

The logo for AsiaNext, with 'ASIA' in blue and 'NEXT' in orange, set against a background of a city skyline and a Ferris wheel.

ASIANEXT

By SBI Digital Asset Holdings and SIX Group

Institutional Insight. Digital Foresight.

The Next Wave: Institutional Adoption Of Digital Assets – is the infrastructure ready for wealth managers?

Presenter: Sudeep Chatterjee – Head of Product, AsiaNext

HUBBIS DIGITAL ASSETS IN WEALTH MANAGEMENT FORUM

Wednesday 29 November 2023, Singapore

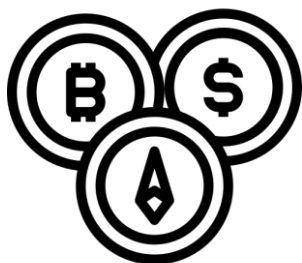
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AGENDA

- ▲ **1. Which Digital Assets Are Relevant for Wealth Managers**
- ▲ **2. Advancements in the Industry and Infrastructure**
- ▲ **3. How Are Crypto & Digital Assets Evolving for Wealth Clients**

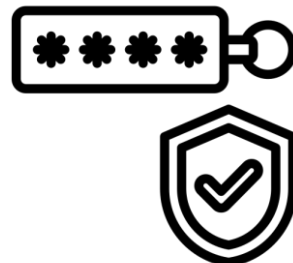
Which digital assets are relevant for wealth managers

The relevance of digital assets for wealth managers depends on factors such as risk tolerance, client preferences, and the overall investment strategy. Digital assets that wealth managers find relevant:



Cryptocurrencies

- ✓ Portfolio diversification
- ✓ 24/7 access (i.e. exchange)
- ✓ Faster reaction time
- ✓ Better control of position & risk
- ✓ More liquidity



Security tokens

- ✓ Improved compliance
- ✓ Operational, cost and capital efficiency
- ✓ Access to new asset classes e.g. real estate, art
- ✓ Global and wider investor access, better liquidity
- ✓ Secure and transparent way to track ownership

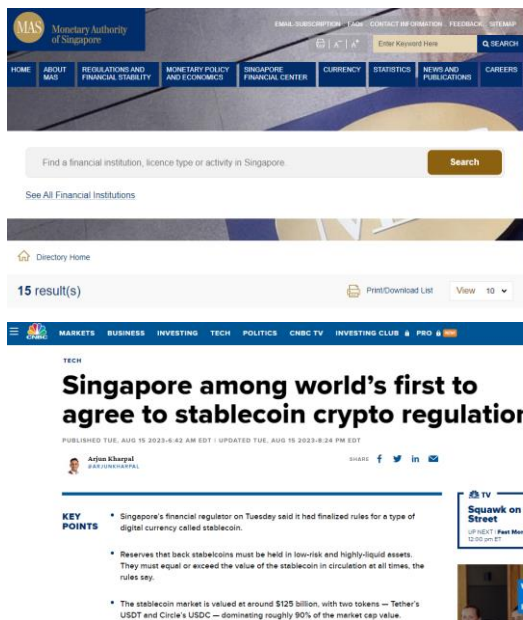


Blockchain & Crypto ETP (AMC, ETN, ETF)

- ✓ Portfolio diversification via actively or passively managed funds
- ✓ Access within familiar infrastructure
- ✓ Liquidity
- ✓ Regulatory clarity

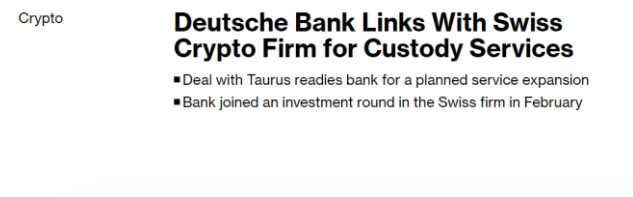
Advancements in the industry and infrastructure

Regulation (SEC, MAS)



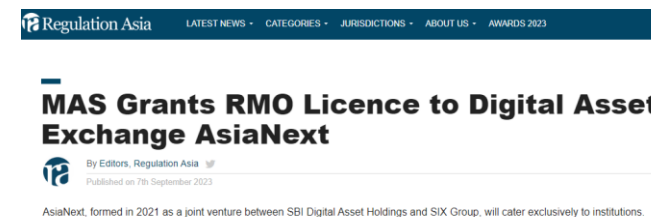
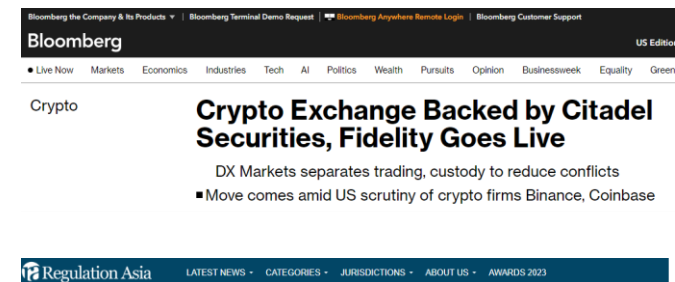
- 15 licensed DPT players in Singapore
- MAS issues rules for stablecoin
- SEC clarification on digital assets being commodities vs securities

Institutional interest and infrastructure



- Spot BTC ETF applications by: Blackrock, Fidelity, Grayscale, VanEck, WisdomTree, Invesco, Ark Invest, 21Shares
- Deutsche Bank announced a new partnership with Swiss crypto firm Taurus to provide custody services for institutional clients' cryptocurrencies




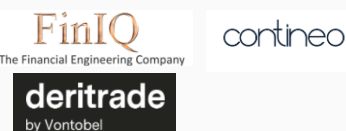

Institutional grade trading venues



- Trusted (and regulated) entities
- Improved liquidity
- Governance & risk management
- KYC / AML / CFT and security
- Crypto derivatives (price action)
- Platform providers (OMS, PMS)







Advancements in the industry and infrastructure

Tokenized structured products – Participants (Illustrated only)

	<u>Issuer/Sell Side</u>	<u>Tokenization</u>	<u>Exchange</u>	<u>Trading Platforms</u>	<u>Investor / Buy Side</u>
					
Role	SP Issuer	Technology provider	Exchange	Technology provider	SP Subscriber
Current activities	<ul style="list-style-type: none"> Respond to RFQ/Pricing Manage orders Send documents e.g. term-sheet Trigger lifecycle events 	-	-	<ul style="list-style-type: none"> Order management & trading Connectivity to LP, Exchange 	<ul style="list-style-type: none"> Request RFQ/Pricing Manage orders with multiple issuers separately Process documents e.g. term-sheet Receive and manage lifecycle events
New activities / requirements	<ul style="list-style-type: none"> Send the listing / term-sheet information in machine-readable format to tokenization engine Send lifecycle information to tokenization engine Collaborate with Exchange to find LPs 	<ul style="list-style-type: none"> Produce standard documents and smart contract tokens Sends smart contract info. to Exchange/digital registry, LPs, data vendors 	<ul style="list-style-type: none"> Token/smart contract interfacing Provide infra to maintain S; CSD Link DLT/blockchain Listing, Price discovery, liquidity Trading & Settlement 	None (one time connectivity work to new LPs, Exchange)	<ul style="list-style-type: none"> Membership with Exchange <p><i>(Express interest with Issuers and trading platforms) (However, no more manual processing of documents/termsheets/ lifecycle events with multiple issuers)</i></p>
Benefits realised	<ul style="list-style-type: none"> Reduction in issuance costs Improved global distribution Automated regulatory compliant documents Short processing time, improve operational efficiency Improved access to capital 	N.A. (Benefits provider)	N.A. (Benefits provider)	<ul style="list-style-type: none"> Improved trading platform offering for both issuers and investors 	<p><u>Bank:</u></p> <ul style="list-style-type: none"> Enable <Click> & <Trade> for an increased % of SPs Improved pricing and liquidity from Issuers & other LPs Enhanced global access to SP <p><u>End Client:</u> Enhanced and improved SP offering</p>







How are crypto & digital assets evolving for wealth clients

Table 2: Which methods do you use to invest?

	Discretionary portfolio management	Advisory services	Robo-advisory	Online broker	Crowdfunding platforms
 Germany	29%	37%	15%	44%	19%
 Switzerland	59%	66%	39%	49%	35%
 United Kingdom	33%	41%	13%	34%	14%
 Hong Kong	61%	57%	36%	35%	38%
 Japan	22%	40%	15%	27%	9%
 Singapore	53%	59%	32%	36%	27%
Overall	43%	50%	25%	38%	24%

- ✓ Around half of the investors use investment advisory services, whereby an investor receives professional investment advice but retain decision-making
- ✓ Discretionary portfolio management (DPM) is the second most popular investment method

Table 4: To the best of your knowledge, into which of the following assets do you invest?

	Stocks/Equity	Bonds	Commodities	Private equity	Property	Investment funds	Exchange-traded funds	Crypto-currencies	Non-fungible tokens	Foreign exchange
 Germany	44%	20%	23%	28%	44%	36%	36%	40%	19%	19%
 Switzerland	40%	30%	48%	44%	47%	57%	45%	57%	45%	43%
 United Kingdom	51%	36%	18%	21%	38%	43%	16%	29%	15%	16%
 Hong Kong	64%	41%	38%	29%	34%	56%	44%	50%	32%	37%
 Japan	76%	32%	11%	5%	23%	34%	28%	15%	9%	27%
 Singapore	55%	33%	35%	26%	33%	40%	28%	29%	28%	40%
Overall	55%	32%	29%	25%	36%	44%	33%	37%	25%	31%

- ✓ Cryptocurrencies continued to gain popularity, 42% of Europe and 31% of Asia investors hold crypto
- ✓ 84% of respondents who currently invest in crypto do so directly via exchanges, only 50% via their wealth manager

Source: [Avaloq 2023 investor survey: The five dimensions of investor behavior](#). Survey of 3,000 investors aged 18 and above across six European and Asian markets. 57% of respondents were mass-affluent (with investable assets of USD 250,000 to USD 1 million) while 37% fell within the high net worth (HNW) segment (with investable assets of USD 1 million to USD 50 million) and 6% within the ultra-high net worth (UHNW) bracket (with investable assets above USD 50 million). The survey was conducted in February and March 2023.

How are crypto & digital assets evolving for wealth clients

Wealth managers entering the digital assets space are recommended to assess if:

- sufficient know-how exists in this area or whether new personal needs to be hired
- the extension of the activity to digital assets requires an approval of the relevant regulator
- organisational changes are required
- there is a need for an amendment of existing policies or the drafting of new policies
- there is an impact of the risk and compliance framework
- changes in the contractual framework, general terms and conditions, and the risk disclosures are necessary (with the client)

APPENDIX

ASIANEXT

By SBI Digital Asset Holdings and SIX Group

The Global Exchange for Digital Assets

Institutional Insight. **Digital Foresight.**

November 2023

Evolution of digital assets

93%

institutional investors

believe in the long-term value of blockchain technology and digital assets

25%

increased digital assets related investment plans holdings in 2022

50% would likely switch to traditional finance firm

from a crypto native firm if the same capabilities were offered

69%

expect to increase their allocations to digital assets within the next two to three years

Source: Ernst & Young's study – [Staying the course: institutional investor outlook on digital assets](#)



When two institutional innovators join forces



SBI Holdings is a finance focused group based in Tokyo, Japan. Their business centres around **an Internet-based ecosystem, facilitating a diverse array of financial services, encompassing securities, banking, and insurance.**

Project Guardian

SBI Digital Asset Holdings, DBS and UBS completed the world's first live repo transaction with naively issued digital bonds on a public blockchain

42 million accounts

for various financial services

21 countries

with SBI Offices

#1 in number

of securities accounts in Japan

2nd largest

exchange in Japan (Japannext)

Large investor in blockchain and crypto sectors globally



Headquartered in Zurich, SIX provides and operates stable and efficient infrastructure for the Swiss and Spanish financial centres (via BME).

- UBS **launches world's first native digital bond** on SIX Digital Exchange (SDX) and SIX Swiss Exchange
- City of Lugano issued first digital native bond on SDX
- Collaborates with Swiss National Bank to **pilot wholesale CBDC issuance in Switzerland**

122 banks and FI's

SDX is owned by its users

3rd largest exchange operator in Europe

following the acquisition of Bolsas y Mercados Españoles (BME)

2bn daily accesses

to its IT network

#1 Best Innovation

in Market Infrastructure

Fostering global liquidity with trusted institutional investors



Providing discerning institutions with a secure platform to execute market strategies and seamlessly trade digital assets with confidence.

- ✓ Strategic and innovative alliances
- ✓ Tailored for institutional investors
- ✓ Rigorous governance
- ✓ Robust risk management
- ✓ Institutional-grade policies and processes
- ✓ Regulated by the Monetary Authority of Singapore *
- ✓ Fair, orderly and transparent

* The Monetary Authority of Singapore has granted Asia Digital Exchange Pte. Ltd. its Recognised Market Operator (RMO) licence and in-principle approval of Capital Markets Services (CMS) licence. As crypto derivatives is not a regulated product, this is offered through a separate unregulated subsidiary. AsiaNext however adheres to the same strict standards of regulatory compliance and corporate governance for all its activities.

AsiaNext's Three Exchanges

Asia Digital Exchange Holdings Pte Ltd

Asia Digital Exchange Pte Ltd

Securities tokens (STO) Exchange

- CMSL¹: dealing in capital markets products & providing custodial services
 - RMO²: operating STO exchange
- (In-principle approval of CSML; RMO full licence received on 6th September 2023)

Bankable Assets

- Fixed Income
- Private Equity Certificates
- Structured Products

Non-Bankable Assets

- Real Estate
- Renewable Energy

Asia Digital Asset Exchange Pte Ltd

DPT Spot Exchange

- Spot DPT³ vs. fiat
- DPT custody service via SDX or other regulated custodians
- MPI license application under PSA⁴ in mid-2022; expect licence in 2024

Digital Payment Tokens

- BTC, ETH, or other major established DPTs

Asia Digital Derivatives Pte Ltd

Derivatives Exchange

(Not MAS regulated activity but governed under AsiaNext's same strict institutional grade framework)
Go-live Q3 2023

Crypto Derivatives

- Calendar futures
- Perpetual swaps
- Options

Renewable Energy Certificates Futures

¹ Capital Markets Services Licence ² Recognised Market Operator

³ Digital Payment Token

⁴ Payment Services Act

INSTITUTIONAL INVESTORS NEED



Trusted and regulated
venues to trade

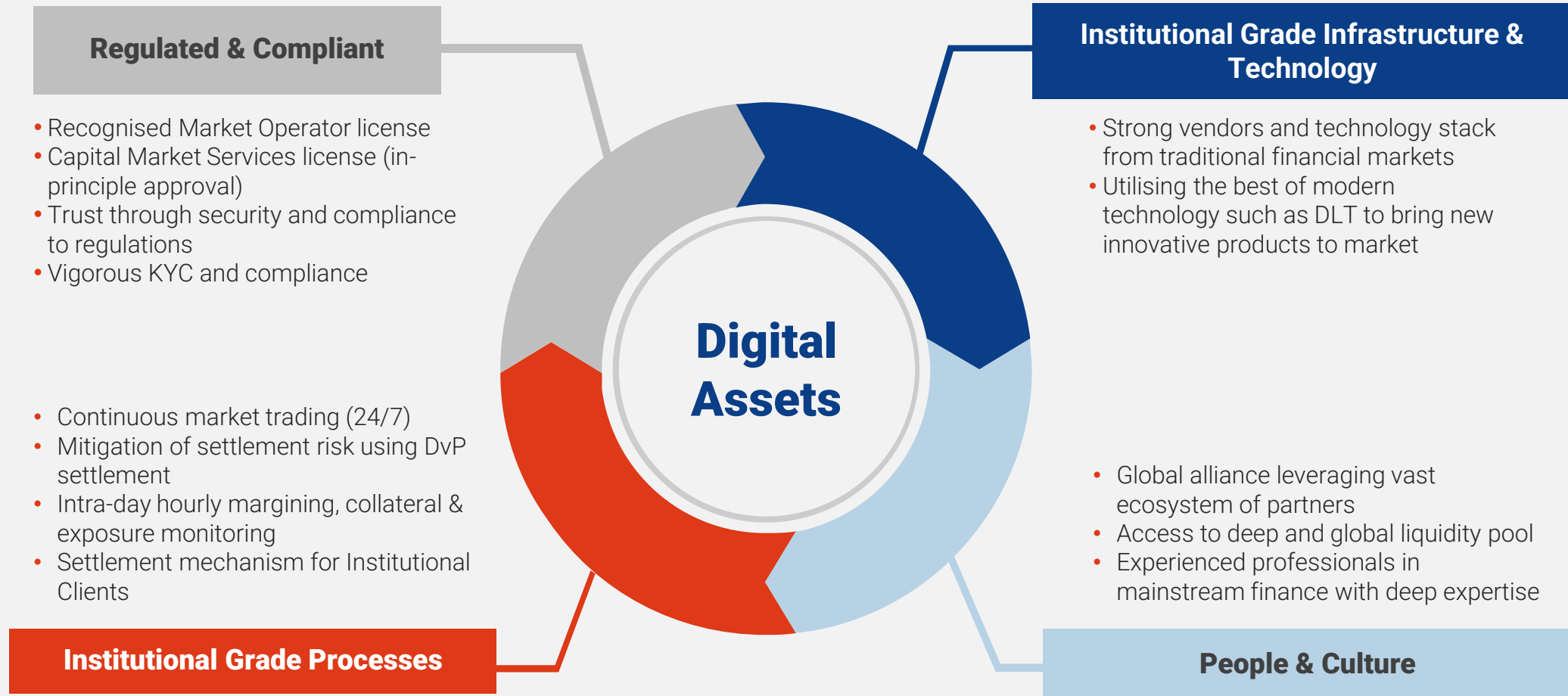


Safeguarding /
security of digital
assets



Strict processes
around AML/CFT
(Cryptos)

Fair, Orderly and Transparent



Our Offering Covers **Three Product Pillars**

**Crypto
Assets**

**Digital
Securities**

Sustainability



AsiaNext by SBI Digital Asset Holdings and SIX

THANK YOU



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