



## Why does the InterWork Alliance focus on token standards?

The InterWork Alliance defines tokens as digital representations of value that have programmable behaviors, allowing multiple parties to use programs called smart contracts to invoke those behaviors. The key difference between token-based and traditional transactional interchange is that tokens reside on a shared underlying medium that decentralizes and democratizes trust and authenticity.

Tokens require the underlying platform on which they run – whether it's a blockchain, another form of distributed ledger, a simple database, or something else – to ensure that a token is cryptographically secured so that the owner is well known, and that the spending or transfer of a token preserves authenticity. Most organizations focus their attention on platform issues.

At the InterWork Alliance, we are taking a different approach: devoting our attention to the representation of what you can do with a token, which is directly related to how the token was defined. The InterWork Alliance is reshaping the discussion around digital tokens from one focused on platforms to one focused on using them as a worldwide means of interchange for any use case on any platform.

There are, literally, hundreds of thousands of tokens already on the market now with more being developed every day. And no two tokens are exactly alike. Just as there is fragmentation and lack of interworking at the platform level, the same applies with tokens – there is just no standard language for defining tokens. And this lack of standards makes it nearly impossible for a unified market to emerge.

If you were to study any number of tokens already on the market, you would find that virtually every token is in fact a composition of smaller elements, many of which are common across a wide number of tokens. These composable elements can be identified, classified, catalogued, and arranged into a standard taxonomy from which – with the proper tooling support – businesses can define, and developers can implement, new tokens composed from this taxonomy. Although the number of possible compositions is virtually infinite, if all organizations compose their tokens from a universally agreed-to, standard taxonomy, the ability for tokens to interwork both within and across industry use cases is dramatically improved.

To put the importance of this degree of standardization into perspective, consider the field of music. There are just 12 notes in the musical language, but an infinite number of unique compositions can be produced based on these notes. With every composer following this globally agreed-to, standard taxonomy of notes, any musician in the world can pick up a piece and immediately understand how to play or sing it. Or modify it. Or add to it.

The InterWork Alliance is applying the value of universal taxonomies to the field of digital tokens, and has encapsulated the language of token composition into the Token Taxonomy Framework. This standard framework allows both business and technical professionals to use visual tools for both defining new and understanding existing tokens, accelerating the emergence of ecosystems supporting a token-based economy in which all can participate.