

The Digital Asset Journey for Wealth Managers – Perspectives and Advice from AsiaNext

It was back in 2020 that SIX Digital Exchange (SDX) and SBI Digital Asset Holdings announced their plans to create an exchange for digital assets in Singapore. The joint venture was finalised in September 2021 with plans to go-live in 2023. The Singapore based Swiss-Japanese joint venture has a mission to create an institutional-grade, secure, trusted and seamless marketplace for the listing and trading of digital assets. Sudeep Chatterjee, Head of Product for AsiaNext, gave delegates a lively and detailed presentation at the Hubbis Digital Assets Forum in Singapore on 30 November, 2022. He focused on the opportunities for wealth managers in Asia in the age of digital assets, highlighted some of the challenges for wealth managers around digital asset adoption, and zeroed in on managing the risks of trading in digital assets and the role of digital exchanges. He also explained how the right business architecture is essential for wealth managers to participate securely, confidently and efficiently in this new universe of digital assets.

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Sudeep Chatterjee
AsiaNext

For the sake of simplicity, we see digital assets under 3 key categories:

Security tokens: tokenised forms of underlying assets of value, such as bonds, stocks, private equity and funds, that are regulated by capital markets regulators across jurisdictions.

Asset-backed tokens: a fractional ownership of underlying physical assets like real estate, collectibles, or non-physical assets in the form of non-fungible tokens (NFTs).

Crypto, stablecoins & crypto funds: Crypto or cryptocurrency is a digital or virtual currency that is secured by cryptography, and based on a network that is distributed across a large number of computers. Stablecoins and crypto funds are forms of cryptocurrencies whose value is pegged to that of another currency, commodity, or financial instrument; these aim to provide an alternative to the high volatility of most cryptocurrencies.

There are clear opportunities for participation by wealth managers in Asia

Sudeep pointed to five key topics:

- 1) financial & technology innovation,
- 2) role of digital assets within an investment portfolio
- 3) private wealth clients' key priorities
- 4) client demand
- 5) scale of the APAC market opportunity

He explained that there is a very strong conviction that the industry has been lacking in product innovation and the variety of asset classes to be included in wealth portfolios, and that innovative digital asset technology will enable such diversity, and at immense speed, potentially. "Anyone not moving

at the same speed will find it difficult to catch up," he stated.

He pointed out that the allocation within portfolios to digital assets has grown dramatically in recent years. Furthermore, clients want more diversity in terms of what they expect from their wealth managers, they want assurance that their digital assets will be secure, and they want better information and advice around these digital assets.

Additionally, demand is rising amongst private clients, which means it is imperative for RMs and advisors to increase their knowledge and understanding of the digital assets ecosystem as a whole.. Sudeep highlighted that the APAC digital assets market is already estimated at USD 1 trillion and is all set to grow dramatically in the near future..

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There are also some key challenges for wealth managers as they adjust to the new age of digital assets

Five key challenges for wealth managers seeking to expand in this sector are as per below:

- 1) understanding & conviction
- 2) regulation
- 3) trust
- 4) access & operational complexity
- 5) advisory services.

Sudeep emphasised that understanding & conviction must come from the top of the private banks and EAMs and all the way through to the RMs and advisors. Regulation remains rather grey but leading authorities such as Singapore’s MAS are working hard to facilitate a conducive environment which should definitely make it easier for wealth managers to give compliant advice on digital assets.

As market infrastructure and regulatory landscape becomes clearer, confidence and trust in the technology, the assets, exchanges, settlement, and custodians will all improve. That will also help wealth managers overcome hurdles around operational complexity and access. And finally, with all these elements and far greater knowledge coming together to form an ecosystem and a network of trusted operators, wealth managers will be able to offer this new asset class to their clients as well as the type of advice they seek to grow with digital assets.

Managing the risks of trading in digital assets and the role of digital exchanges

Sudeep then turned his focus to risk management, highlighting the importance of compliance, of handling volatility, achieving appropriate liquidity, mitigating counterparty and operational risks.

Compliance is essentially similar as for mainstream assets, making sure that clients are properly onboarded, KYC and AML is properly conducted, and that investor suitability is measured and adhered to. Volatility is extremely high in some of the more well-known digital assets such as cryptocurrencies, however there are technologies and processes available now and more are emerging that will help manage that volatility, much as in the long-established FX market which are equally volatile, for example.

Liquidity in cryptocurrencies is significant, but in other digital assets far less so. “And that,” he said, “is where you really need to ensure that you are working with the right financial institutions, the right exchanges, and that you are involved in an ecosystem that you are comfortable with.”

Sudeep strongly advised anyone entering into this space to properly assess and mitigate counterparty risk as well as operational risk, as they would do in the world of mainstream asset transactions.

He pointed out that once all these assessments and checks are in place, the wealth managers will be much better positioned to select which assets they want to be involved in and the business architecture they are comfortable to work with. ■

For further reading from Hubbis on AsiaNext, see this feature article based on an interview with AsiaNext CEO Kok Kee Chong: <https://hubbis.com/article/asianext-s-ceo-explains-the-mission-to-deliver-an-institutional-grade-digital-assets-exchange>

A Short Note on Sudeep

Sudeep Chatterjee is currently Head of Product and part of the management team at AsiaNext (Asia Digital Exchange Pte Ltd), the joint venture between SBI Digital Asset Holdings Co., Ltd. (SBI DAH) and SIX Digital Exchange (SDX).

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 commercialisation, and marketing for AsiaNext globally.

Before joining AsiaNext, Sudeep worked with various financial institutions for 17 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 regional banks such as Bank of Singapore (an OCBC subsidiary). He has held transformation, product, and platform leadership roles in these banks, delivering solutions and innovation in trading, execution and investment advisory processes. He has strong expertise across all asset classes and functions, including trading operations, risk, product, technology, and COO/CDO office, to meet the needs of institutional, family offices, ultra-high, and high-net-worth investors.

Sudeep holds a Master's degree in Financial Economics from EDHEC Business School, France, and a Bachelor's degree in Statistics from University of Delhi, India.

When not working on product and digital asset innovations, he enjoys activities such as trekking, diving, swimming, homebrewing, and spending time with his family.

