Building Together: The Impact of Collaboration and Interoperability on Shaping the Digital Asset Landscape

Since establishing its Singapore office in 2021, Metaco has served the region as the leading provider of security-critical software and infrastructure to the digital asset ecosystem. At the Hubbis Digital Assets in Wealth Management Forum in November 2023, Metaco's APAC Market Director, Richard Swainston, gave an engaging talk in which he highlighted the growing importance of safekeeping digital assets, the need for different systems to work together, and working with regulators for industry growth. Richard also emphasized the need for strong security, compliance, and user-friendly experiences. His talk underlined the collective effort needed in the digital asset world, noting that building trust and expanding the industry is a shared responsibility - testament to the adage that 'it takes a village.'

GET IN TOUCH

View Richard Swainston's LinkedIn Profile

Find out more about Metaco

RICHARD SWAINSTON
APAC Market Director
Metaco

Opening his presentation,

Richard reflected on his experience from the previous year. "I was at this forum last year. But having stood on the stage post Celsius, Three Arrows, FTX, I was pondering 'where do we go from here'," he said. Instead of following the usual set agenda, Richard took a broader look at scaling digital assets in general, rather than focusing solely on individual business models.

Richard argued that custody serves as a foundational cornerstone enabling the realization of potential promises and future use cases of digital assets. Over the last year, he observed multiple announcements from large financial institutions transitioning from traditional custody models to Web 3 and digital assets, signalling a technological shift. He noted that others in the market were

beginning to reimagine how assets are viewed, valued, and exchanged, a vision long advocated by many in the room. "I think it's really starting to feel that we're at the cusp of something quite special," he reported.

Richard then stressed the importance of security, compliance, and user experience in building and scaling digital asset business models. "Digital assets are vulnerable to things like cyber-attacks. Compliance is therefore complex, but necessary." User experience was also raised as critical, particularly given the clunkiness of much of Web 3.0. Richard emphasized the need to make new systems and products accessible and user-friendly, considering these factors essential for adoption.

Richard then went on to reflect on the core requirements for scaling in the digital asset space. He stated his belief that the infrastructure needed to support high transaction volumes was essential. This included the need for interoperability between different blockchains, seamless integration with existing financial systems, and the crucial task of educating the market. He emphasized the development of standards and working with regulators to create a supportive environment.

Delving deeper into specifics, Richard pondered whether

the industry could adopt wide standards for data and APIs, implement blockchain interoperability protocols, and employ modular architectures for scalability. He also considered the use of smart contracts for cross-platform automation. Richard then spoke about the necessity of collaboration for innovation. He stressed that no single entity could drive all the innovation needed to scale the digital asset industry. Collaboration, including partnerships between traditional financial institutions, FinTech startups, and cross-industry working groups, was key to establishing best practices.

Reflecting on a recent event in Hong Kong, Richard noted a new solution aimed at addressing counterparty risk. Richard acknowledged the importance of respecting the efforts of all companies in the ecosystem in solving real problems, with each step forward contributing to industry-wide progress and innovation. "If we start to look at things like standards, in the case of widespread adoption, there needs to be some kind of standardised protocols," he noted. "We're not there yet; there's a lot that people aren't going to be able to agree on. But trying to ensure that systems can work together quite seamlessly, it's going to be critical." This interoperability, whether between blockchains or different financial systems, was vital for

« *"We're not there yet; there's a lot that people aren't going to be able to agree on. But trying to ensure that systems can work together quite seamlessly, it's going to be critical."* »

enabling users to move assets freely across platforms, which he deemed essential for scaling.

Richard moved on to another example of tackling the problem of interoperability in the digital asset space. He noted that market participants have been addressing the challenge of interoperability across multiple trading venues, platforms, and geographies, such as enabling listings in Singapore with liquidity options in Japan and Switzerland. Expanding on this commentary, Richard delved deeper into scalable solutions. He suggested the use of second layer protocols for higher transaction throughput and promoting off-chain solutions for more resource-efficient consensus mechanisms.

He then touched upon the topic of regulation and compliance, observing that regulators had shown increasing interest in digital assets over the last 12 to 18 months. "Working proactively with regulatory bodies to help shape the future of digital asset legislation is going to create clarity and stability," he explained. "This should, in turn, start to attract more institutional investment in the space, which is what is needed." He discussed the possibility of developing adaptable compliance frameworks, acknowledging the unlikelihood of a unified global regulatory policy, but emphasizing the need for jurisdiction-specific requirements. Standardizing identity verification for KYC and AML was also mentioned as a critical area.

He shared his first-hand experience with Metaco, which had been acquired by global enterprise blockchain and crypto solutions provider Ripple in May 2023, and how they were engaging in policy summits in cities like Seoul, Bangkok, Hong Kong, and Singapore to foster dialogue between the private and public sector to move the industry forward. He pondered whether economic strategies could incentivize the adoption and scaling of various solutions and drive investment into high-performance infrastructure. And in turn, he mentioned that several foundations offer grants to encourage building and scaling in the industry.

Richard discussed grouping testing and R&D together with education and adoption, emphasizing the need for a knowledgeable user base and education initiatives to inform both institutional and retail sides about the value and operation of digital assets. "We need to invest in research to proactively tackle some of these scalability issues," he said. "Conducting extensive testing to ensure robust interoperability is vital."

In closing, Richard acknowledged the complexity and difficulty of the journey to build and scale digital assets. "It's not simple, it's not easy. I like using the phrase that 'it takes a village.' As an industry, we've got to work together to try and balance innovation, regulation, and standardisation, to hopefully create a resilient and adaptive digital asset ecosystem." ∎