

**UNLOCKING THE POTENTIAL
OF DIGITAL ASSETS**

**AND TOKENIZATION IN
WEALTH MANAGEMENT**



SUMMARY

- *A intriguing Hubbis Digital Dialogue event unfolded in February, with a panel of experts analysing the fascinating evolution taking place in the world of digital assets and tokenization, and aiming to shed light on their growing impact on wealth management. The experts looked closely at the types of investment opportunities arising from established cryptocurrencies like Bitcoin and Ethereum and peered into the expanding array of tokenized assets, including those representing commercial real estate, private equity funds, carbon credits, and collectables, to name but a few.*

SPEAKERS



DAVID PACKHAM
Chintai



ALICE CHEN
InvestaX



SEAN LAWRENCE
Kaiko



MAURICIO RIBEIRO
MOIQ Capital

EXCLUSIVE PARTNER



CHINTAI

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Key Observations & Insights

TOPICS AND QUESTIONS ADDRESSED:

- » In the aftermath of the FTX collapse, and a host of other negative news in late 2021 and 2022, then the cryptocurrency recovery in 2023, is the worst over for investors in cryptocurrencies?
- » What are the infrastructure building blocks required for institutional investors, asset managers, private banks who want to work with digital assets?
- » How has regulation evolved since the crypto exchange chaos, and are the current safety measures adequate for investors within the existing digital assets ecosystem?
- » What are the regulatory updates we need to consider?
- » What is Tokenization? What kinds of tokenized assets might become popular in the future?
- » Why Should Asia's HNWI's and UHNWI's Invest in Digital Assets?
- » Should Private Banks and Wealth Managers Recommend Digital Assets as part of a comprehensive strategy? What clients are they suitable for?
- » How much should HNWI's and UHNWI's invest in digital assets?
- » What are the main obstacles for banks and wealth managers in starting a digital asset strategy?
- » How can banks and financial advisors teach their clients about cryptocurrencies and digital assets? What good will this do?
- » What changes or improvements do industry participants want to see in the new field of digital securities and tokenization?
- » How can one invest safely and smartly in digital assets? How should they keep these digital assets secure?
- » What's coming next for digital assets, and what does this mean for wealth management in Asia?



SETTING THE SCENE FOR THE DISCUSSION

The panel provided insights into the market's maturation, focusing increasing attention on crucial considerations for the wealth management industry, particularly the quality, governance, and regulatory landscape of the rapidly evolving digital assets ecosystem. This is especially pertinent now that there is a resurgence in demand for digital assets after the so-called 'crypto winter', a tumultuous phase in late 2021 and through much of 2022 that saw the downfall of key players like FTX, and collapsing Bitcoin and other crypto prices, leading to widespread scepticism about the future of the nascent industry.

But a period of introspection and adjustment has led to a more stable and robust digital asset environment that is now characterised by enhanced selectivity, greater caution, better self-governance, better regulation and oversight, greater attention to due diligence of assets and intermediaries, and a drive to adherence to best practices. Accordingly, amid tightening regulatory oversight and a gradual restoration of confidence among institutional investors, the introduction of innovative new access vehicles, such as cryptocurrency ETFs on traditional exchanges, private investors are again dipping their toes in these waters, or sometimes considerably more.

This renewed market enthusiasm, coupled with increased institutional interest, signals a new and more vibrant phase for digital asset investments. The panellists reflected on the strides towards stability and growth while emphasizing the need for further advances to secure these gains. With digital assets increasingly recognized as integral to future investment strategies, the discussion underscored the rising appetite in the wealth management industry in working more closely with clients to explore the widening universe of digital, especially tokenized assets, all underpinned by blockchain technology.

The panellists also drilled down into the complexities of the market infrastructure, the intricacies of compliance, optimal purchase mechanisms, custody solutions, and the challenges posed by market volatility.

They debated what advances are necessary for wealth management professionals to advocate more vigorously for digital assets and to help chart a path for a more informed and proactive approach towards embracing digital assets in wealth management.

Expert Opinion **DAVID PACKHAM, Founder, Chintai:**

"The growth of regulated digital assets and the tokenisation of Real-World Assets (RWA) are poised to expand dramatically as the technology to enable them matures. The projected market size for tokenised assets is anticipated to surpass USD 10 trillion by 2030, indicating massive growth from approximately \$300 billion today. Our trajectory aligns with this upward trend, positioning us for significant expansion."

"We embrace the entrance of additional players into the market as it signals a positive trend wherein RWA tokenisation attracts capital, talent, and essential resources, propelling it towards mass adoption. At Chintai, we believe that competitors both enhance industry efficiency and provide opportunities to service larger deal flow. We look forward to additional distribution channels, provided they can also appropriately handle regulation and compliance."

"The Monetary Authority of Singapore stands out as one of the most forward-thinking regulators in the security token space. The synergistic approach between policy and industry engagement, exemplified by initiatives like Project Guardian, enables multinational corporations (MNCs) and small to medium enterprises (SMEs), such as Chintai, to operate with utmost confidence."

"We consider ourselves fortunate to have secured a Carbon Credits project as our inaugural client in 2022, where we developed our in-house technological capabilities and industry-specific knowledge early on. Chintai continues to expand its footprint with clients in Asia in the decarbonisation, carbon credits and green hydrogen sectors. There is enormous growth potential in the Environmental, Social, and Governance (ESG) sector powered by blockchain technology. This enables immutability, security and audit trails that uniquely position it for emerging asset classes in this domain."



KEY TAKEAWAYS: NAVIGATING THE DIGITAL ASSET EVOLUTION

Unprecedented Market Growth: The digital assets market, including the rise of tokenization of Real World Assets (RWA), is on the brink of extraordinary expansion. With projections indicating the market could grow from \$300 billion today to over \$10 trillion by 2030, we are witnessing the maturation of technology that could revolutionise asset management and investment opportunities.

The Expanding Universe of Tokenization: The digital asset landscape is demonstrating the vast potential of tokenization, stretching from high-value items such as art and fine wine collections to traditional financial instruments like US Treasury bills, company ESOPs and carbon credits. This growing diversity not only showcases the flexibility of blockchain technology but also paves the way for its adoption across various sectors, bringing a new dimension to asset liquidity and investment opportunities.

Market Infrastructure Evolution: The development of more comprehensive and better managed and regulated infrastructure to support the market, including licensed and better-supervised custodians, higher quality broker-dealers and exchanges, all marks a significant step forward. This evolution addresses the operational backbone necessary for the digital asset market to mature, ensuring security, compliance, and efficiency in transactions.

Enhanced Market Efficiency and Expansion: The entry of new players into the digital assets space is a testament to the industry's potential for mass adoption. This influx of capital, talent, and innovation not only boosts market efficiency but also widens the scope for larger deal flows and broader distribution networks, provided regulatory and compliance standards are met.

Regulation is Improving: The global regulatory sector is improving in terms of its understanding of the technologies, the need for greater collaboration, and the market's wish for both sensible but strict rules and oversight. Governance and self-governance are also gradually improving after the 'crypto winter'. The proactive stance of regulators, particularly highlighted by the Monetary Authority of Singapore, underscores a global shift towards embracing digital assets within a regulatory framework that fosters innovation while ensuring market confidence. Such regulatory advances are evidently absolutely critical for the sustainable growth of the sector.

Collaboration and Standardization: The future success of the digital asset industry hinges on overcoming fragmentation through collaboration and greater standardization. Establishing common standards for token issuance and trading is essential for ensuring liquidity and interoperability, critical factors for the industry's sustainability and expansion.

Innovative Distribution Strategies: Addressing the distribution challenges is critical for the widespread adoption of tokenized assets. Solutions such as better connectivity and interoperability between blockchain and traditional financial systems highlight the innovative approaches being explored to bridge this gap. These strategies are vital for integrating digital assets into mainstream financial markets, ensuring their accessibility and utility for a broader audience.

Infrastructure and Education as Foundations for Adoption: The evolution of market infrastructure, alongside concerted efforts to demystify digital assets for both institutional and retail participants, lays the groundwork for widespread adoption. Addressing the current fragmentation and standardisation challenges through collaboration will be pivotal in transitioning digital assets from niche to mainstream.

A Compelling Future Growth Trajectory: The anticipation of larger and more diverse issuance in the realm of digital assets suggests an industry on the cusp of significant growth. This growth, however, requires addressing challenges related to demand, distribution, and improving the technical linkages and aspects, and improving and overcoming regulatory complexities.

Current State and Future Outlook of Digital Assets and Tokenization

The digital assets landscape is undergoing rapid transformation, spurred by events such as the collapse of FTX, which served as a wake-up call for the industry. That incident not only highlighted the vulnerabilities within the sector but also paved the way for a concerted effort towards regulatory, compliance and operational transparency.

The aftermath saw a bifurcation in the industry's response: a segment undertook voluntary measures to elevate their practices, aligning closer with traditional financial standards, while others were compelled by the circumstances (or regulators) to overhaul their entire operational frameworks. This shift towards incorporating more and better Anti-Money Laundering (AML) and Know Your Customer (KYC) protocols, previously overlooked by many crypto exchanges and intermediaries, represents a significant step towards mainstream acceptance and regulatory compliance.

The enthusiasm surrounding the tokenization of real-world assets, particularly in the context of carbon credits, signifies the industry's move beyond cryptocurrencies to explore more tangible applications of blockchain technology. The potential for digital assets to streamline and democratize access to investment opportunities in real-world assets, from real estate to commodities, is immense. This transition is not just about technological innovation but also about creating a more inclusive financial system

Expert Opinion

ALICE CHEN, Co-founder & General Counsel, InvestaX:

"What are the infrastructure building blocks required for institutional investors, asset managers, private banks who want to work with digital assets? To accelerate adoption, there's a critical need for comprehensive education initiatives aimed at both institutional and retail participants, demystifying digital assets and distinguishing between utility tokens versus security tokens. For firms trying to get into the digital asset space, building internal knowledge and understanding of the digital asset space through training and hiring specialists will be needed."

"What is tokenization and what kinds of tokenized assets might become popular in the future? 'Tokenization' momentum and narrative are high because the infrastructure is now ready for end-to-end issuance, combined with the DeFi meltdown that we saw in 2022/2023 where there was no yield available for crypto investors. So we witnessed the first tokenized treasury bills paying high yields, and the DeFi industry created the acronym 'RWA', for real world assets, and we are now seeing new RWA tokens coming to market, including money market funds, structured products, private credit/debt."

"There is also a lot of fragmentation in the [digital assets] space, with different firms tackling the same problem separately resulting in a lack of liquidity on any particular platform. There is a lack of common standards for token issuance, trading and settlement, and the lack of interoperability between service providers within the ecosystem. I personally take the view that we need more collaboration within our industry as early pioneers so the industry can continue to grow and mature, allowing for mainstream adoption. Collaboration between Tradfi and fintech innovators is also needed to accelerate development and build trust."

"The cry for regulatory clarity masks a deeper desire for a wild west, where digital pioneers operate beyond the reach of traditional laws and in a world where innovation outpaces regulation. But in the world of digital securities and RWA tokenization, building trust based on regulatory compliance is crucial. Today, the industry still faces significant challenges due to the lack of awareness and understanding of tokenization and a lack of clarity around the legal status of various tokenized assets, each with its own distinct features and legal applications."



where assets can be fractionalized, making them accessible to a broader range of investors in the ‘democratisation’ of investment access to many assets that might not be investible by ordinary private clients, wine or whiskey collections, and so forth.

Exchange-Traded Funds (ETFs) for cryptocurrencies like Bitcoin and potentially Ethereum mark another milestone towards integrating digital assets within the traditional financial ecosystem. These developments not only offer retail and institutional investors regulated pathways to invest in digital assets but also signify the growing confidence of regulatory bodies in the stability and maturity of the digital assets market. The move towards tokenization and the approval of cryptocurrency ETFs are both symptomatic of and catalysts for the broader acceptance and adoption of digital assets.

The experts predicted that the coming years will witness a shift from the current more theoretical discussions to a far greater practical application and widespread implementation of tokenization projects.

This transition is expected to unveil the efficiencies and benefits of blockchain technology in streamlining operations, enhancing liquidity, and reducing costs across various sectors. The industry’s credibility, once tarnished by high-profile failures and scepticism, is on the mend, with significant financial players now revisiting and investing in digital asset initiatives. This renewed engagement heralds a promising future for the tokenization of assets, poised to redefine the

Expert Opinion

MAURICIO RIBEIRO, Partner, MOIQ Capital:

“I find myself constantly engaged and enlightened by discussions in this space, particularly because my background is deeply rooted in wealth management, despite having been involved with cryptocurrencies since as early as 2011. It’s a unique vantage point that allows me to bridge traditional finance with the burgeoning world of digital assets.”

“The mainstream acceptance of digital assets is no longer a distant reality but is unfolding before us, primarily through the integration with traditional financial systems. We’re witnessing a transformative phase where traditional assets like bonds, stocks, and alternative investments are increasingly being tokenized.”

“The next generation has grown up with digital technologies at their fingertips, trading cryptocurrencies and NFTs with ease. This familiarity makes digital assets far more accessible and understandable for them compared to older generations, indicating a significant shift in investment paradigms.”



paradigms of investment, ownership, and asset management.

Challenges and Opportunities in Wealth Management Adoption

The integration of digital assets into wealth management practices faces a complex web of challenges and opportunities. On one hand, the rapid evolution and the inherent complexity of digital assets pose a significant hurdle for wealth managers and financial advisors, many of whom remain divided on the issue. The divide is not just philosophical but also practical, with a significant portion of the industry still grappling with the basic understanding of digital assets, let alone the nuanced distinctions between security tokens, cryptocurrencies, and the regulatory implications of each.

Education emerges as a critical need in bridging this gap. The lack of comprehensive and accessible information on digital assets, compounded by the fast-paced introduction of new concepts and instruments (for example, liquidity bootstrapping), adds layers of complexity for professionals tasked with advising clients on these emerging asset classes.

The situation is further complicated by the regulatory environment, which remains a moving target with varying degrees of clarity and enforcement across jurisdictions. This uncertainty makes it challenging for wealth managers to confidently navigate the digital assets space, recommend strategies to clients, or even integrate digital assets into broader portfolio considerations.

However, the evolving landscape of digital assets also presents unparalleled opportunities for wealth management practitioners. The tokenization of real-world assets, for example, opens up new avenues for investment that were previously inaccessible or illiquid, offering the potential to diversify portfolios in ways that were not possible before. Moreover, the generational shift in wealth and the growing comfort of younger investors with digital assets and technologies suggest a future where digital assets could become a staple in investment portfolios.

The increasing interest from mainstream financial institutions and the development of investment vehicles like ETFs for digital assets are signs of a maturing market. These developments not only provide a regulated pathway for investment in digital assets but also signify a level of institutional endorsement that can alleviate some of the hesitations among wealth managers and their clients. As the industry continues to evolve, the role of wealth managers will be critical in guiding clients through the complexities of digital assets, leveraging educational resources, and staying abreast of regulatory changes to navigate this emerging landscape effectively.

Regulatory Landscape and Compliance

The regulatory landscape for digital assets is as diverse as it is complex. Jurisdictions around the world have taken varied approaches to the regulation of digital assets, reflecting a broad spectrum of attitudes towards innovation, risk, and consumer protection. This inconsistency presents a significant challenge

Expert Opinion

SEAN LAWRENCE, Head of APAC, Kaiko:

"In the aftermath of the FTX saga, it's noteworthy that major firms, previously focused on building proof of concept custody platforms, have not only stayed the course but accelerated their pivot towards tokenization. This demonstrates a resilience and commitment to innovation in the digital asset space, contrary to retreating in the face of adversity."

"A critical yet often overlooked challenge within the tokenization space is distribution. The industry's preoccupation with technological advancements has somewhat shadowed the need for robust strategies to ensure that these tokenized assets reach a wider audience effectively."

"Reflecting on the regulatory progress made within the digital asset sector, it's difficult not to feel a sense of satisfaction. Regulators worldwide are stepping up, finally addressing the complexities of this space with the seriousness it demands. This marks a pivotal moment in legitimizing and integrating digital assets within the global financial ecosystem."



for global operations and for investors looking to navigate the legal implications of their digital asset activities. The US, for example, has taken a cautious approach, with regulatory bodies expressing scepticism and, in some cases, implementing stringent measures against digital asset operators. Conversely, jurisdictions like Singapore and Hong Kong have emerged as pioneers, establishing comprehensive frameworks that aim to balance innovation with investor protection.

The need for regulation extends beyond simple compliance; it's about building a foundation of trust and stability in the digital assets market. Derivatives legislation and the treatment of Over-The-Counter (OTC) trades

are among the areas where regulatory clarity is sorely needed. These aspects of the financial market have well-established frameworks in traditional finance, but their application to digital assets remains ambiguous in many jurisdictions. The absence of clear guidelines not only stifles innovation but also limits the potential for digital assets to integrate more seamlessly with existing financial systems.

Moreover, the implementation of regulatory frameworks is not just about policing the market but also about enabling it. Proper regulation can foster innovation, ensure fair practices, and protect investors, all of which are crucial for the long-term sustainability of the digital assets market. The focus on Anti-Money Laundering (AML) and Know

Your Customer (KYC) compliance, for example, is a step towards aligning digital assets with global financial standards, making them more palatable for institutional investors and financial institutions.

The public versus private blockchain debate is another aspect where regulatory perspectives and technological understanding will play a critical role. Public blockchains offer transparency and inclusivity, aligning with the ethos of decentralization that underpins much of the digital assets movement. However, regulatory comfort with these open systems varies, with some jurisdictions mandating the use of private blockchains for financial transactions. This stance may limit the potential for interoperability and the broad-based adoption of blockchain technology, underscoring the need for ongoing dialogue between regulators, technologists, and the financial industry to reconcile these differences.

As the digital assets industry continues to evolve, the regulatory landscape will undoubtedly adapt. The challenge for regulators is to remain agile, informed, and responsive to the needs of an industry that is redefining the boundaries of finance, technology, and law. The journey towards comprehensive and harmonised digital asset regulation is complex but essential for unlocking the transformative potential of this new asset class.

Real-world Applications

The digital asset industry's growth is exemplified through practical applications and case studies that

demonstrate the versatility and potential of tokenization. Experts from the field share insights into how infrastructure for tokenizing any asset on chain is being developed, incorporating licensed custodians, broker-dealers, and trading venues into a cohesive system. This infrastructure paves the way for innovative projects like IX Swap, aimed at providing liquidity for security tokens and real-world asset tokenization (RWA) projects, drawing parallels with Uniswap but tailored for a different asset class.

The range of assets that have been tokenized is diverse, including luxury items like Ferraris, gemstones, art, popular NFTs, carbon credits, the US Dollar, and financial instruments like T-bills, or governance and 'value' vehicles such as corporate ESOPs, all showcasing the broad applicability of tokenization. These examples highlight the potential for tokenization to bridge the gap between various asset classes and the blockchain, facilitating on-chain settlements and introducing efficiencies previously unseen in traditional financial markets.

The panel mentioned the tokenization in Singapore of the Singapore Variable Capital Company (VCC) as illustrative of the industry's move towards embracing more sophistication around use cases. This endeavour not only broadens the scope of tokenization but also enhances the appeal of digital assets to a more traditional investor base, familiar with such structures in the private sector. The tokenization of a company's ESOP into a DESOP [Digital ESOP] further exemplifies the innovative use of blockchain technology to provide solutions to longstanding challenges within

corporate finance and employee incentive schemes.

What's coming next?

Looking ahead, the digital asset industry stands on the brink of significant expansion, with experts predicting an increase in the scale of issuances, potentially reaching billions in value. This optimistic outlook is tempered by the realization of challenges, particularly around servicing these large-scale tokenizations effectively and ensuring there is sufficient demand to match the supply. The success of these efforts hinges not only on the technical delivery and compliance but also on the ability to create an ecosystem of partners, including large financial institutions, to support the distribution and liquidity of tokenized assets.

The anticipation of larger financial players entering the tokenization space suggests a growing acceptance of the technology and its potential benefits. This involvement could bring about a paradigm shift, where tokenization becomes a standard practice for a wide range of assets, supported by a robust and interoperable infrastructure that facilitates seamless transactions and settlements. However, this future also necessitates a concerted effort to address the fragmentation within the industry, advocating for a unified standard for token issuance and trading to ensure liquidity and interoperability across platforms.

Moreover, the distribution of tokenized assets is identified as a critical hurdle, with innovative solutions being explored to bridge the gap between blockchain technology and

traditional financial systems. The development of translation layers to facilitate the integration of blockchain-based exchanges with conventional broker systems exemplifies the kind of innovation required to achieve widespread distribution and acceptance of tokenized assets.

As the industry moves forward, the collaboration between incumbents and innovators, alongside the development of technology that enhances the accessibility and efficiency of digital assets, will be crucial. The expansion of the tokenization ecosystem, driven by both technological advancements and strategic partnerships, promises to redefine the landscape of investment and

asset management, making it more inclusive, efficient, and versatile. The journey towards this future, while fraught with challenges, offers unparalleled opportunities for innovation and growth, heralding a new era in the financial industry where digital assets play a central role.

Final Thoughts

The digital asset and tokenization sector is at a pivotal juncture, marked by rapid innovation, diverse applications, and growing interest from traditional financial sectors. As this report highlights, the journey from niche novelty to mainstream acceptance is fraught with challenges, including the need for robust infrastructure, regulatory clarity, and industry standardization.

However, the potential rewards are immense, offering unprecedented liquidity, efficiency, and access to a broader range of assets. Collaboration between innovators and traditional financial institutions, alongside the development of technologies that bridge the gap between blockchain and existing financial systems, will be crucial. As we look to the future, the industry's ability to navigate these challenges, foster transparency, and embrace regulatory compliance will determine its success in reshaping the financial landscape. The digital asset revolution is not just about technology; it's about reimagining the very fabric of financial interactions and investments for the digital age.

CRYPTOCURRENCIES AND DIGITAL ASSETS FOR PRIVATE CLIENTS: GLASS HALF FULL OR HALF EMPTY?

Findings from the Hubbis Post-Discussion Survey on Digital Assets

The cryptocurrency market and the broader digital asset landscape have undergone significant transformations, navigating through periods of volatility and regulatory scrutiny. The aftermath of events such as the FTX collapse in late 2021 and early 2022 tested the resilience of the sector, while the subsequent recovery in 2023 signalled renewed optimism among investors and market participants.

A post-event Survey conducted amongst delegates after our February 2024 Digital Dialogue discussion provides insight into the current sentiment and outlook for cryptocurrencies and digital assets, particularly in the context of mass affluent clients, high-net-worth individuals (HNWIs) and ultra-high-net-worth individuals (UHNWIs) in Asia. The sum of their views would indicate that the glass is slightly more half-full than half-empty and that there is huge potential for further evolution and adoption.



Hubbis asked: In the aftermath of the FTX collapse and other negative news in late 2021 and 2022, then the cryptocurrency recovery in 2023, is the outlook again rosy for some of the main cryptocurrencies?

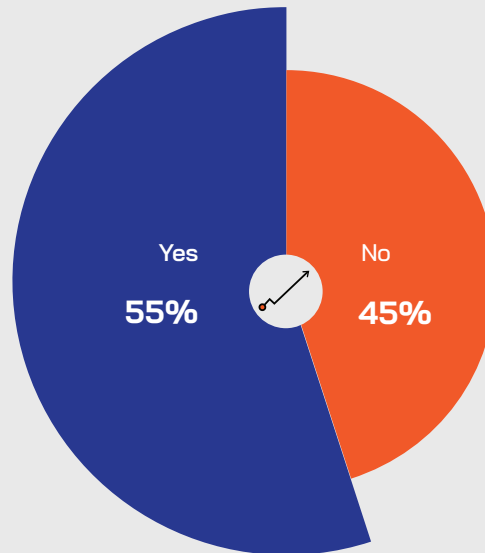
The cryptocurrency landscape has experienced a tumultuous journey from the highs of unprecedented growth to the lows of significant collapses, such as the FTX fallout in late 2021 and 2022. However, the recovery in 2023 marks a pivotal turn in the sector’s outlook. A survey conducted to gauge sentiments around the future of cryptocurrencies reveals a cautiously optimistic stance among market participants.

A small majority of respondents affirm a positive outlook for the main cryptocurrencies post-recovery. This optimism is rooted in the belief that the market’s consolidation—seeing weaker players exit and regulations strengthen—will restore and boost confidence among investors. This view is supported by a respondent who notes that the market would now pivot towards mature growth, emphasising that the shakeout has indeed cleansed the ecosystem, allowing more robust players to dominate.

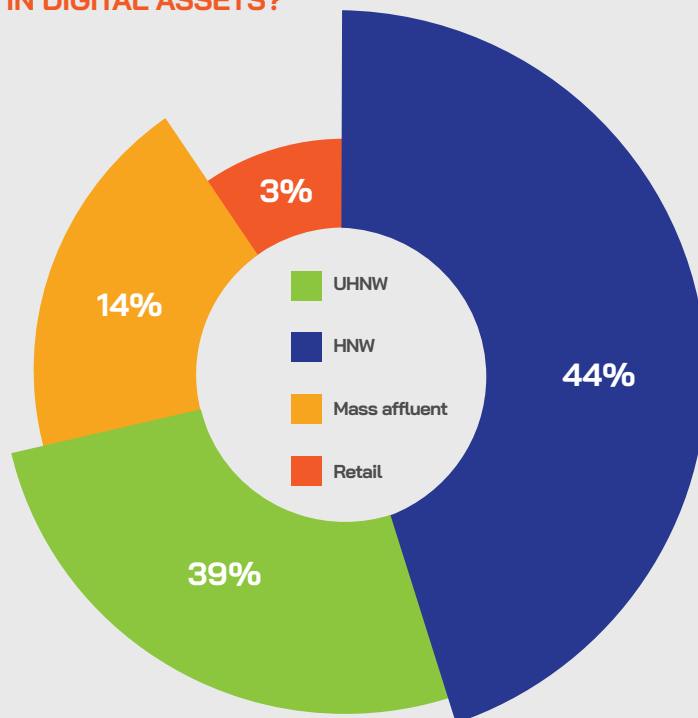
The survey also captures varied perspectives on the sustainability of cryptocurrencies. While a majority remain bullish, noting the intrinsic value propositions of cryptocurrencies such as Bitcoin, especially given its mining complexities and scarcity,

The Hubbis Post-Event Survey

DO YOU THINK THAT CRYPTOS REPRESENT A SHREWD INVESTMENT AS A HEDGE AGAINST RISING INFLATION AND QUESTION MARKS OVER THE STRENGTH OF THE GLOBAL FINANCIAL SYSTEM AND FIAT CURRENCIES?



WHICH CATEGORIES OF PRIVATE CLIENTS DO YOU FEEL ARE MOST APPROPRIATE FOR INVESTMENT IN DIGITAL ASSETS?



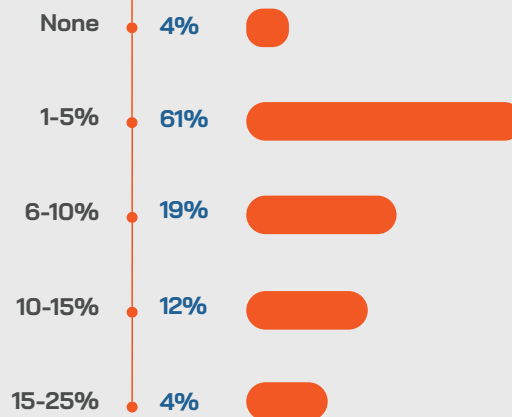
there are voices of caution. Some respondents are not fully convinced, pointing out that the market still needs to mature and that genuine value growth isn't a guaranteed outcome of the current cleanup.

There's an acknowledgment of the evolving landscape where digital assets, including cryptocurrencies, are increasingly subjected to rigorous regulatory frameworks. This change is seen as a double-edged sword; while it could deter speculative plays and enhance market stability, it also raises the barrier for entry and innovation. The approval of Bitcoin ETFs by regulatory bodies like the SEC is cited as a positive development, potentially broadening the investor base and integrating digital assets more firmly into the traditional financial system.

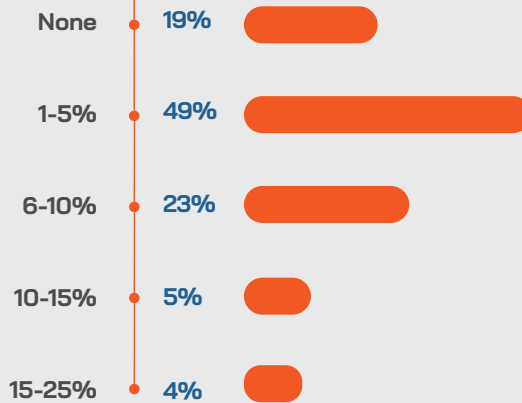
The sentiment around the role of traditional financial practices, such as Anti-Money Laundering (AML) and Know Your Customer (KYC) norms, is also changing within the digital asset space. The aftermath of high-profile scandals has spurred a move towards adopting these practices more widely within cryptocurrency exchanges, aiming to align the sector closer to conventional financial standards.

Despite the prevailing optimism, scepticism remains. Some respondents highlight the ongoing challenges in distinguishing between legitimate projects and scams, underlining the need for greater transparency and investor education. The question of whether cryptocurrencies can withstand potential economic downturns and capitalise on stimulus measures

IN THE UHNW AND HNW CATEGORIES, WHAT PERCENTAGE OF A TOTAL INVESTMENT PORTFOLIO COULD/SHOULD BE ALLOCATED TO CRYPTOS AND OTHER DIGITAL ASSETS?



IN THE MASS AFFLUENT AND RETAIL CATEGORIES, WHAT PERCENTAGE OF A TOTAL INVESTMENT PORTFOLIO COULD/SHOULD BE ALLOCATED TO DIGITAL ASSETS?



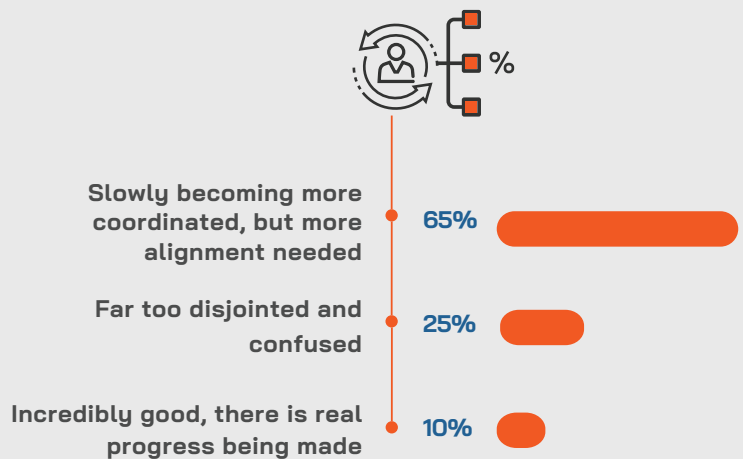
during recessionary periods also looms large.

In conclusion, the replies to this question paint a picture of a cryptocurrency market at a crossroads, emerging from a period of intense scrutiny and volatility with a cautious but prevailing optimism. The emphasis on regulatory compliance, investor protection, and the integration of traditional financial practices into the digital asset space suggests a maturing market. However, the path ahead is complex, with challenges in ensuring transparency, fostering innovation, and maintaining investor confidence amid evolving economic conditions. The future of cryptocurrencies, while promising, remains contingent on how these dynamics unfold, signalling a critical period of adaptation and growth for the sector.

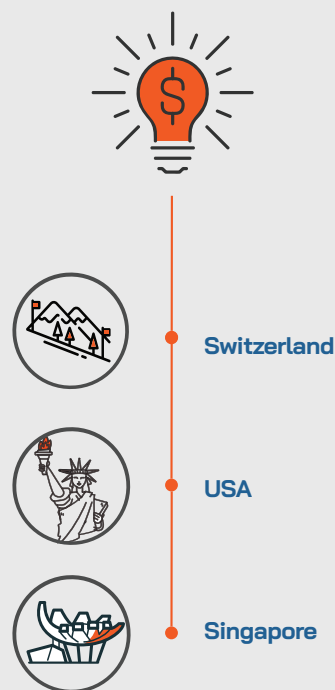
Hubbis also asked: Should Asia’s HNWIs and UHNWIs be investing more in Digital Assets, which types, and should the wealth industry be doing more to cater to those needs?

The opinions among the wealth managers and investors we polled were split but lean somewhat towards some integration of the liquid and established digital currencies and other forms of digital assets such as tokenisation into investment portfolios, highlighting an evolving

HOW WOULD YOU CHARACTERISE THE GLOBAL REGULATORY ENVIRONMENT FOR CRYPTOS AND OTHER DIGITAL ASSETS?



WHICH ARE THE TOP 3 JURISDICTIONS OFFERING THE BEST REGULATION AND LICENSING ON DIGITAL ASSETS, IN YOUR OPINION?



understanding and acceptance of these assets.

Those in favour of Digital Asset investments

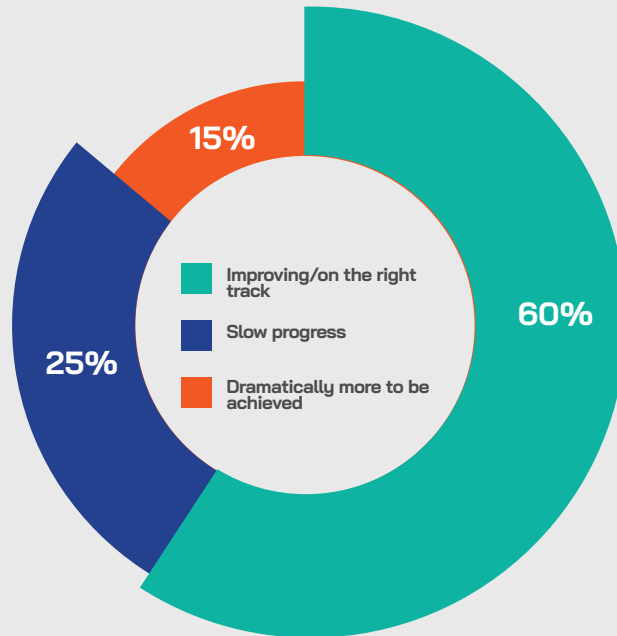
Proponents argue for the inclusion of digital assets, emphasising the role of the wealth industry in educating HNWI and UHNWI about the potential benefits and risks. They advocate for investments in established cryptocurrencies, viewing them as a means for diversification and potentially higher returns compared to traditional asset classes. This group sees the regulatory and operational advancements in jurisdictions like Singapore as a positive step towards a more secure and transparent digital asset market. The enthusiasm is further buoyed by notable developments such as the approval of Bitcoin ETFs, which are seen as milestones in enhancing digital asset adoption.

Supporters suggest a cautious but strategic approach, recommending a limited yet significant allocation towards digital assets based on the client’s risk profile and knowledge. They believe that with proper education and infrastructure enhancement, the wealth industry can cater effectively to the growing interest among young HNWI and UHNWI in digital assets, thus diversifying their portfolios beyond traditional tokens and tapping into innovative investment avenues like blockchain technology.

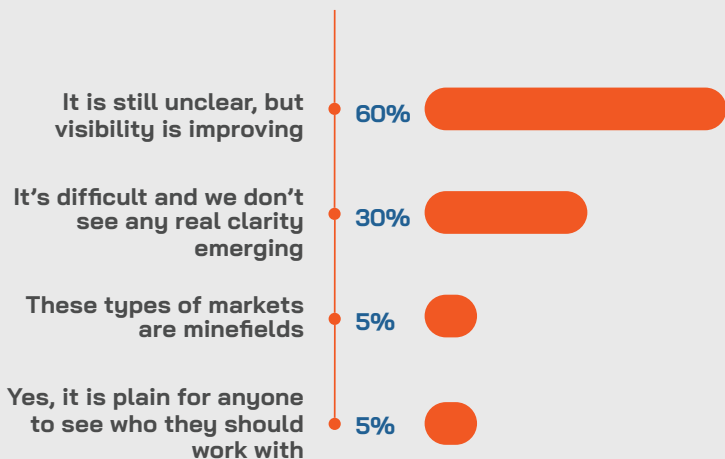
The sceptical and cautious Voices

On the flip side, some voices express scepticism, cautioning

HOW WOULD YOU CHARACTERISE THE DIGITAL ASSETS ECOSYSTEM IN TERMS OF EXCHANGES, BROKERAGES AND SPECIALIST INTERMEDIARIES TODAY?



IS IT SUFFICIENTLY CLEAR/UNDERSTANDABLE AS TO WHICH DIGITAL EXCHANGES, BROKERAGES AND SPECIALIST INTERMEDIARIES ARE REGULATED AND TRUSTWORTHY TODAY, OR IS IT STILL VERY CLOUDY?



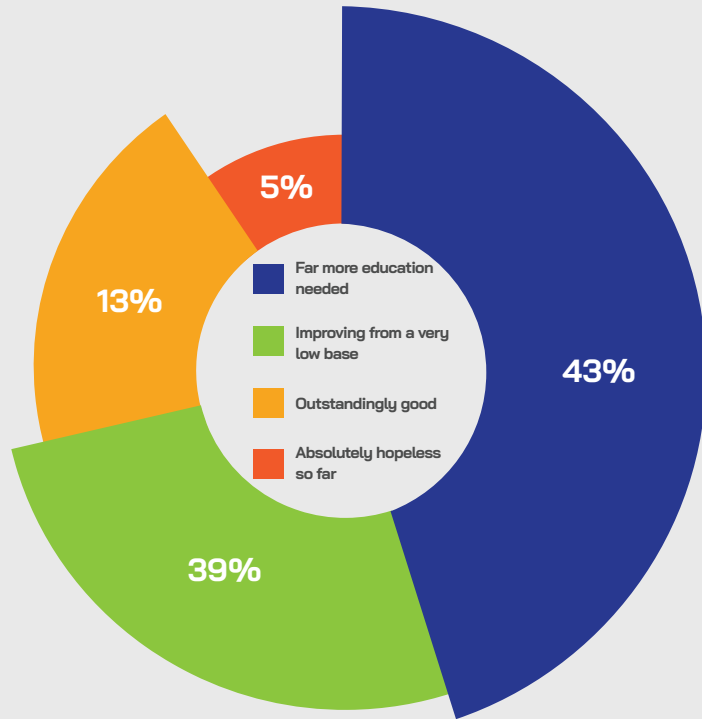
against the speculative nature and perceived risks of digital assets. Critics highlight the volatile nature of the market, suggesting that investments, if any, should be minimal and well-considered. Concerns about the intrinsic value of digital currencies and the longevity of the digital asset boom are prevalent, with some viewing the market as akin to a “casino” lacking in “real” value. This camp stresses the need for better education and understanding of the asset class before making significant investments.

Moreover, the cautious segment points to the relative disinterest in digital assets among Asian HNWIs/UHNWIs compared to traditional asset classes, attributing it to a lack of understanding and the need for more substantial educational efforts from the wealth industry. They urge a more guarded approach, advising investments only if clients show a genuine interest and understand the risks involved.

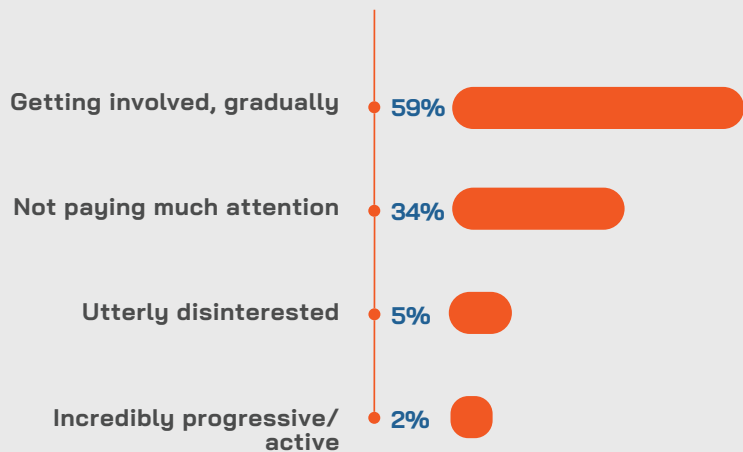
Conclusion

The Hubbis survey following the Digital Dialogue on February 13 reveals a cautiously optimistic view of the cryptocurrency and digital asset landscape among Asia’s wealth management community. Despite past turbulence, such as the FTX collapse, there’s a prevailing sense that the sector is moving toward a more stable and mature phase. With a slight majority endorsing digital assets as a hedge against inflation and economic uncertainty, the sentiment leans more towards seeing the glass as half-full.

HOW WOULD YOU CHARACTERISE THE UNDERSTANDING/EXPERTISE OF DIGITAL ASSETS AMONGST THE ASIAN PRIVATE BANKS AND OTHER WEALTH MANAGEMENT PROVIDERS?



CAN YOU CHARACTERISE HOW YOUR BANK OR WM FIRM IS WORKING TO ENHANCE RM/ ADVISOR UNDERSTANDING OF DIGITAL ASSETS?



The survey underscores a strategic yet conservative approach towards incorporating digital assets into HNW and UHNW portfolios. It highlights the crucial role of education and regulatory clarity in fostering a healthier ecosystem, with a particular nod to jurisdictions like Switzerland, the USA, and Singapore for their forward-looking regulatory frameworks.

In essence, the future of digital assets in wealth management appears promising, with education, regulation, and cautious investment strategies being key to navigating this evolving landscape. As the wealth industry seeks the right balance between innovation and wealth protection, the dialogue around digital assets continue to evolve. ■

