to obtain a license to issue tokens [5], whereby this finance tool is a safer alternative to traditional paper bonds, upon the purchase of which investors themselves must make certain of the financial stability of the company.

Debt tokens have higher liquidity compared to irrevocable deposits. In case of emergency, tokens can be sold at the secondary market, thereby recovering a certain share of invested funds.

Comparison of debt tokens and other financial instruments is shown in table 1.

Table 1 - Key characteristics: debt tokens vs. financial instruments

Criteria/instrument	Debt tokens	Bank deposits	Precious metals	Government bonds	Corporate bonds	Stocks
Digital accessibility	Very high	Medium	Medium	Low	Medium	Medium
Minimum investment amount	Low	Low	Medium	Medium	Medium	Medium
Expected profit	Medium	Low	Medium	Medium-low	Medium	High
Profit predictability	Medium	High	Low	High	Medium	Low
Risk level	Medium-low	Low	Medium-high	Medium-low	Medium	Very high
Liquidity	Medium-low	Variable	Medium-high	Medium	Medium-low	Medium
Investment horizon	Medium-short	Medium	Medium-long	Medium-short	Medium-short	Long
Diversification potential	High	Low	Medium	Medium-low	Medium	Medium-high

"Debt tokens: an investment tool for you? (Analysis based on table 1)":

Debt tokens are a good investment option for you if:

You are comfortable with online investing.

You have a limited investment amount.

You aim for higher-than-average interest income.

You want to know the probability of your profit.

You are comfortable with a medium-low risk of losing funds.

You are comfortable with funds being unavailable during the contract period.

You plan to earn a profit in the short term.

You already use other investment tools.

Investors should not forget about issuer default risk. A company that issued debt tokens may turn out to be unable to return the principal amount or pay off interest income. Tokens are not covered by the Agency of Deposit Compensation. However, such instances on Belarusian platforms are isolated, thanks to sound regulation of the system by High Technology Park. To reduce the risks to naught, you could purchase tokens of major state-owned enterprises (BELAZ, MAZ, Belarusian Railway) [1].

Thus, debt tokens are a good option for diversification of investment portfolios of any financially responsible citizen.

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