

Institutional Adoption of Digital Assets: Is the Infrastructure Ready for Wealth Managers?

Sudeep Chatterjee is Head of Product for Singapore-based digital assets exchange AsiaNext, operating three exchanges under the brand name AsiaNext, Asia Digital Derivatives Pte. Ltd (offering Crypto Derivatives), Asia Digital Exchange Pte. Ltd. (offering Securities Tokens), and Asia Digital Asset Exchange Pte. Ltd. (planned to offer Crypto Spot post MPI license) which was formed back in 2020 by SBI Digital Asset Holdings and SIX Exchange in the form of a JV that was finalised in September 2021. AsiaNext received recognised market operator (RMO) and approval in-principle for capital market services license (CMSL) in 2023 for securities listing and trading and soon to start trading on their crypto derivatives exchange. Sudeep gave delegates an insightful presentation at the Hubbis Digital Assets Forum in Singapore in early December [2023], focusing on the opportunities for wealth managers in Asia in the new age of digital assets as well as what AsiaNext can offer to meet wealth managers' needs. He highlighted some of the challenges for wealth managers around digital asset adoption, zeroed in on managing the risks of trading in digital assets and the role of digital exchanges in enabling adoption.

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Sudeep's focus was

squarely on the private wealth management community, acknowledging their increasing interest in the digital asset space. He emphasized the importance of readily available infrastructure to streamline their entry and facilitate broader adoption.

He first turned his spotlight on the assets that could be of interest to wealth managers, pointing to three main types of digital assets: cryptocurrencies, crypto ETPs (Exchange Traded Products), and security tokens. While other digital assets such as Web 3.0 and NFTs are in existence, the wealth industry should focus mainly on the three types he had listed, as they offer portfolio diversification benefits and direct market participation, opening the door to short-term, medium-term, and long-term investment objectives.

Cryptocurrencies

Drilling down into cryptocurrencies, he observed that these assets are a natural choice for portfolio diversification, as they are not directly correlated to any other traditional asset class. They offer 24/7 trading access preferably accessed through licensed and regulated entities, helping drive confidence in the asset and the market structure. He said the current volatility in cryptos is no different from certain traditional assets like equity, currencies and commodity and is now matched by similar market infrastructure and liquidity, allowing institutional players to easily trade in and out to manage portfolio risks, especially with the more liquid cryptos. This also facilitates the implementation of robust risk management, oversight and activity by skilled trading and risk professionals in the wealth industry. "If the skills are there, the infrastructure and systems are also in place to manage risks proactively on behalf of the clients," he told guests.

Exchange Traded Products (ETPs)

Shifting gears, Sudeep highlighted Exchange Traded Products (ETPs) as a second key solution for wealth managers in their digital asset journey. ETPs, or Exchange Traded Notes (ETNs) if you prefer, offer indirect access to the world of digital assets like cryptocurrencies through professionally managed funds. "The beauty of ETPs," Sudeep explained, "is that you can leave the constant price

monitoring and volatility dance to the experts. It's just like investing in an equity ETF - you trust the fund manager to navigate the market while you reap the benefits of diversification." Beyond convenience, ETPs grant wealth managers broader exposure across diverse cryptocurrencies without the hassle of directly buying and managing each individual asset. This opens the potential for diversified portfolios without the complexities of direct crypto ownership. Sudeep further emphasized the regulatory benefits of ETPs. "Clear legal frameworks safeguard investors," he explained. "While the underlying assets may be digital, the structure and investor protection mechanisms surrounding ETPs are well-established and familiar to the financial world."

Security Tokens

Sudeep's third avenue for wealth managers to enter the digital asset space involves security tokens, a novel asset class mirroring traditional instruments like structured products and bonds, but in a tokenized format. While still maturing, security tokens offer several compelling advantages. Firstly, they streamline compliance, suitability, and trade automation, fostering confidence and participation among intermediaries. Secondly, they promise significant cost and capital efficiency gains. As settlement times shrink, clients' capital frees up for reinvestment, while wealth managers experience improved institutional-grade access

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and processes. Thirdly, tokenization unlocks access to innovative asset classes like real estate, collectibles, or art, broadening client portfolios. “Finally, global tradability boosts liquidity and expands investment opportunities. In essence, security tokens represent a broader, more efficient gateway for investors to access exciting new asset classes around the globe,” he summarised.

Infrastructure Enhancements

Sudeep painted a picture of a rapidly maturing digital asset landscape, with infrastructure steadily catching up to ambition. Regulatory frameworks are getting better over time, with proactive jurisdictions like Singapore in Asia leading the charge. As of December, the Monetary Authority of Singapore boasts a robust roster of 15 licensed ETP players, a testament to their commitment to fostering a safe and transparent environment. And it’s not just licenses, Sudeep applauded efforts like Singapore and other jurisdictions acknowledgement and categorization of stablecoins, ensuring these tokens are well-understood and adequately protected, boosting investor confidence across the board.

He then turned his attention to the game-changers, highlighting the surge in ETF activity. The

arrival of spot Bitcoin and other cryptocurrency ETFs from heavyweights like Blackrock and Fidelity signifies a major tipping point. These institutional players bring with them not just credibility, but also sophisticated platforms, robust risk management frameworks, and improved liquidity, paving the way for broader, more confident participation from wealth managers and investors alike.

Sudeep then re-emphasized the crucial role of trusted, institutional-grade trading venues. These regulated entities, he explained, offer far more than just security. They bring enhanced governance, stricter suitability checks, and rigorous KYC/AML practices, allowing wealth managers and other institutions to seamlessly navigate the complexities of digital asset trading on behalf of their clients. “The infrastructure is there,” Sudeep concluded optimistically, “and it’s getting better every day, empowering institutions to manage every aspect of this asset class for their clients with confidence.”

Evolving tokenisation

Sudeep delved into the fascinating world of security tokens talking about the evolution of the industry and product lifecycle, also focusing on their relevance

in wealth management. He noted that issuers are developing and tokenising products, with certain players conducting internal proof-of-concept (POC) or joint launches of technology platforms with external partners then assist these issuers in tokenising structured products or notes. These platforms interface with digital exchanges acting as a marketplace, connecting issuers (the companies creating the tokens) with investors interested in buying and trading them. Think of it like a stock exchange, but for fancy new digital assets.

Trading venues and exchanges then come into play, offering compliant and professional listing opportunities for these tokens. He explained that the evolution of these models and platforms is mirroring what has been happening in the world of traditional financial products. The beauty of this system lies in its flexibility - investors can choose to trade directly with each other (over-the-counter) or through regulated exchanges on trusted platforms. Many wealth management firms and technology solution providers are already jumping on board, offering services and solutions like order management, portfolio and risk management for these tokenized investments. It’s a whole new ecosystem, buzzing with activity and brimming with possibilities for both issuers and investors.

Strategic entry for wealth managers

Sudeep urged wealth managers to consider dipping their toes into the digital asset waters, but only if they’re prepared for the plunge. The first step is taking inventory – do they have the in-house knowledge or need to recruit digital asset experts? Next, they need to understand and act upon the existing regulations to

ensure compliant involvement and activity. They need to assess and revamp their policies, procedures, risk, and compliance frameworks.

He elaborated the situation by sharing insights from a research survey that was conducted by Avaloq. The survey revealed that half of investors prefer investment advice from their wealth managers, obtaining professional investment advice while retaining decision making control; many of these investors already own crypto (42% in Europe, 31% in Asia), but here's the catch - 84% of respondents who currently invest in crypto do so directly via exchanges with only 50% transacting through their wealth managers. This means a big opportunity awaits those wealth managers who can confidently guide clients through the exciting world of digital assets.

The conclusion – a new world of opportunity

Sudeep emphasised that embracing digital assets isn't just a bottom-up game, it needs buy in from the top brass at private

banks and EAMs and all the way through to the RMs and advisors. Regulation is still a work in progress, he conceded, but leading authorities such as Singapore's MAS and many others are working hard to facilitate a conducive environment which should make it easier for wealth managers to give compliant advice on digital assets.

And things are getting better, fast. As the market infrastructure and rules get clearer, trust in technology, exchanges, and custodians is growing. This means fewer operational headaches for wealth managers, opening up access to this exciting new asset class for their clients.

The future? A thriving ecosystem where knowledge, trusted operators, and top-down support come together. This paves the way for wealth managers to not only offer digital assets, but also the expert guidance clients need to navigate and grow in this evolving landscape.

Seize the opportunity

Sudeep concluded and painted a clear picture: a vast, untapped

opportunity lies within the digital asset space for wealth managers. The groundwork is being laid - regulations are solidifying, infrastructure is maturing, and trust is building. This is the perfect time for wealth managers to roll up their sleeves and do two things:

1. Gear up: Build internal expertise, develop robust advisory frameworks, and fine-tune their processes to handle this new asset class like pros.
2. Open the doors: Offer their clients direct access to the world of digital assets through informed guidance and seamless participation.

"We think it is a good time now to start exploring how the regulations and infrastructure are becoming increasingly institutional, how wealth managers can build the advisory and the discretionary framework around these assets, and how private clients can therefore participate more directly through their wealth managers," he said. ■

A SHORT NOTE ON SUDEEP

Sudeep Chatterjee is currently Head of Product and part of the management team at AsiaNext, the joint venture between SBI Digital Asset Holdings Co., Ltd. (SBI DAH) and SIX Exchange. AsiaNext is a trusted digital exchange for institutional investors in Asia and globally offering integrated listing, trading, and post trade services for digital assets, including digital payment tokens.

Sudeep is responsible for client engagement, product strategy & roadmap, go-to-market strategy, product-market fit, product management, product development, product pricing and commercialisation, as well as product marketing for AsiaNext globally.

Before joining AsiaNext, Sudeep worked with various financial institutions for over 18 years covering capital markets and wealth management for multinational banks such as Lehman Brothers, Barclays, Credit Suisse with international experience across Asia, Europe, and Americas, and at regional banks such as Bank of Singapore (an OCBC subsidiary). He has held various leadership roles across trading operations, electronic trading, product, digitalisation, and platform management in these banks, delivering solutions and innovation in investment products trading, execution and advisory processes. He has strong expertise across all asset classes and front to back functions, including stints in technology and COO, to meet the needs of institutional, family offices, ultra-high, and high-net-worth investors.