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WBR INSIGHTS

DigiAssets

by tradetech

From Crypto Adoption to a Tokenised Future:

Exploring Blockchain's Impact on Asset Management and Traditional Finance

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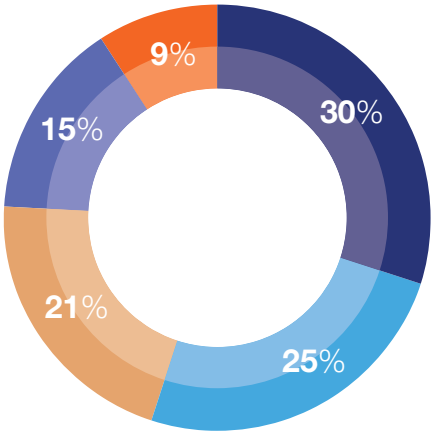
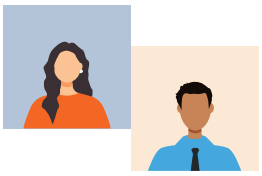
Methodology

In Q2 of 2024, WBR Insights surveyed 100 of the most senior figures working in digital assets. These included Chief Investment Officers, Heads of Trading, Portfolio Managers, and other executives. Participants shared their insights on the industry-wide challenges they face and the innovative solutions they are bringing to the table. Our survey was conducted by appointment over the telephone and the anonymised results have been presented here, alongside expert analysis and commentary by Amberdata, SDX and the wider DigiAssets community. Topics detailed in the report will also be covered at our DigiAssets event. **Download the agenda here**.

What industry do you work in?



What best describes your job title?



- Chief Investment Officer **17%**
- Head/Director of Trading/Multi Asset Trading **14%**
- Portfolio Manager **12%**
- Chief Operations Officer (COO) **11%**
- Senior Investment/Research Analyst **7%**
- Partner **6%**
- Founder **6%**
- Co-head of Digital Assets **5%**
- Co-founder **5%**
- Head of Operations **4%**
- Head of Digital Unit **4%**
- Head of Strategy **2%**
- CEO **2%**
- Head of Partnerships **1%**
- Head of Business Development **1%**
- Investment Analyst **1%**
- Founder & CEO **1%**
- Chief Technology Officer **1%**

Where is your organisation based?

- UK **45%**

- Other **12%**

- Switzerland **10%**

- France **10%**

- USA **8%**

- Germany **5%**

- Netherlands **5%**

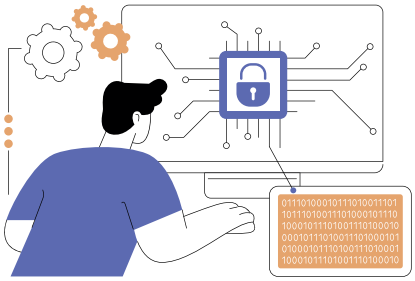
- Nordics **5%**

Key findings

1

Allocation, Allocation, Allocation

Cryptocurrency is on the rise and firms are already allocating a significant proportion of their portfolios accordingly. The majority of our respondents (35%) have allocated between 11 and 20% of their portfolios to crypto. Meanwhile, just one respondent said they are yet to allocate any of their portfolios. Interestingly, many believe this trend will increase over the next 12 months, indicating significant industry change is on the horizon.



2

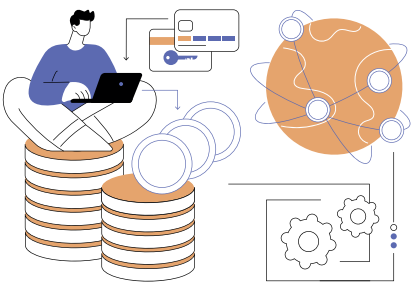
Chain Reactions

Blockchain technology is being embraced across the board. Respondents believe it can benefit many areas of traditional finance operations, including smart contracts and automation (79%) and regulatory compliance (64%). While adoption is growing, there are challenges to overcome. Specifically, a talent gap in the blockchain space and internal resistance from stakeholders could act as roadblocks on the path to mainstream integration.

3

Token Hearted

The tokenisation of securities and funds is gaining significant traction. Encouragingly, 71% of respondents are either already tokenising or are looking to tokenise hedge funds. While our research suggests the majority might be 'looking' to tokenise hedge funds, the overall interest is highly positive. Fixed-income securities are also a target for tokenisation, with 54% actively involved and 51% looking for private equity. Not a single respondent said they were not looking to tokenise securities or funds.



4

Breaking With Tradition

The digitisation of traditional asset classes is in full swing with 50% of respondents already reporting partial implementation. While 7% already consider their digitisation process to be fully implemented, all respondents recognise its potential. Many are doing so because it improves transparency (64%) and allows for enhanced market access (63%). However, hurdles remain and firms face barriers to their digitisation efforts, including security concerns (61%), privacy and data protection (57%), and scalability issues (57%).

Beyond traditional boundaries:
The critical role of digital asset data for institutions

As traditional financial institutions enter digital assets, having access to data and information is critical to success.

"To be successful when investing in digital assets, institutions need to have the telemetry into what is happening across the market to be able to identify opportunities and quantify risk," explains Shawn Douglass CEO and Co-Founder of Amberdata. "The really unique thing about digital assets is the radical transparency which is not available in traditional financial markets."

Although this transparency results in significant investment potential, the breadth of the digital asset space is challenging, especially for those more accustomed to traditional financial instruments. Digital assets trade across a large number of venues around the world, around the clock, within numerous jurisdictions.

Enter Amberdata. Amberdata has built and maintains an institutional grade infrastructure to deliver digital asset data, market intelligence and risk analytics so that financial institutions can concentrate on their core business. They deliver comprehensive data and insights into blockchain networks, crypto markets, and decentralized finance, empowering financial institutions to apply traditional finance methods to digital assets. Amberdata eliminates the infrastructure setup, integration challenges and maintenance headaches to access digital asset data, reducing cost and time to market for entering the digital asset class.

"As digital assets become pervasive and widely adopted, we are becoming fundamental infrastructure for the next generation of financial services," says Douglass.

Comprehensive datasets

Comprehensive digital assets data providers are focused on empowering financial institutions with historical and real-time fundamental (on-chain), DeFi and market data for research, trading, risk, analytics, reporting, and compliance.

"Accounting for every address, every wallet, is massively complex, and a financial institution would need to spend millions of dollars and invest years of time just to learn how to do this properly," Douglass warns.

Quantifying opportunities

Digital asset data can be applied within several parts of an institutional investor's business. It can inform front-office processes like trading, research functions and portfolio management. In the middle-office, the data supports risk and treasury functions. In the back-office, the data is used to inform fund administration, tax, compliance and audit functions.

"This allows institutions to focus on their core strengths and not the complicated business of collecting, processing, and interpreting data into meaningful information" Douglass says.

Familiar format

The format in which this data is presented is also key. As traditional money managers continue moving into this arena, they can appreciate access to information in a familiar format, and through familiar marketplaces like Snowflake and Google Analytics Hub.

Amberdata's deep expertise has allowed them to build proprietary indexed, searchable, time-series data combined in recognisable formats and delivered with the reliability and quality received from data providers supporting traditional asset classes.

As financial institutions evolve beyond traditional boundaries, crypto data providers like Amberdata are critical as they provide a trusted lens into the entire crypto economy.

Shawn Douglass
CEO and Co-founder, Amberdata

Shawn Douglass is a business and technology executive with over 20 years of experience in the industry. Douglass is co-founder and CEO of Amberdata, a leading provider of digital asset data infrastructure and market intelligence to financial institutions. Prior to founding Amberdata, Douglass served as president of Software and CTO at Unified, building and operating the company's SaaS offerings in cross-platform data management and analytics, while assisting in raising $64m in venture funding. He has held roles as board member, operating executive, technologist, advisor, venture investor, and derivatives trader. Douglass is a graduate of Harvard Business School.

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Part One

Investing in the future: Asset manager adoption of cryptocurrencies

Asset management appears to be undergoing a notable shift as cryptocurrencies gain significant traction among firms. While these technologies may seem to many like a recent innovation, they have been around for more than 15 years and this is reflected in the responses to our survey, with almost all of them (99%) allocating at least a portion of their portfolios to cryptocurrencies.

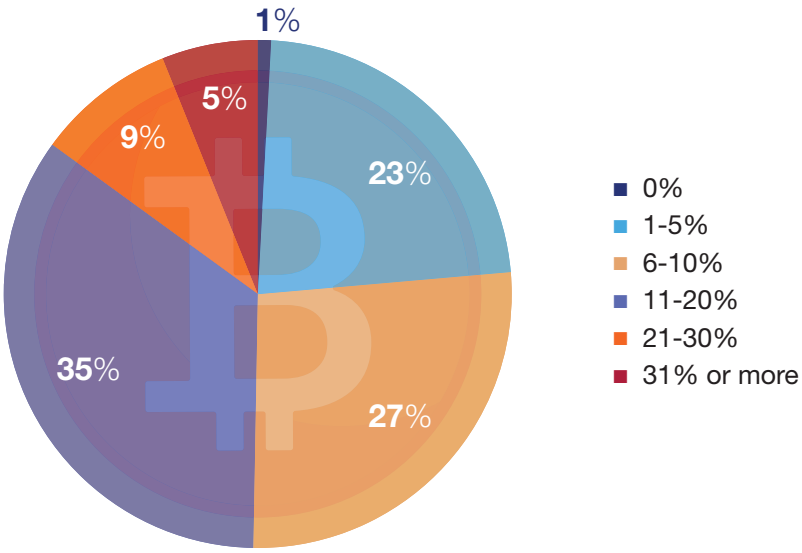
The extent of these allocations might come as a surprise to some. The majority of respondents (35%) allocate between 11% and 20% of their portfolios to crypto assets, while a noteworthy 5% have already committed 30% or more. Our research suggests this upward trajectory is likely to continue, potentially ushering in a new era of mainstream institutional crypto adoption. However, the path to full-scale adoption is not without its challenges. Talent shortages were a major concern for many respondents, hindering broader integration of crypto and blockchain technology.

Wider adoption hinges on several other factors, including access to the right resources, buy-in from key stakeholders, and - perhaps most importantly - a clear regulatory framework. The initial allure of crypto for retail investors stemmed from their decentralised nature, operating outside the control of traditional regulatory bodies. Ultimately, this lack of a robust framework has hindered the commercial viability of crypto. However, the tide may be turning. Regulatory bodies worldwide are starting to engage with crypto technology. As one of the speakers at our DigiAssets event aptly stated, “we are witnessing a potentially historic moment where institutions and regulators increasingly work towards a shared goal.”

Recognising the growing importance of data-driven insights, we also explored how firms are incorporating digital asset data analytics into their strategies and decision-making processes. Encouragingly, 47% are already doing so, albeit to a limited extent. This suggests a strong willingness to adopt these tools, and a significant portion (34%) plan to initiate plans within the next 12 months. Only a negligible 3% expressed no plans to incorporate digital asset data in the foreseeable future, indicating a growing recognition of data as a critical driver for informed investment decisions in the digital asset space.

The appetite for crypto assets is undeniable, and the landscape is being reshaped by a maturing regulatory environment and a focus on data-driven decision-making. This potent combination paves the way for a significant shift in institutional adoption, with the coming years revealing the true potential of cryptocurrencies as a mainstream asset class.

What percentage of your portfolio is allocated to cryptocurrencies?



"I would have expected this to be a bit lower but the results indicate an institutional adoption of crypto. I think we have to split two different concepts. One is cryptocurrencies in general terms and the other is blockchain technology for tokenisation. As I say, this shows the technology is being adopted but in the first case I imagine it is blockchain technology that is being adopted for the most part."

Andres Fondevila
Head of Digital Assets, BBVA Asset Management & GW

"This seems to me to be very high. I suspect this might not give an average view of the industry but it certainly shows that people are enthusiastic. Although I think it looks high right now, we could expect to see the percentages increase in future."

Jean-Marc Bonnefous
Managing Partner, Tellurian ExoAlpha Digital Assets

"The discovery that 11-20% of the portfolio is invested in cryptocurrencies was quite surprising, deviating from the usual industry norm of 0.5-5%. This higher allocation reflects a bold approach to cryptocurrency investments, recognising their potential despite volatility and regulatory challenges. Over the next 12 months, I maintain a prediction of levels between 0 and 5%, driven by regulation."

Valerie Noel
Head of Trading, Syz Group

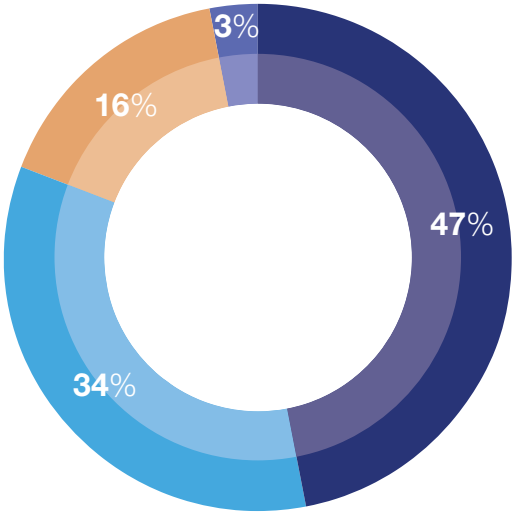
"I am quite surprised by these results and that such a small percentage selected 0%. I would have perhaps expected the 1-5% to be the most popular answer here, but there may be some selection bias in the participants explaining the results. Crypto adoption has grown significantly over the last couple of years and there are certain investors who will allocate a lot to crypto. The big question is how will this continue? How much might different types of institutional investors allocate to crypto in the future?"

Barbara Schlyter
Head of Xtrackers, Digital Products and Partnerships DWS Group

"With the additional benefits digital assets provide to portfolio diversification, it is not surprising to see a majority of funds allocating 11-20% to cryptocurrencies. As the market continues to mature and adoption grows around the world, I expect allocations to increase as more funds add digital assets to their portfolios."

Shawn Douglass
Co-Founder and CEO, Amberdata

Are you incorporating digital asset data and analytics into your strategy and decision-making processes?



- Yes, to a limited extent
- No, but we plan to start within the next year
- Yes, extensively
- No, but we plan to start within the next two years or more

"Data and analytics are a key part of any portfolio management strategy. As we've seen across the past few years, funds that incorporate digital asset data and analytics into their strategy and decision-making processes tend to grow the allocation of digital assets in portfolios with increased confidence."

Tongtong Gong
Co-Founder and COO, Amberdata

We asked our respondents how they feel the institutional adoption of crypto will change over the next 12 months. Here is what they told us:

"Regulatory frameworks around crypto have seen a gradual change and this will help increase the trust around it especially with the institutions."

"Earlier, there were some concerns relating to the lack of regulations, but since these concerns are lower today, crypto adoption will increase."

"Crypto markets are maturing, and this will lead to increased institutional adoption of crypto."

"Crypto allocations are bound to increase in the next year. Regulatory approvals will drive up the demand for crypto currencies."

"We will see a new enthusiasm among institutional investors when it comes to the adoption of crypto. It offers significant liquidity benefits."

"The holding period for crypto is expected to be less than for other traditional assets, and this will increase the interest in crypto."

"It is very interesting to see regulation as a key theme as we are witnessing an historical moment where corporations and regulators are going in the same direction in many countries/regions. They are both learning how to adopt the technology to see what advantages it can bring. It is clear to me that regulators and corporations are trying to reach the same goal."

Andres Fondevila
Head of Digital Assets, BBVA Asset Management & GW

"I agree that we will see an increase in the adoption of cryptocurrencies. They first emerged around 15 years ago and they have evolved from being a niche technology to a globally recognised asset class. Regulation has helped to drive this and increasing education and awareness around this topic will be an important driver for further adoption."

Barbara Schlyter
Head of Xtrackers, Digital Products and Partnerships DWS Group

"It is evident that a robust regulatory framework is paramount in fostering institutional trust and confidence in cryptocurrencies, which will accelerate their adoption. Over the past year of global economic uncertainty, institutions were increasingly exploring crypto as a viable alternative investment avenue, driven by the pursuit of higher returns and portfolio diversification. As we hit all-time highs and the market outlook continues to improve, I expect institutional interest in crypto as a diversification option to rise. Key catalysts in this include the approval of more digital asset ETFs and other crypto-based investment products."

Tongtong Gong
Co-Founder and COO, Amberdata

Part Two

Efficiency revolution: blockchain's impact on traditional finance

Imagine a future where tedious manual processes are a relic of the past. Blockchain technology, the backbone of digital assets, might do just that, revolutionising efficiency across traditional finance. Our survey took a deep dive into how asset managers and other executives view the transformative potential.

The results paint a clear picture. Smart contracts and automation (79%) top the list of areas poised for the biggest impact. This technology holds the key to streamlining processes, reducing errors, and unlocking a new era of operational efficiency. Notably, regulatory compliance also stands to benefit from blockchain according to a significant portion (64%) of our survey respondents, while settlement and clearing (48%) is seen as an area that is ripe for improvement through blockchain's secure and transparent record-keeping capabilities.

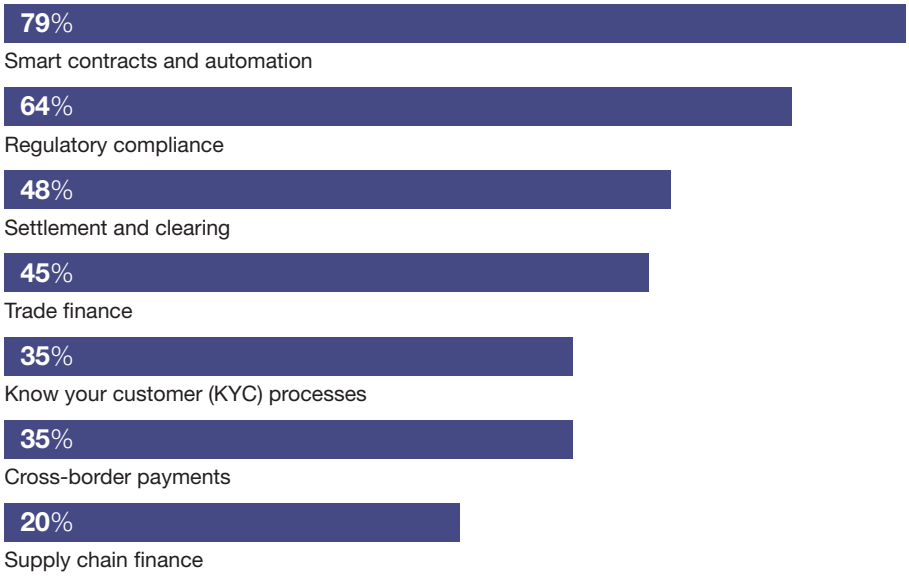
The road to a blockchain-powered future, like any technological leap, will not be without hurdles. Integrating these innovative solutions with existing, often outdated legacy systems could prove to be a major challenge, according to our research. Furthermore, a lack of talent could be an issue, echoing the concerns we raised in Part One of this report regarding a lack of skilled professionals in this emerging landscape. Security remains paramount, with respondents highlighting the need for robust security protocols to mitigate any potential risks.

Despite these challenges, cautious optimism prevails among industry leaders. Half of respondents view blockchain-based solutions as moderately mature and accessible, suggesting that adoption is growing. This point of view is further backed up by the fact only a small minority (10%) consider these solutions to be in their infancy and difficult to implement.

The results in this chapter point to an exciting future in which blockchain revolutionises traditional finance. By harnessing automation and fostering enhanced transparency, this technology has the potential to reshape the industry. However, achieving widespread adoption hinges on overcoming key challenges: integrating with legacy systems, talent acquisition and addressing security concerns.

Which areas of your traditional finance operations stand to benefit most from blockchain technology?

Respondents were asked to select all options that applied



"I completely agree with the majority who have answered smart contracts, regulatory compliance and settlement and clearing. You could also argue that know your customer goes hand in hand with complying with regulations."

Andres Fondevila
Head of Digital Assets, BBVA Asset Management & GW

"If I were answering this survey I might have selected all of these areas. The beauty of blockchain is it is a general-purpose technology that you can apply to different use cases for different purposes. Of course, smart contracts are at the heart of this technology and underpin most use cases. Benefits are mostly about efficiency gains and there are various types of efficiency gains to be had from blockchain. One is certainly automation. I think another benefit that is not shown here is increasing transparency."

Barbara Schlyter
Head of Xtrackers, Digital Products and Partnerships DWS Group

"I'm surprised by the top answer, as we already trade with automation, but blockchain technology is poised to offer significant benefits to various facets of traditional financial operations, enhancing efficiency, security, transparency, and cost-effectiveness. In the realm of settlement and clearing processes, blockchain's capacity to facilitate near-instantaneous settlements can considerably reduce the time and cost involved, eliminating the necessity for intermediaries, diminishing counterparty risks, and bolstering transaction efficiency.

Additionally, in the sphere of payments and remittances, blockchain technology paves the way for faster, less expensive, and more secure transactions, particularly beneficial for cross-border exchanges. By allowing direct transfers between parties, it cuts out the middlemen and lowers transaction fees. Moreover, the immutable and transparent characteristics of blockchain greatly streamline compliance and regulatory reporting."

Valerie Noel
Head of Trading, Syz Group

"These results are very interesting because automation is really only a small benefit when it comes to blockchain technology. You could argue that blockchain is not even required for automation as you can also automate on the cloud and through other means. When it comes to settlement and clearing there is the potential for many more benefits because blockchain can accelerate instant settlement. This reduces the risk of mistakes and the float of money that is not settled. Personally, I would say this the top benefit, but I can understand why the majority of respondents have answered this way."

Jean-Marc Bonnefous
Managing Partner, Tellurian ExoAlpha Digital Assets

Blockchain Technology and the Future of Capital Markets

By David Newns, CEO, SIX Digital Exchange

In the fast-evolving landscape of financial technology, blockchain has emerged as a transformative force, promising to reshape the foundations of capital markets.

The Continued Adoption of DLT Along Distinct Target Goals

We are seeing no abatement in the adoption of blockchain and the tokenization of assets within Financial Services.

In the securities markets we see this evolving towards a model that combines the digitization of existing securities, as well as a gradual adoption of digitally native securities.

Reduction of operational costs, particularly in post-trade, streamlining trade processing, reducing settlement times, and eliminating multiple reconciliations remains of the key target areas for blockchain use cases across Financial Services.

Challenges on the Path to Adoption

There are several challenges on the broader path to institutional adoption of digital assets. One of the primary challenges is the tokenization of real-world assets, which involves converting rights to an asset into a digital token on a blockchain. This process requires clear legal frameworks to ensure that digital representations are legally enforceable. Such legal clarity has been in place in Switzerland for many years as the existing intermediated securities laws lend themselves very well to supporting ledger-based securities.

Clarity compliance and oversight: securities are heavily regulated, and any digital asset representing a security must comply with existing securities laws, including registration, disclosure, and compliance requirements. Navigating these regulations in the context of innovative technology is complex.

Counterparty and settlement risks: In traditional finance, securities transactions often involve intermediaries that manage counterparty and settlement risks. In a blockchain-based system, these risks might be managed differently, raising questions about how to ensure transaction finality and mitigate counterparty risk. Furthermore, there is substantial effort involved in integration with traditional systems for which remains a significant hurdle to overcome.

I would also highlight challenges represented by cybersecurity and fraud prevention: digital assets, by their nature, can be more susceptible to different cybersecurity risks than traditional assets.

Finally, there is still an absence of accepted standards and agreed definitions and terminology.

The Role of Financial Market Infrastructures (FMIs)

Financial Market Infrastructures, like SIX Digital Exchange, play a significant role in evolving blockchain-based capital markets.

FMIs are uniquely positioned to perform the role of neutral third parties that provide a legal foundation to the blockchain based financial markets infrastructure of the future. As the industry moves towards decentralized blockchain-based capital markets, FMIs are well suited to provide the following:

- Smart Contracts: managed service and asset smart contracts' governance
- Verifiable Credentials: identification and permissioning of AML/ KYC'd counterparties
- Infrastructure bridges: bridging traditional with blockchain-based market infrastructure and bridging separate instances of blockchain infrastructure

Traditional market structures will not disappear overnight, and adoption of new blockchain based operating models will be severely constrained without effective bridges built between new blockchain based models and traditional infrastructure.

The Missing Piece: Tokenized Central Bank Money (wCBDC)

To enable the scalability of blockchain-based capital market infrastructure we advocate for the inclusion of tokenized central bank money. Without being issued by a central bank any form of stablecoins or tokenized deposits are insufficient replacements for central bank money as the riskless settlement in the tokenized context. SDX has been working in collaboration with the Swiss National Bank (SNB), the BIS Innovation Hub (Swiss Centre), and market participants to investigate the implications of wCBDC on the financial industry through a series of projects. In the latest phase, Project Helvetia 3, the SNB issued CHF wCBDC which was used to settle real transactions.

Conclusion

The industry's commitment to building a sound, safe, scalable, and sensible capital markets infrastructure based on blockchain technology is evident. The journey ahead promises challenges, but it also holds the prospect of reshaping the financial landscape as we know it.

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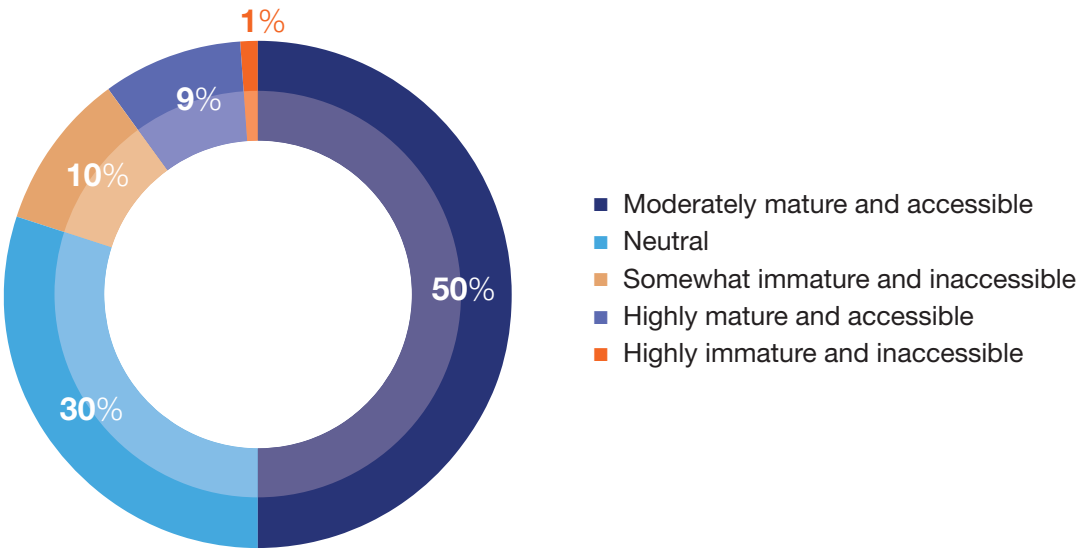
How would you rate the current maturity and accessibility of blockchain-based solutions for institutional investors?



"I am surprised to see that there are very few respondents on either side of the extreme. I suppose it probably stands to reason that most people would fall in the middle. There are some plug and play solutions and the best example is probably securitised platforms. But issuing these kinds of product or investment vehicles for mutual funds do not allow us to learn much about blockchain technology."

Andres Fondevila
Head of Digital Assets, BBVA Asset Management & GW

We asked our respondents what is hindering wider adoption of blockchain technology for traditional institutions. Here is what they told us:

"It's tough to get talent to work on blockchain technology. It is not widely used in many markets."

"One of the biggest challenges around blockchain is finding the right talent and expertise."

"Investments in blockchain may not derive good returns due to the talent shortage in this area of technology."

"I feel that the security and usability challenges related to blockchain are hindering wider adoption."

"The security surrounding blockchain applications has to improve for traditional organisations to consider it."

"Traditional institutions are not getting sufficient buy-in from internal stakeholders. Many seem sceptical about the security risks."

"It is interesting to see talent and expertise here because you need multiple levels of expertise to adopt these technologies. Of course, you need employees who are technically equipped and can directly work with the blockchain. For example, setting up a smart contract and maintaining it. You then also need people in compliance to understand the technology as well as talent in legal and business. If you have an innovation team that doesn't understand the status quo it can be very difficult. You might be able to paint a beautiful picture of what adopting these technologies might look like, but you really have to understand the nitty-gritty to get things right."

Barbara Schlyter
Head of Xtrackers, Digital Products and Partnerships DWS Group

"It would be great to see some specific research on talent as blockchain technology is not as new as people might think. It is seen as quite niche, and we need to allow people with tech profiles to understand it and go deeper to develop solutions that comply with the requirements of organisations.

This technology has been used with cryptography and smart contracts for more than 30 years. Everything exploded in 2008 with Bitcoin and the further development of smart contracts. So, while it might seem new, it's actually been around for some time."

Andres Fondevila
Head of Digital Assets, BBVA Asset Management & GW

"It is encouraging to see these responses because they are hurdles that can be overcome. The big hurdle for me is getting buy-in from internal stakeholders. If I'm a CEO at a large institution, why would I take the technological risk of disrupting my existing workflows? This can be a real blocker because internal stakeholders are more concerned about returns and will ask people to come back to them once the problem is solved, the technology is mature and everybody is using it."

Jean-Marc Bonnefous
Managing Partner, Tellurian ExoAlpha Digital Assets

Part Three

Exploring the benefits and process of tokenising less liquid assets

Traditionally, investing in certain asset classes has been a game reserved for large institutions and high-net-worth individuals because of an inherent lack of liquidity. Asset tokenisation, a powerful tool fuelled by blockchain technology, has the potential to change this dynamic. It promises to democratise access and revolutionise the way investment works.

In this chapter, we explore the growing interest in tokenising less liquid assets, and how this is unlocking new investment opportunities and boosting market efficiency. Our survey reveals a strong appetite for tokenisation across various asset classes. Hedge funds lead the pack with 71%, followed by fixed-income securities (54%) and private equity (51%). Real estate (43%) and commodities (34%) are also seen as promising areas for tokenisation, suggesting a broad interest across the entire spectrum.

While enthusiasm is clearly high, implementation is falling slightly behind. Half of our respondents reported partial implementation of tokenisation solutions, indicating both ongoing development and a level of experimentation. Pilot programmes (33%) are also prevalent, showcasing a focus on testing and refining the technology before it is deployed on a larger scale. Encouragingly, only 10% are in the early stages and no respondents are not considering tokenisation.

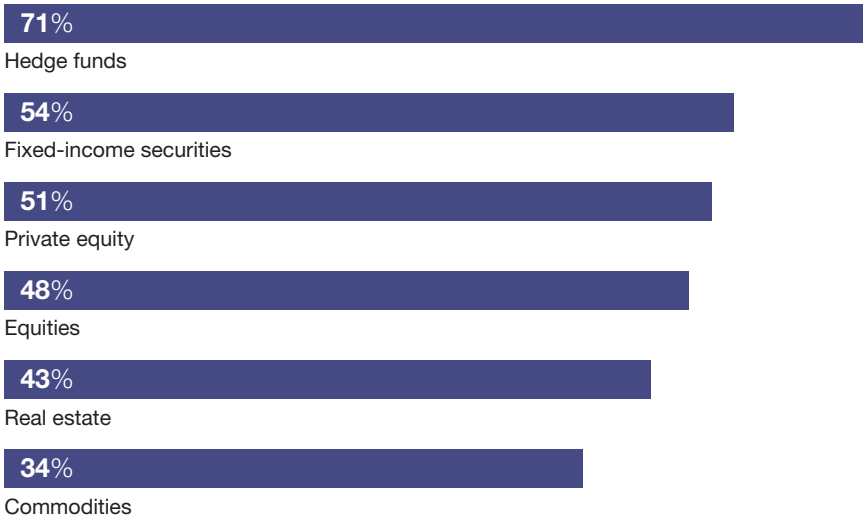
The benefits of asset tokenisation are compelling. Improved transparency (64%) and enhanced market access (63%) are seen as key advantages, driven by the inherent nature of blockchain technologies to deliver these advantages. Greater accessibility (59%), the ability to enable fractional ownership (44%), and reduced settlement times (44%) were also cited by our respondents as significant advantages.

Chief among the challenges on the other side of the coin are security concerns (61%), privacy and data protection (57%) and scalability issues (48%). Once again, integration with legacy systems (42%) is also viewed as a potential hurdle. All of the challenges outlined in our survey require solutions for successful implementation.

Despite these challenges, our results highlight the immense potential of asset tokenisation. By unlocking liquidity, improving transparency, and fostering broader participation, this technology has the power to reshape the landscape of traditional finance. As the industry grapples with security concerns, scalability issues, and regulatory considerations, the future of asset tokenisation promises to be an exciting journey towards a more efficient and inclusive financial ecosystem.

Which securities and funds are your firm looking to tokenise or have already tokenised?

Respondents were asked to select all options that applied



"In my view, private equity and real estate should be at the forefront in embracing tokenisation. I must admit, I struggle to fully grasp the concept of hedge funds. Tokenisation presents an avenue worth exploring, whether it is integrating tokenised assets into hedge funds, mutual funds, or similar portfolios. However, when discussing this, there are two distinct approaches to consider. The first involves incorporating tokenised products such as fixed-income securities into portfolios, or even establishing tokenised funds for fund of funds strategies. The second approach revolves around attempting to tokenise shares within existing mutual funds, hedge funds, or private funds.

I believe that adopting blockchain technology for tokenisation could significantly enhance market liquidity, particularly in traditionally liquid sectors like real estate or private equity. Therefore, I advocate for prioritising tokenisation within both these asset categories."

Andres Fondevila
Head of Digital Assets, BBVA Asset Management & GW

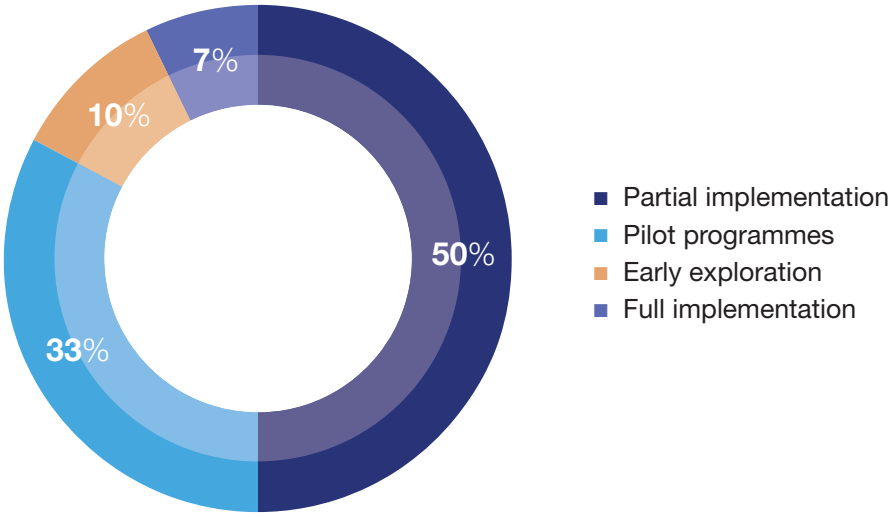
"The unanimous consideration of tokenisation reflects its transformative potential in finance. By enabling broader investor participation, enhancing asset liquidity, and streamlining transactions, tokenisation breaks down traditional barriers in investment. Its adoption is further motivated by the operational efficiencies and cost reductions it offers through blockchain's automated processes. Additionally, the technology's transparency and security increase trust and compliance ease, while its flexibility fosters innovative financial products and global market access. This widespread interest signifies a shift towards more accessible, efficient, and transparent financial operations."

Valerie Noel
Head of Trading, Syz Group

"I'm slightly surprised by these and I believe there might be a bit of a gap between aspiration and reality. It would be great to have hedge funds tokenised so anybody can buy the token but I think we are some way off that becoming a reality. I know that fixed-income securities are happening right now. In terms of tokenisation, I think that is way ahead of hedge funds."

Jean-Marc Bonnefous
Managing Partner, Tellurian ExoAlpha Digital Assets

At what stage is your organisation when it comes to digitising traditional asset classes?



"It will probably take around 10 to 12 years for most institutions to get beyond partial implementation. In that journey, the first five to six years will probably involve the implementation itself and then it is about infrastructure and everything that happens on the inside, including developing the product. If we asked this same question in 10 years' time, I think more would answer full implementation than partial implementation."

Andres Fondevila
Head of Digital Assets, BBVA Asset Management & GW

"I think this is very encouraging because the tokenisation and digitisation of traditional asset classes is a much-discussed topic. It's also a strategically important topic and I think it would be hard to find any executive who wouldn't agree with the general importance of the topic. However, today, the implementation, adoption and scaling of solutions is still limited. I'm quite happy to see that 7% are fully implemented already and that many more have moved past pilot programmes."

Barbara Schlyter
Head of Xtrackers, Digital Products and Partnerships DWS Group

"If firms are this far along in their implementation journey this is great news. I was not aware so many companies were so far advanced. Just accepting tokenisation is a key milestone and then you have to implement the distribution network. I would have expected pilot programmes to have scored higher than partial implementation. But, as I said before, this is great news."

Jean-Marc Bonnefous
Managing Partner, Tellurian ExoAlpha Digital Assets

"I'm somewhat surprised by the 50% partial implementation. I would have considered it more of an 'early implementation' scenario, so this is actually quite positive news. Developing a solution that bridges the gap between traditional and decentralised finance has been a significant challenge from all perspectives in traditional finance, particularly with the so-called DeFi counterparts. Only a few banks in Switzerland offer this service as a non-digital bank, which is noteworthy. The 7% does not shock me; the infrastructure can be quite burdensome if you have not chosen to outsource. Looking ahead, where will we be in two years? I am hopeful for broader adoption."

Valerie Noel
Head of Trading, Syz Group

What are the major benefits of digitising traditional asset classes?

Respondents were asked to select all options that applied

64% Improved transparency

63% Enhanced market access

59% Greater accessibility

44% Fractional ownership

44% Reduced settlement times

38% Increased liquidity

32% Lower costs

"I agree that it improves transparency and enhanced market access means the democratisation of certain asset classes as it improves accessibility. But I think there is another benefit that has been missed here, and that's ownership transfer. Tokenisation offers the capability to digitise physical rights or benefits, which can then be encapsulated within utility tokens.

These utility tokens can be integrated into a portfolio alongside security tokens, broadening the range of products available. With this approach, management extends beyond merely tracking the performance of the investment vehicle. By leveraging tokenisation, it becomes possible to include tangible benefits or physical rights within the portfolio, thereby enhancing management capabilities beyond traditional investment metrics."

Andres Fondevila
Head of Digital Assets, BBVA Asset Management & GW

"This rings true as there are a wide range of benefits. Answering a question like this could be difficult because respondents are probably keen to tick a number of benefits. You would not digitise traditional asset classes for one reason alone. It will always be because of a combination of factors."

Jean-Marc Bonnefous
Managing Partner, Tellurian ExoAlpha Digital Assets

"Digitising asset classes through blockchain technology significantly enhances transparency by creating a transparent, immutable ledger that records every transaction and ownership transfer. This level of clarity reduces the potential for fraud and discrepancies, allowing investors and regulators to monitor the history of assets in real time, which in turn boosts trust and accountability in the market. Furthermore, digitisation, particularly through tokenisation, breaks down large assets into smaller, more affordable units, democratising access to previously exclusive investment opportunities. This process not only lowers entry barriers for a wider range of investors but also expands the global reach of these assets, facilitating easier cross-border transactions."

Valerie Noel
Head of Trading, Syz Group

"The tokenisation of real-world assets (RWA) is a key area to watch in the digital assets space. The results show that this trend is likely to continue and even expand in the foreseeable future. RWAs present a significant opportunity to enhance liquidity in markets and assets characterised by substantial friction, particularly in sectors such as real estate and luxury goods. Additionally, integrating RWAs with securities introduces these assets to a global liquidity and settlement framework enabled by blockchain technology, facilitating the transition from isolated asset holdings to a universally accessible marketplace."

Shawn Douglass
Co-Founder and CEO, Amberdata

"The employment of blockchain technology not only enhances liquidity but also introduces unprecedented levels of transparency and composability. This advancement allows for greater flexibility in asset management and transactions, leveraging the inherent capabilities of blockchain to streamline processes and reduce inefficiencies across various asset classes."

Tongtong Gong
Co-Founder and COO, Amberdata

What are the major challenges when it comes to digitising traditional asset classes?

Respondents were asked to select all options that applied

61% Security concerns

57% Privacy and data protection

48% Scalability issues

42% Integration with legacy systems

36% Market fragmentation

35% Lack of interoperability

33% Legal and compliance challenges

31% Smart contract risks

29% Tokenisation cost and complexity

27% Limited investor understanding

27% Custody and storage concerns

23% Resistance from traditional market participants

16% Lack of standardisation

15% Regulatory uncertainty

"Tokenisation offers a real opportunity to build a new foundation for the financial economy. However, there are also significant challenges. We currently face fragmented value chains across financial markets. Even if we were eager to move forward, we can't do it alone. We rely on cooperation from multiple service providers."

Barbara Schlyter
Head of Xtrackers, Digital Products and Partnerships DWS Group

"Firms can tackle security concerns through continuous investment in advanced cybersecurity measures, adopting robust encryption techniques, regular security audits, employee training in security best practices, and staying abreast of the latest threats and innovations in security technology. While security challenges are likely to evolve alongside technological advancements, a proactive and adaptive security strategy can significantly mitigate risks, making it a manageable aspect of digital operations rather than an insurmountable challenge."

Valerie Noel
Head of Trading, Syz Group

"This shows there is a mix of operational and legal hurdles to overcome before digitising traditional asset classes. Security and privacy can definitely be dealt with so I don't see that as a major hurdle. Integration with legacy systems and legal compliance challenges could possibly be seen as more of an excuse than a challenge. Perhaps some are putting the implementation issue before core issues."

Jean-Marc Bonnefous
Managing Partner, Tellurian ExoAlpha Digital Assets

Conclusion

This is a brave new world for digital assets. Our survey findings across all three chapters tell a compelling story of growing institutional adoption, potential for efficiency gains, and the promise of democratised access to previously illiquid asset classes.

Asset managers are increasingly embracing cryptocurrencies. Our survey showcases a near-universal allocation and this trend is likely to continue thanks to a maturing regulatory environment and a focus on data-driven investment strategies.

Blockchain technology, the backbone of digital assets, holds immense potential to revolutionise traditional finance. Smart contracts and automation are poised to streamline processes and enhance transparency, particularly in areas like regulatory compliance and settlement. However, widespread adoption hinges on overcoming key challenges associated with legacy system integration, talent acquisition, and security concerns.

Asset tokenisation offers a powerful tool to unlock liquidity in traditionally illiquid assets. Our survey reveals a strong interest in tokenising a variety of asset classes, from hedge funds to real estate. Transparency, improved market access and fractional ownership hold the keys to democratising investments for a wider audience. However, security concerns, privacy considerations, and scalability issues need to be addressed to ensure the successful implementation of tokenisation solutions.

As we now know, the digital asset revolution is well underway, driven by various factors: growing institutional interest, maturing regulatory frameworks, and transformative technologies like blockchain. While challenges remain, the potential benefits for efficiency, access, and financial inclusion are undeniable. This exciting journey promises to reshape the landscape of finance, creating a more efficient, transparent, and inclusive ecosystem for the future.

Key suggestions

Learn and look for talent

The digital assets space is evolving at a rapid pace. To stay ahead of the curve, firms should prioritise training their teams to ensure they have the required knowledge and skills to navigate the future. Additionally, actively recruiting and retaining talent with expertise in blockchain, cryptocurrencies and tokenisation will be crucial for sustained success.

A data-driven strategy

In the data-driven world of digital assets, informed investment decisions hinge on reliable digital asset data and robust analytics. Asset managers should, therefore, prioritise the purchase of quality data and the development of robust data analytics capabilities to monitor market trends, assess risks and measure performance metrics more effectively.

Clear regulatory frameworks

A clear and supportive regulatory environment is vital for achieving widespread institutional adoption of digital assets. Asset managers can be key drivers of progress by engaging with regulators and industry bodies. Their advocacy for sensible regulations will strike an important balance between innovation and investor protection.

Prioritise security

Security remains a top concern across digital assets. Investing in robust security protocols and risk management frameworks will help to safeguard digital assets and mitigate against potential threats. This involves conducting due diligence on any partners and customers while continually monitoring for vulnerabilities.

About Amberdata

Amberdata is the leading provider of digital asset data, market intelligence and risk analytics. We deliver comprehensive data and insights into blockchain networks, crypto markets, and decentralised finance, empowering financial institutions with data for research, trading, risk, analytics, reporting, and compliance. Amberdata serves as a critical piece of infrastructure for financial institutions entering the asset class and participating in digital asset markets.

About SDX

SIX Digital Exchange AG (SDX) is the first fully regulated financial market infrastructure (FMI) for the issuance, trading, settlement, and custody of digital assets. SDX is licensed by Switzerland's financial market regulator, FINMA, to operate as a stock exchange (via SDX Trading AG) and central security depository (CSD) on distributed ledger technology (DLT). As part of the SIX Group, SDX is subject to the Group's high quality and security standards covered under Swiss law.

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