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Introduction to Token Standards

Understanding Token Standards: The Backbone of Blockchain Assets

DEFINITION

> Token standards are protocols that define how tokens operate on a blockchain. They ensure compatibility and interoperability between different tokens and applications.

KEY CONCEPTS

ERC-20

A widely used token standard on Ethereum that allows for the creation of fungible tokens.

ERC-721

A standard for non-fungible tokens (NFTs) on Ethereum, enabling unique digital assets.

Fungibility

The property of a token that allows it to be interchangeable with other tokens of the same type.

Interoperability

The ability of different token standards to work together across various platforms and applications.

Smart Contracts

Self-executing contracts with the terms of the agreement directly written into code, often used with token standards.

EXAMPLES

→ Creating a new cryptocurrency using the ERC-20 standard.

→ Minting a unique digital artwork as an NFT using the ERC-721 standard.

→ Transferring tokens between different wallets seamlessly due to interoperability.

MEMORY TIPS

★ Think 'ERC' for 'Ethereum Request for Comments' to remember token standards.

★ Use '20' for fungible and '721' for unique to differentiate ERC-20 and ERC-721.

★ Visualize tokens as coins (fungible) versus collectibles (non-fungible) to recall their differences.

COMMON MISTAKES

✗ Confusing fungible tokens with non-fungible tokens.

✗ Overlooking the importance of interoperability in token use cases.

✗ Assuming all tokens are created equal without understanding their standards.

QUICK RECAP

Token standards like ERC-20 and ERC-721 define how tokens function on blockchains. They ensure compatibility and facilitate the creation of both fungible and non-fungible assets.