Liechtenstein Protocol - Security Token Standard

Security Token

Traditionally, securities can mean a position of ownership in a publicly traded company, a creditor relationship with a governmental corporation, or rights to ownership of an asset.

A security token is essentially a tokenized, digital version of these traditional securities. According to European Securities and Markets Authority (ESMA) security tokens fall into a category of crypto-assets. ESMA defines that "crypto-assets are a type of private asset that depends primarily on cryptography and DLT".

U.S. regulators refer to the Howey test to determine whether a token or asset is a security or not. This test came into existence following the monumental case handled by the Supreme Court in 1949. The case was SEC vs Howey which was regarding the need to establish a test to determine if a particular arrangement includes an investment contract or not.

The Liechtenstein Protocol

The Liechtenstein Protocol addresses the need for compliance on secondary transfers. The Liechtenstein Protocol standard, and its first iteration, is programmed to automatically enforce specific conditions that relate to legal and regulatory requirements applicable to securities and enables automated compliance of the tokenized asset with pre-defined requirements built in the code.

The Liechtenstein Protocol includes :

- **Compliance:** Fulfilling the compliance, regulatory and technology requirements to enable security token offerings at LCX platform, partners and other third parties.
- **Tokenization:** Creating a digital representative of financial instruments on the blockchain.
- **On-Chain Asset Management:** Management of the tokenized digital asset on token level and on the blockchain. The functionalities of this feature are inclusive of Issuance, timelocking, burning and transaction monitoring.
- **On-Chain Identity:** Single KYC and identity management on the blockchain.
- **Real-Time Cap-Table:** Enabling a real-time Token Holder Registry listing all holders of the digital security.

Liechtenstein Protocol Token Standard

The Liechtenstein Token Standard (LP Token) is a permissioned smart contract that can represent ownership of securities. LP stands for Liechtenstein Protocol. The Liechtenstein Protocol is blockchain agnostic.

LCX Token: The LCX Token ($LCX) is the fuel of the LCX.com platform and LCX Cryptocurrency Exchange.

LCX Token works as a long-term sustainable incentive mechanism to motivate various stakeholders to participate in the ecosystem. It is also a key part of the Liechtenstein Protocol. The LCX Token will be used for whitelisting services and issuing functionalities.