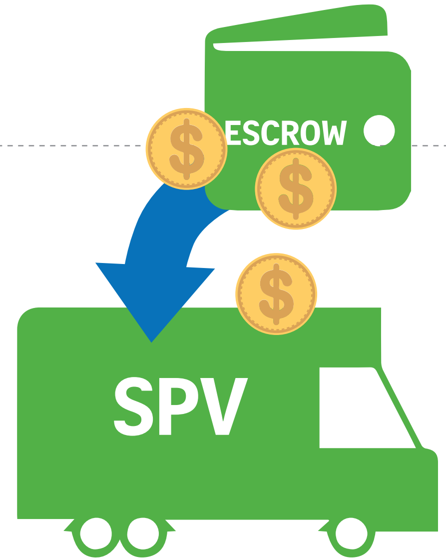
Scheme involving digital tokens – how it works

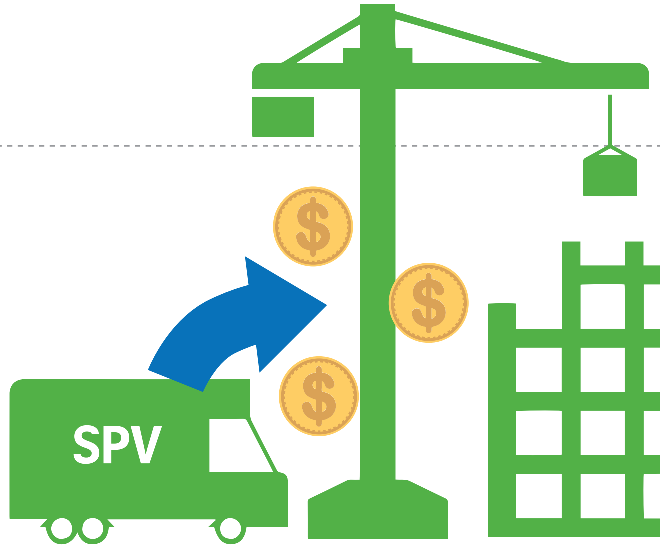
Say a property developer wants to raise A$500,000 (S$537,000) to build a residential project in Perth, Australia. It decides to raise the cash via FundPlaces' blockchain platform. An investor is interested but does not have a lot of capital. He is drawn by the potential to own a fraction of different properties through buying real estate-backed cryptocurrencies called "Tiles" on FundPlaces.

1 User signs up to be a member of FundPlaces. He buys SGD tokens from a special purpose vehicle (SPV) set up by FundPlaces, using Singapore dollars.

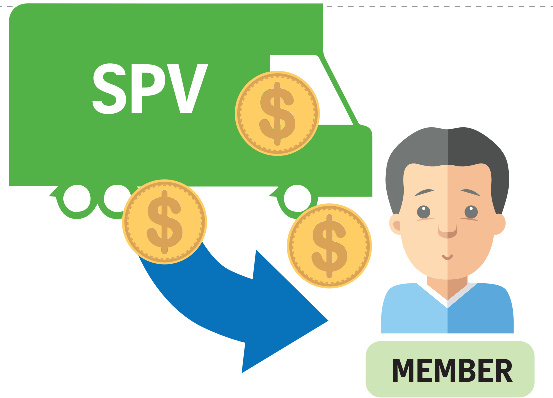
2 Member selects a project and transfers SGD tokens to the escrow account.



3 If the deal successfully closes, tokens are transferred from the escrow account to the SPV. In return, the SPV issues Tiles to the member.



4 The SPV transfers the SGD tokens to the property developer, converting it back to fiat currency that the property developer can readily use.



5 At the end of the investment period, the SPV will make an offer to buy back the Tiles from members and return them the initial capital plus the realised return in cash.

NOTE: If the deal does not manage to raise enough funds, the SGD tokens are returned to the members.
An escrow account is a temporary account held by a third party to facilitate transactions between two parties.

COMPILED BY THE BUSINESS TIMES SUNDAY TIMES GRAPHICS