

# The Evolution of the Blockchain & Tokenisation: The Revolution Arrives

*A fascinating panel discussion amongst some genuine experts on blockchain and tokenisation took place to close out the Hubbis Digital Wealth Management Forum. Will distributed ledger technologies turn the world of investment digital? Will private or public blockchain dominate the future landscape? Can any type of illiquid assets suddenly become liquid, tradeable and will pricing be wholly transparent? How will the world's existing exchanges react? What does this all mean for the wealth management industry? The experts provided many answers and where there are no clear answers as yet, they gave their best insights into the future.*

**These were the topics discussed:**

- Blockchain - what are the real applications and implications in financial services?
- Roadblocks/Challenges for great adoption in the capital markets?
- Dive into the Eco-system, what exists, what is being built, what is needed?
- How will affect the wealth management industry + Investment Opportunities?

## PANEL SPEAKERS

- **Julian Kwan**, Chief Executive Officer, InvestaCrowd
- **Antony Lewis**, Director of Digital Assets, R3
- **Lawrence J Grincer**, Chief Executive Officer, Skyhook Capital
- **Alexandre Kech**, Chief Executive Officer, Onchain Custodian



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## THE KEY TAKEAWAYS

### The 1990s all over again

The internet arrived in everyone's day to day reality in the 1990s, but financial services firms such as traditional brokerages were at the time slow to realise the implications for their world. Today, it is a similar story with blockchain and tokenisation set to completely change how investments are made, whether stocks, bonds, real estate, private equity, or other assets.

### Trusting in digital

Blockchain technology allows the transfer of assets instantaneously, securely and with a trusted process in place without any human intervention. Many believe that it is therefore failsafe.

### Not a head in the sand moment

Those who ignore the arrival and implications of blockchain and tokenisation will risk positioning their businesses at the wrong end of a global technology revolution, as these developments are set to radically change the trading of both mainstream financial assets, as well as a huge range of illiquid financial assets, or assets that have hitherto been untradeable.

### The keys to the kingdom

Tokenised assets are represented by a pair of keys, the public key addresses have an account number where you receive your tokens and the private keys are via a password that gives access to those tokens.

### The blockchain custodians

If anyone loses their private key or the password, they lose your assets. But there are already digital asset custodians vying to compete to safe-keep those digital assets.

### The blockchain platforms

And other smart new entrants and building blockchain platforms for third party users, with one such company boasting more than 40 banks shareholders around the world, all of which are looking for such solutions to "blockchain" handles anything from real estate to tokenisation of gold and precious metals, or private market shares, bonds, or other new products.



### Public vs private

There are key differences between open-ledger public blockchain protocols and permission-led private blockchains. Time will tell how they play out, but the panel indicated that regulated financial instruments will end up on private blockchain and non-regulated assets mostly on the public blockchain.

### Blockchain and the road to AI

The digitisation of all types of assets and the proliferation of exchange technologies happening across the world will result in a greater spectrum of investment options that become tradable. And at that point some believe AI-enabled platforms boosted by machine learning will begin to outperform human advice, resulting in a mass migration of clients over to what we currently call a robo-advisor, or what this evolves into.

### You too can own a real Picasso

In an example of the potential, a panel member explained some hypothetical outcomes. One, he said, could be that a museum, instead of selling paintings to fund an upgrade or refurbish, could tokenise paintings for investors and raise money that way. Imagine diversifying a modest HNW portfolio into a genuine Picasso, or at least a few brushstrokes thereof!

### Or perhaps buy your favourite footballer?

As everything theoretically becomes a tradable product because it can be tokenised and traded on an open exchange, perhaps you might even end up sharing a small slice of a famous soccer player.

### Exchanges imagine a new future

Leading exchanges, for example the SIX Swiss Exchange, are already preparing new blockchain edifices around tokens alongside their traditional exchanges.





ALEXANDRE KECH  
Onchain Custodian

**A**N EXPERT BEGAN BY EXPLAINING THAT HIS FIRM IS USING BLOCKCHAIN, or distributed ledger, technology, for the issuance of digital shares rather than paper shares.

“That,” he explained, “means a whole new world of investment offerings and a whole new system to hold your shares and eventually enhance liquidity by being able to trade these shares as a liquid asset. We are therefore seeing blockchain coming into the capital markets, so I think the message today is that this technology is here, it is going to completely change how investments are made, whether stocks, bonds, real estate, private equity, or whatever, and I think those moving into this space early will also probably capture most value.”

### Managing the tokens

A digital asset/token custodian took the floor. “For example,” he said, “you might have tokens issued for real estate the challenge then is to manage those assets, to have all in one place and have the right reporting in place and the right audit in place.”

### Your private key

And private keys then give access to those assets. “Tokenised assets are represented by a pair of keys, the public addresses have an account number where you receive your tokens and the private keys are via a password that gives



JULIAN KWAN  
InvestaCrowd

access to those tokens,” he explained. “But if you lose your private key or the password you lose your assets, so what we do as a custodian is build an array of operational and technological environments to safe-keep those assets in a mutually dependent way and provide value-added services on top of the safety.”

### Building the blockchain platforms

Another expert explained that his firm builds blockchain platforms for third party users. “Our shareholders are roughly 40 banks around the world, roughly one third Europe, the US and Asia. The platform can handle anything from real estate to tokenization of gold and precious metals, tokenization of private market shares, bonds, and other new products. Many more industries are getting really excited about what blockchain can do to transform the industries themselves.”

Another panellist explained that his mission is the optimisation of the supply chain to deliver products through a channel to grow the wealth management industry.

“I think the opportunities that blockchain present are the automatic digitisation of assets and the ability to truly optimise the supply chain to deliver financial products to the end consumer and be able to do that in literally real time.”

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### Public or private?

There are key differences between public and private blockchain. “Cryptocurrencies such as bitcoin or ethereum all trade on so-called commissioners or public blockchains,” an expert explained, “so it is a publicly available digital ledger that does not require permission to view. On the other hand, a permission-led private blockchain means the users have licensed



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software and connected networks, they are identified, gated, then allowed inside the network, and they can move digital assets among those others with permission.”

He added that he expects that the regulated financial instruments of today will end up on private blockchain and non-regulated assets mostly on the public blockchain.

### Back to the future

This expert explained that he compares what is going on in the wealth management industry today to what was going on in the stockbroking industry in the late 90s, when the internet was just beginning to take grip.

“I would go to stockbrokers around Singapore in those days and try to explain a future vision of online broking,” he recalls. “They thought I was crazy. Today, the digitisation of all types of assets and the proliferation of exchange technologies happening now in the world will result in a greater

spectrum of investment options that become tradable. And at that point you're going to have AI platforms able to absorb data at such lightning speed that they can then implement strategies and outperform human advice. And as soon as returns via the AI platform start to outperform those of the human advisors, you will see a mass migration of clients over to what we currently call a robo-advisor, which by the way will likely be rebranded in the future."

### Immediacy rules

He added that the changes in the industry are not via one particular technology but a convergence of technologies. "And blockchain is going to play a major part because blockchain technology allows the transfer of assets instantaneously, securely and with a trusted process in place without any human intervention. And that is an extremely powerful thing for our financial services business."

An expert gave the example of a gold backed token, explaining that gold is tough to move around and store, but the tokens can represent the gold and bypass many of these logistical problems. "And for private market investments," he added, "this markets an illiquid market potential very liquid."

### Imagine the assets...

An expert gave more insight on the tokenisation of real estate, as an example of how digitisation of assets will emerge and change behaviours. The typical private equity real estate vehicle is pretty much structurally flawed, he commented, adding that this is typically seven to 10 year fixed life illiquid asset but with digitisation you can make the assets liquid and also reduce fees and improve transparency.

"And with tokenisation," added another expert, "you can then buy and trade fractions of assets, for example a fraction of a marketable painting. There are literally numerous investments that can be opened up to people."

### Supporting the Louvre?

And there are fantastic outcomes available - for example, a museum, instead of selling paintings to upgrade or refurbish, they could tokenise paintings and raise money that way. "I would



LAWRENCE J GRINCERI  
Skyhook Capital

have never imagined that I could diversify my investments into a Picasso, but it becomes possible. Or the asset might be a classic car, a football club, a footballer, or whatever."

### Turning water into wine

And everything then becomes a tradable product because it is now attached to a token and its now traded on an open exchange. "Making illiquid assets liquid is a marvellous step forward," said this expert, "and it will create another boom for the financial services industry participants in the long run because it will be a lot more liquidity in the system. The very positive implications for wealth management and private banks are clear for everyone to see."

### Exchanges look ahead

Another panellist highlighted the developments taking place at the Swiss Stock Exchange, which he remarked has a great history of innovation. "They'

are building a whole new edifice around tokens alongside the traditional exchange,” he noted. “They are building an asset issuance platform, with all assets recorded as tokens on blockchain, and with a matching engine, so there will be primary and secondary markets. Apparently, they think that in 10 years the tokenised platform will have more business on it than the existing platform. And it is going to be faster and lower cost and available 24/7. Other major exchanges around the world are also making similar moves or noises.”

A panellist addressed some of the hurdles that need to be overcome on the path to tokenisation. “For wealth management businesses, there is

the potential today of a cloud-based solution that allows wealth management organizations to white label their wealth services technology and is able to actually get to market a lot faster and a lot cheaper than trying to build these solutions themselves. Within that environment, that ecosystem then you have the ability to introduce what we refer as digital asset products. In short, you can approach this from a very measured standpoint, you can work with partners that have the technology capabilities that would complement taking your existing business operations and starting to digitise them without having to spend a fortune.” ■

