

3/23 Prof Shengxing Zhang's seminar:

Abstract:

This paper presents a theory on a trading platform that facilitates bilateral trade between buyers and sellers through the use of tokens issued by the platform. Specifically, the platform invests in customer capital and devises an optimal token policy, while taking into account the associated adjustment costs. The paper analyzes the trade-off between the seigniorage obtained from existing users and the demand for tokens from new users. Additionally, the theory elucidates the value of the token platform, as well as the value of active users for the platform. Overall, this study offers insights into the design of effective token policies and the factors that underpin the success of token-based trading platforms.