Gaining Ground: how institutional investors plan to approach digital assets in 2024

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EY Parthenon

Building a better working world

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Executive summary

We may look back on 2023 as the year digital assets[1] firmly planted roots in the challenging soil of traditional finance. The market emerged from the so-called "crypto winter" and with it, industry heavyweights began to recognize that digital assets are perhaps more far-reaching than just speculative spot investing. Then, in the early days of January 2024, two months before EY-Parthenon team fielded this global survey, the SEC approved a series of Bitcoin (BTC) ETPs (exchange-traded products), and other jurisdictions started to take notice and think through their own plans. With the approval and watchful eye of regulators, digital assets had their debut in the big show, yielding the fastest growing ETP in history.

With this as a backdrop, EY-Parthenon team conducted its second annual survey of more than 270 institutional investors on their sentiment, use and plans around blockchain and digital assets. Far from skeptics burned by market fluctuations, 94% of respondents noted they believe in the long-term value of blockchain technology and/or crypto/digital assets. Further, 55% of institutions responded that they plan to increase their allocation of crypto/digital assets related products[2] in the coming 2–3 years.

Notably, the way in which institutions prefer to invest – and the type of products they are looking to invest in – continued to evolve. The advent of registered vehicles like ETPs has moved the needle for many investors, 62% of which cited an overall preference for registered vehicles vs. spot trading. The strength of this preference can be seen in the speed that five Bitcoin ETPs reached over a billion of assets by the end of April, and the fact that 35% of respondents have already invested in Bitcoin ETPs (roughly three months out at time of survey), with another 33% suggesting they have plans to. This is consistent with a general preference of institutional investors to work with partners with which they are familiar.

Tokenization also became a more mainstream consideration with 50% of institutions saying they had interest in investing in tokenized assets in such areas as alternatives, public funds, real estate and treasuries. With half stating they would be buyers of tokenized assets, 44% of asset managers said they are interested in tokenizing their own assets over the next few years. This mismatch in supply and demand will be something to watch as firms start to explore blockchain/tokenization projects over the coming years.

Overall, 2023 placed digital assets and blockchain on solid ground to become an important element of institutional investing and ultimately a critical asset class moving forward. This further acceptance of blockchain technology as a key innovation impacting financial services – and signs of improving regulatory clarity in certain jurisdictions – will encourage more projects, impacting both the supply and demand for digital assets.

[1] Digital assets include cryptocurrencies, stablecoins, tokenized assets, non-fungible tokens (NFTs) and other digital representations of value.

[2] Digital assets related products include funds, trusts, derivatives, etc.

Key takeaways

The advent of registered vehicles is an important moment and catalyst for both traditional financial firms and institutional asset investors in the evolution of digital assets.

1. Institutional investors have increased allocations to digital assets and digital assets related products and plan to continue doing so

2. Primary demand for digital asset exposure has shifted from spot crypto in 2023 to a strong preference for registered vehicles in 2024, post the launch of Bitcoin ETPs

3. There is growing interest in investing in tokenized assets, particularly alternatives, to drive portfolio diversification

4. Lack of regulatory clarity and a perceived lack of trusted partners in the ecosystem are still key barriers to growth and adoption of crypto and tokenization

5. Family offices and hedge funds have allocated higher percentages to crypto and are more diversified in their investments across different tokens, compared to asset managers and asset allocators

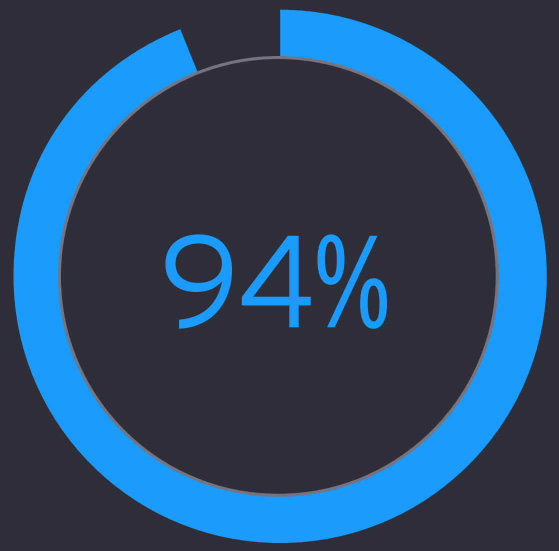
6. Asset managers, particularly the larger ones with AUM >$500b, are interested in launching both crypto funds and tokenized funds

Allocation to digital assets and interest in tokenization expected to increase

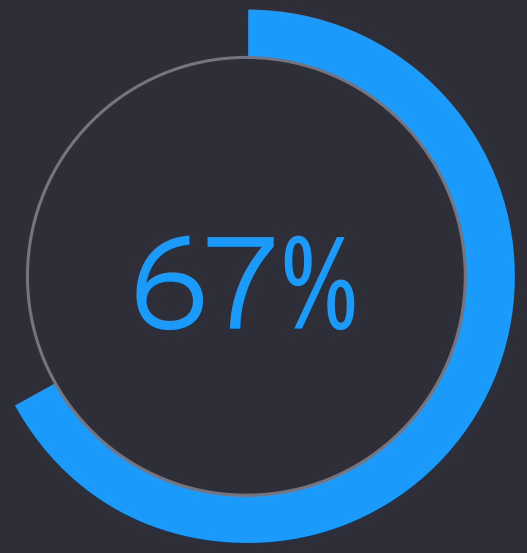
Investors overwhelmingly believe in the long-term value of blockchain technology and digital assets.

Digital asset institutional investors are:

SENTIMENT
Long-term believers in the market.

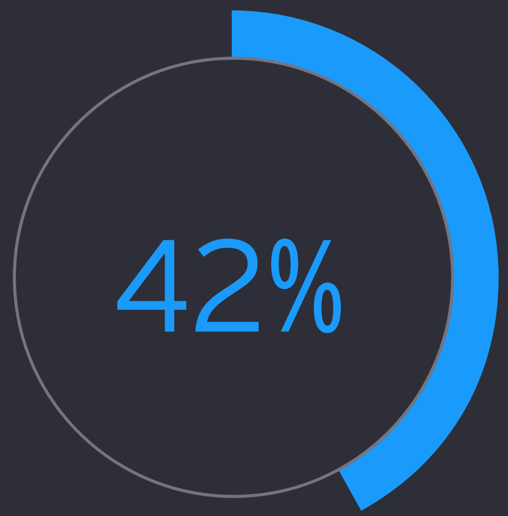


of respondents believe in the long-term value of blockchain technology and/or crypto/digital assets.

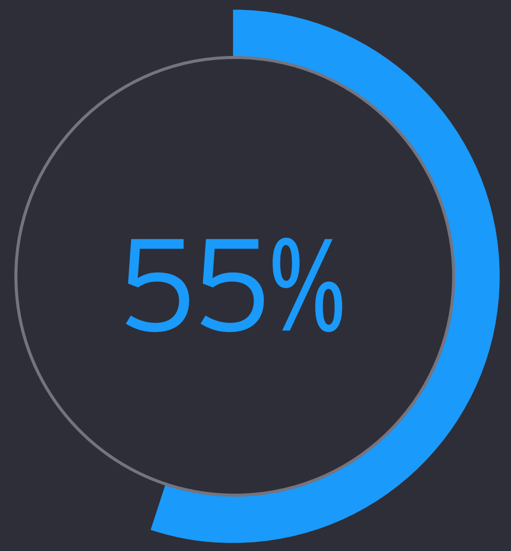


of respondents have invested in digital assets or funds that hold digital assets.

ALLOCATION
Increasing their allocations.

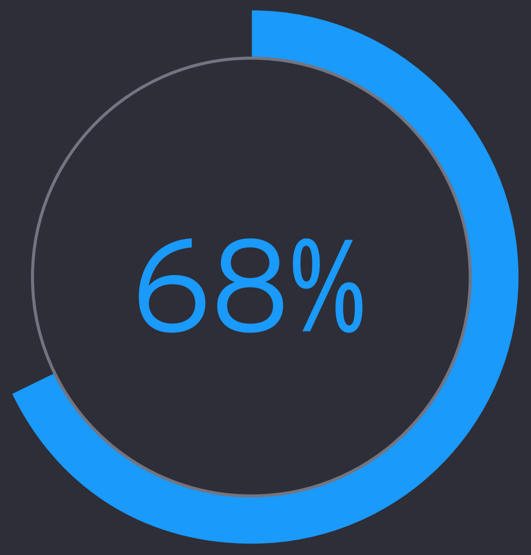


of respondents increased digital assets and/ or related product investments in 2023.

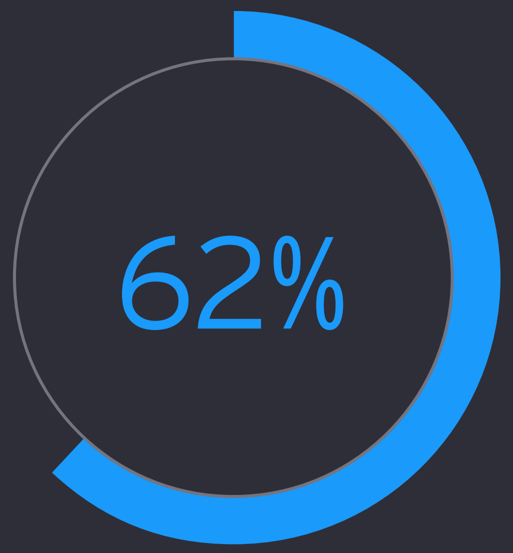


of respondents expect to increase their allocations to digital assets and/or related products in the next two to three years.

INVESTMENT
Interested in investing in registered funds.

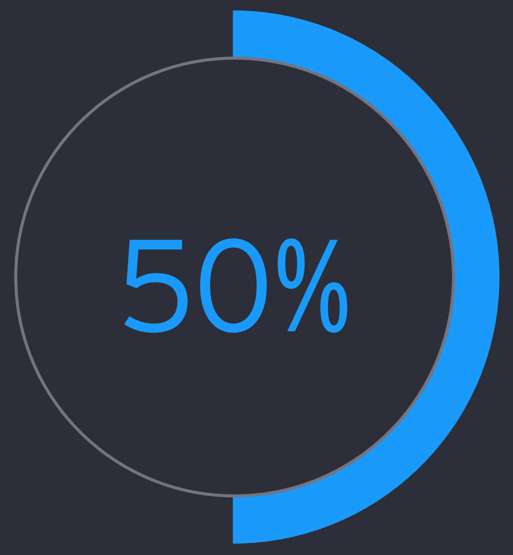


of respondents have or plan to invest in bitcoin ETPs.

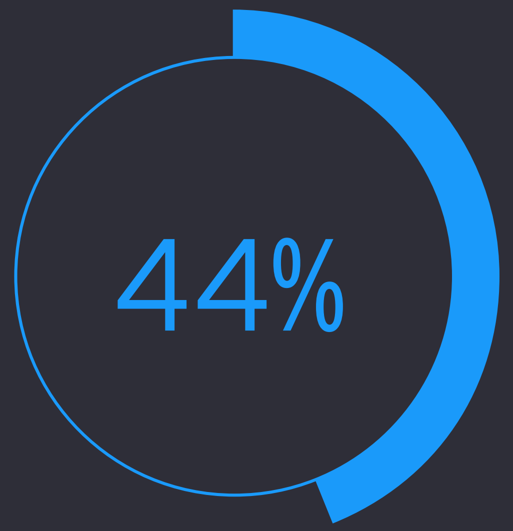


of respondents prefer to get exposure to cryptocurrencies through a registered vehicle vs. spot.

TOKENIZATION
Interested in tokenization.



of respondents are interested in investing in tokenized assets (31% plan to start investing this year or next).



of respondents are interested in tokenizing their assets (22% plan to start tokenizing this year or next).

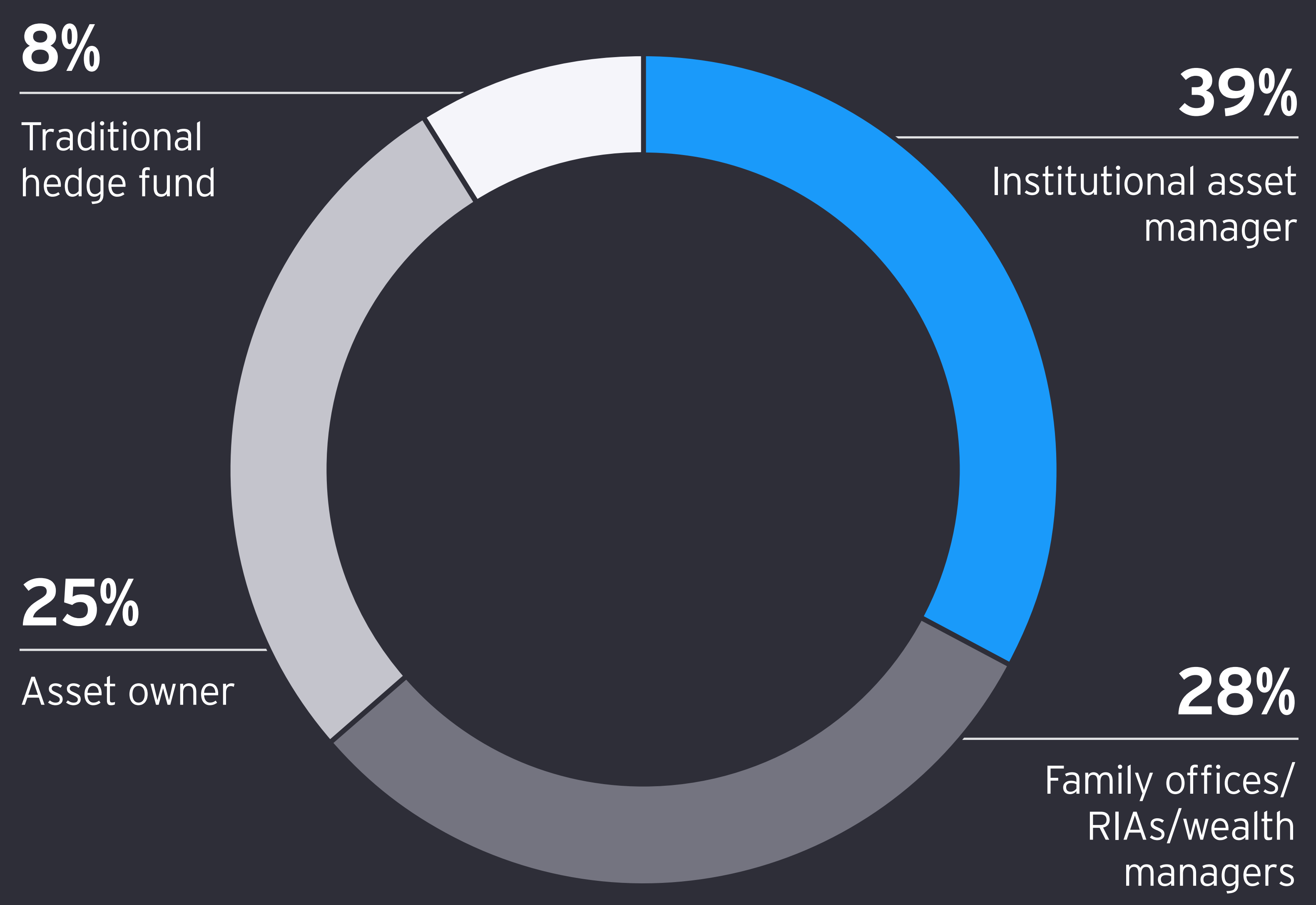
Research objectives and methodologies

EY-Parthenon team conducted a survey of 277 institutional investor decision-makers – e.g., chief operating officers (COOs), CEOs, portfolio managers and heads of transformation – globally to better understand how they view digital assets, including their sentiment, digital asset allocations, future expectations, and perspectives on tokenization.

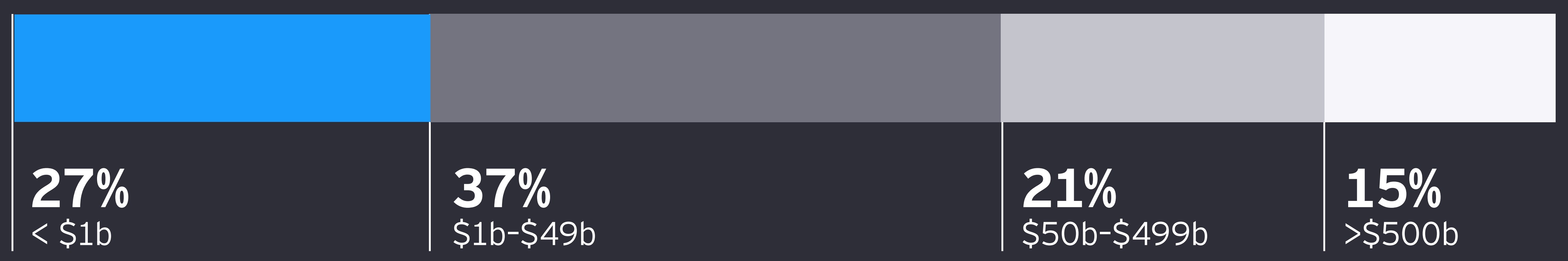
The respondents represented family offices, registered investment advisors (RIAs) and wealth managers (78); traditional asset managers (107); traditional hedge funds (23); and asset owners (e.g., pension funds, endowments, foundations, insurance general accounts (IGAs)) (69) and came from the US (147), Europe (90), Asia-Pacific (12), Canada (12) and Latin America (9). EY-Parthenon commissioned a third party to deploy the survey to confirm a fair and balanced response pool.

The survey was conducted in early March, after the approval of multiple Bitcoin ETPs by the SEC and a large increase in the total crypto market cap. Sampled firms included both those invested and not yet invested in digital assets or related products (e.g., funds, trusts, derivatives).

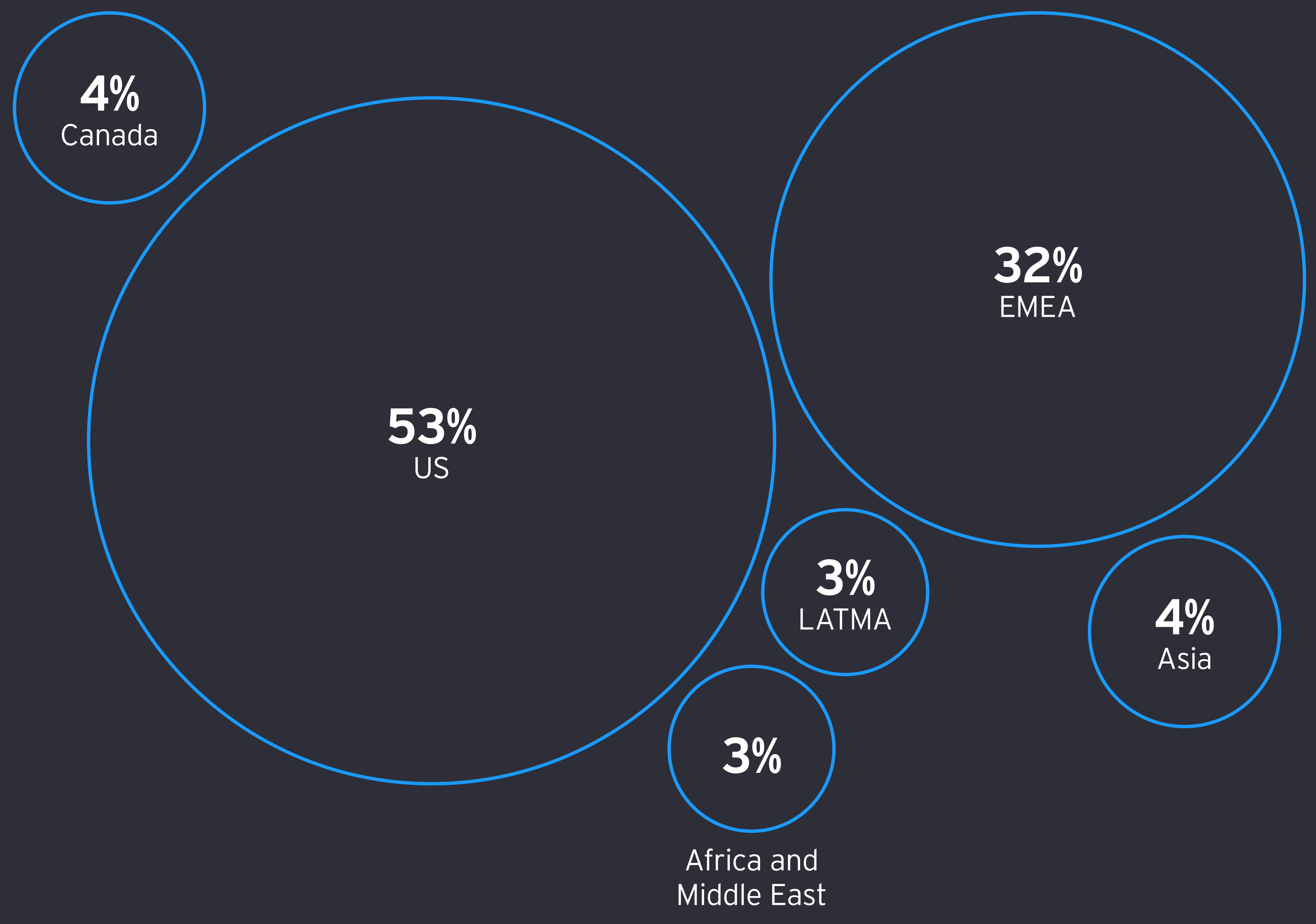
Firm type



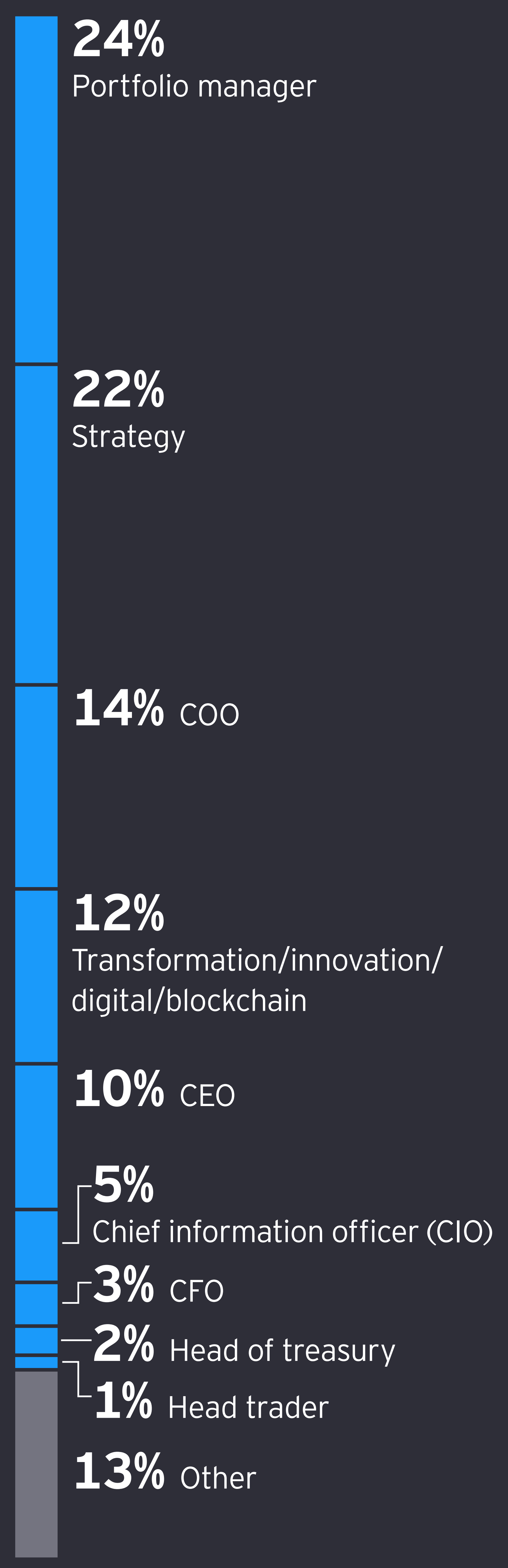
AUM/AUA



Region

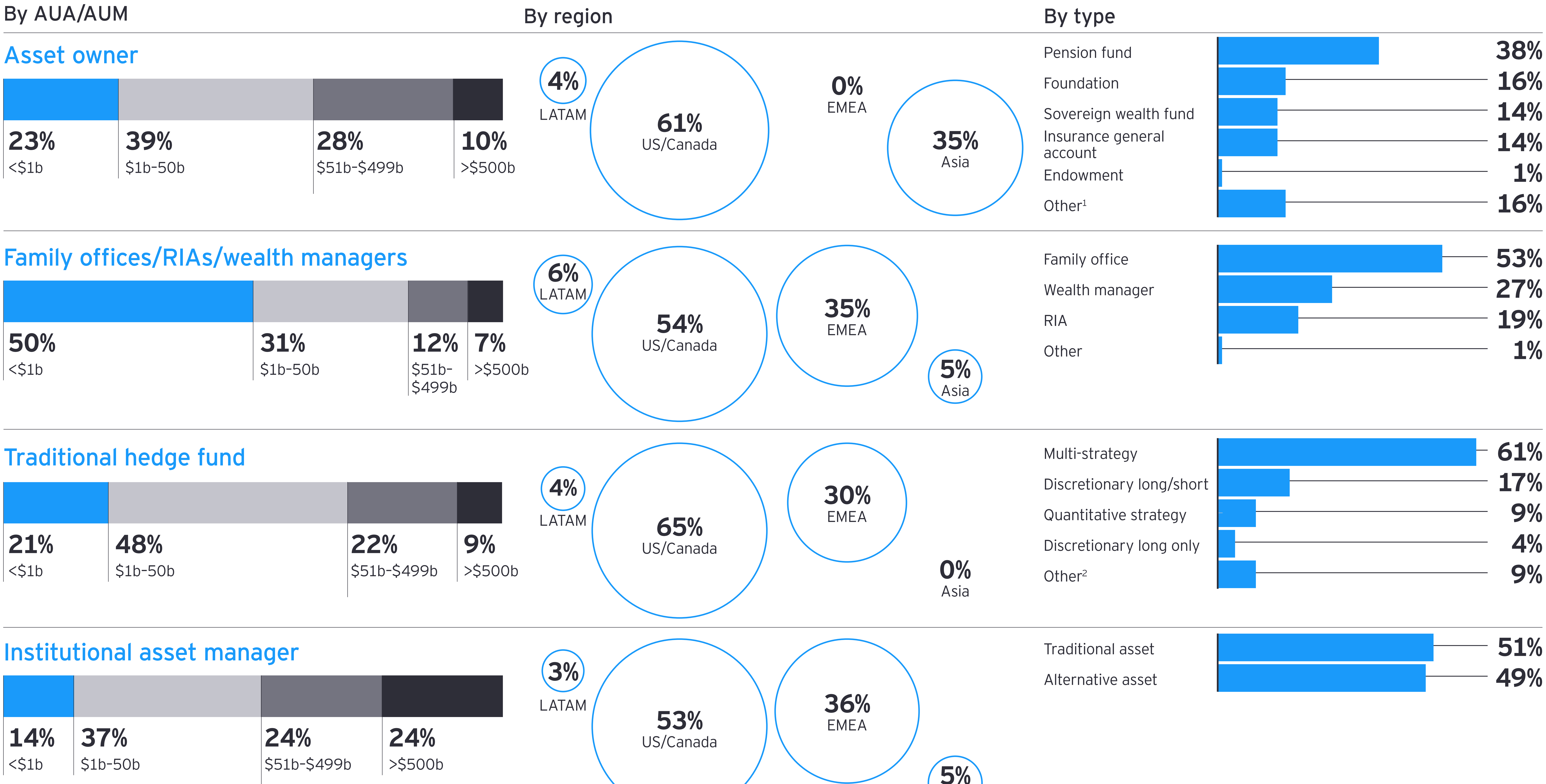


Title



Demographics

A total of 277 decision-makers from buy-side firms operating around the world were surveyed. Investors surveyed came from different segments within the buy side and varied in asset size.



[1] E.g., Endowment & Pension, Pension platform, Debenture, Private Fund, Family Fund.
[2] E.g., Private equity.

Institutional investor sentiment

While 37% of institutional investors have invested in spot cryptocurrency to date, the sentiments of future plans are shifting toward allocations in digital asset funds. In our 2023 survey, 51% of respondents suggested they planned to invest in spot crypto in 2–3 years; this number decreased to 32% in the 2024 survey. Conversely, in 2023, 38% of respondents planned to invest in mutual funds/ETFs tied to crypto in 2–3 years, compared to 51% in 2024.

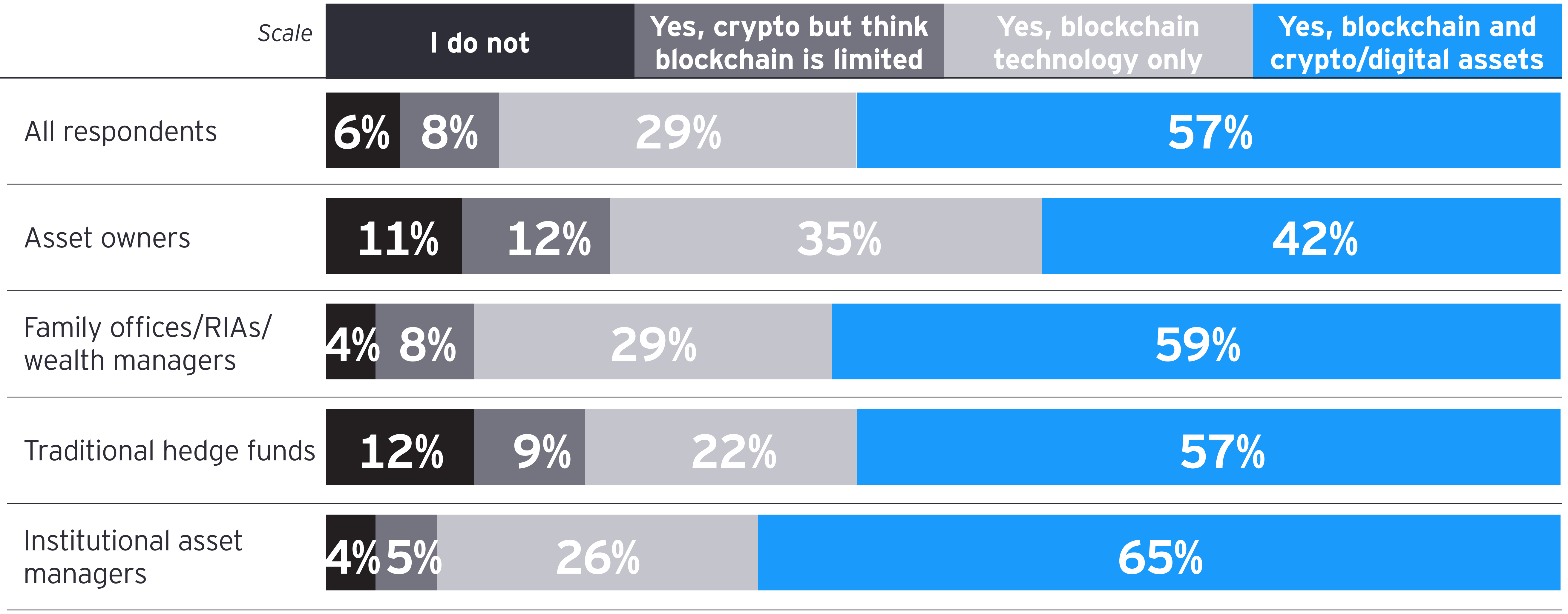
This shift illustrates a more macro sentiment in favor of both products institutions are more familiar (e.g., funds, ETPs) with and a preference to work with partners with whom they have a long-standing relationship. This familiarity topped some of the most important factor's institutions weigh when making investment decisions around digital assets. First and most important was proven and trusted financial entities to interact with. Next was asset security and custody concerns (arguably a subset of the previous concern) and lastly, regulatory clarity and oversight within the digital asset ecosystem. Ironically, some of the key purported benefits of blockchain such as lower transaction costs, capital efficiency and decentralization appeared lower down the list of important factors. Overall, more than 90% of institutions are optimistic about the long-term value of crypto and over 80% consider it a key tool in portfolio diversification.

A majority (94%) of institutional investors believe in the long term value of blockchain and/or crypto/digital assets.

Fifty-seven percent of institutional investors surveyed believe in the long-term value of blockchain and digital assets/crypto. Seventy-nine percent of investors are interested to investing in crypto as a means of portfolio diversification, 57% are attracted to its asymmetric returns, and 51% are interested in its ability to generate yield. Respondents were split on the popular narrative of crypto as a store of value with roughly a third each stating this characteristic was attractive, not attractive, or neutral respectively.

Q:

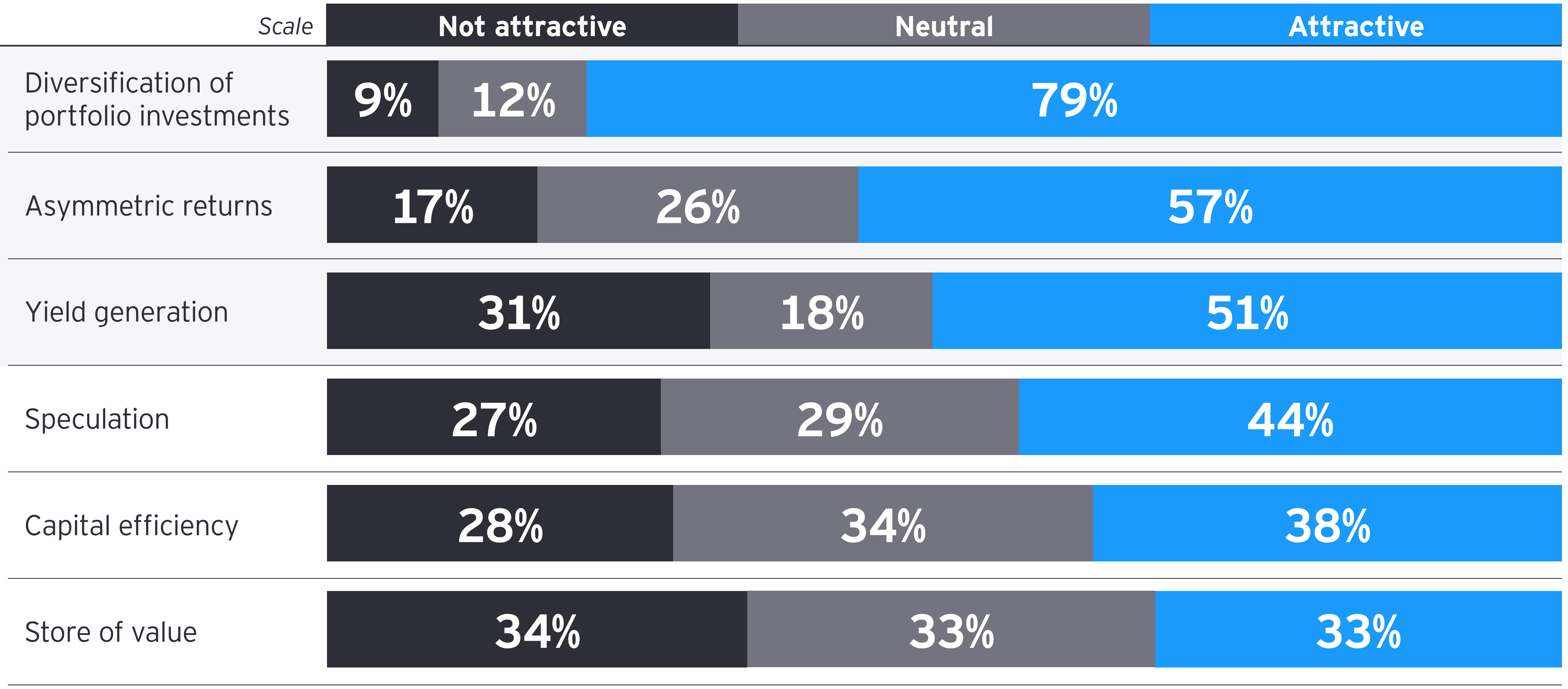
Do you believe in the long-term value of crypto/digital assets based on the recent market activity this past year?



Q:

As an institutional investor, what attracts you to invest into cryptocurrencies?

Top 3 value drivers remain unchanged from 2023 to 2024.



Institutional investor allocation

As institutional investors become more educated regarding crypto and digital assets, and more "institutional-like" products become available, their willingness to allocate a higher percentage of overall assets in crypto funds and related products is increasing. To date, while 62% of investors have allocated greater than 1% of their assets to crypto, the survey shows that percentage increasing to 81% 2–3 years out, showing more than a 30% increase in the investors willing to commit more than 1% of assets to crypto. When it comes to family offices in particular, the appetite for crypto is even greater, with 24% allocating more than 5% of their investments. Also, institutional investors with larger AUMs have a higher propensity for a higher percentage allocation.

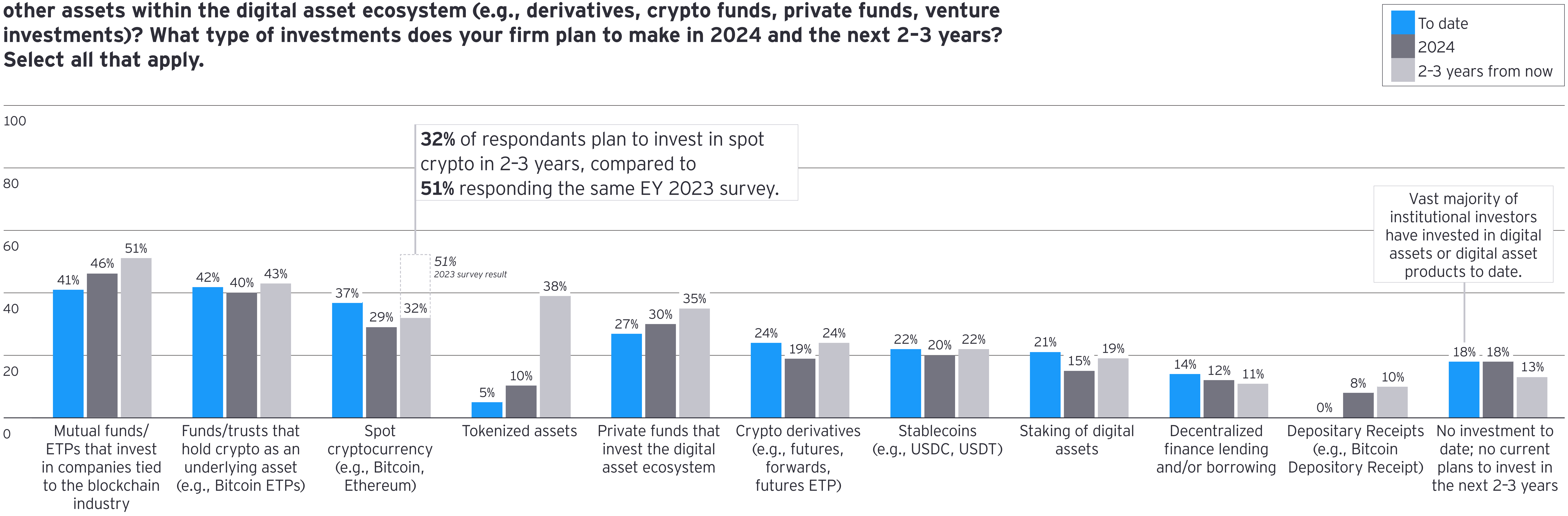
When it comes exclusively to spot investments, allocation to Bitcoin (BTC) is still king, with 91% of firms who own spot cryptocurrency owning Bitcoin, followed by Ethereum (ETH) at 78%, and dropping down to 24% for the third most allocated crypto, Solana (SOL). However, it is important to note that of those who have currently allocated to crypto, 57% hold assets beyond BTC and ETH. When it comes to stablecoins, USDC enjoys a nearly 2x preference at 68% ownership to 35% for Tether (USDT), which saw a decrease from 42% last year (2023). PayPal USD emerged as a new top 3 stablecoin (25%) with their entrance within the past year.

In both the near term and the coming 2–3 years, hedge funds are looking to be the most aggressive in increasing allocations. Sixty-five percent of hedge funds note they will increase crypto allocation over the next 2–3 years vs. a 53% aggregate stating the same across all types of institutions in the survey.

Institutional investors largely plan to increase their investments in digital asset funds over the next 2-3 years; 37% have invested in spot cryptocurrency to date.

Q:

Has your firm made an investment in any cryptocurrency (e.g., Bitcoin, Ethereum) and/or invested in other assets within the digital asset ecosystem (e.g., derivatives, crypto funds, private funds, venture investments)? What type of investments does your firm plan to make in 2024 and the next 2–3 years? Select all that apply.



Roughly one-third (38%) of institutional investors that invest in crypto or digital assets allocated 1% to 5% of their portfolio funds to cryptocurrencies, digital assets, or related crypto funds and products.

Family offices are the most invested, with 24% allocating over 5% of their portfolios. Majority of asset owners that invest (54%) have <1% allocated. When it comes to market returns, 18% of investors noted that their returns were "excellent and far above other investments," and 37% noted they were "good and slightly above market index returns".

Q:

What percentage of your funds have you allocated to cryptocurrencies, digital assets or related crypto funds/products?[1]

Largest value by respondent type

	<1%	1%-5%	5%-10%	10%-20%	>20%
All respondents	39%	38%	17%	5%	1%
Asset owners	54%	23%	15%	7%	2%
Family offices/RIAs/ wealth managers	29%	47%	19%	4%	1%
Traditional hedge funds	33%	44%	22%	0%	0%
Institutional asset managers	36%	41%	15%	7%	1%

62% of respondents have allocated >1% of their funds to crypto funds/ related products.

[1]Excludes "not sure/cannot disclose" responses.

Q:

How would you characterize the returns you've achieved from your digital asset and digital assets related product investments?

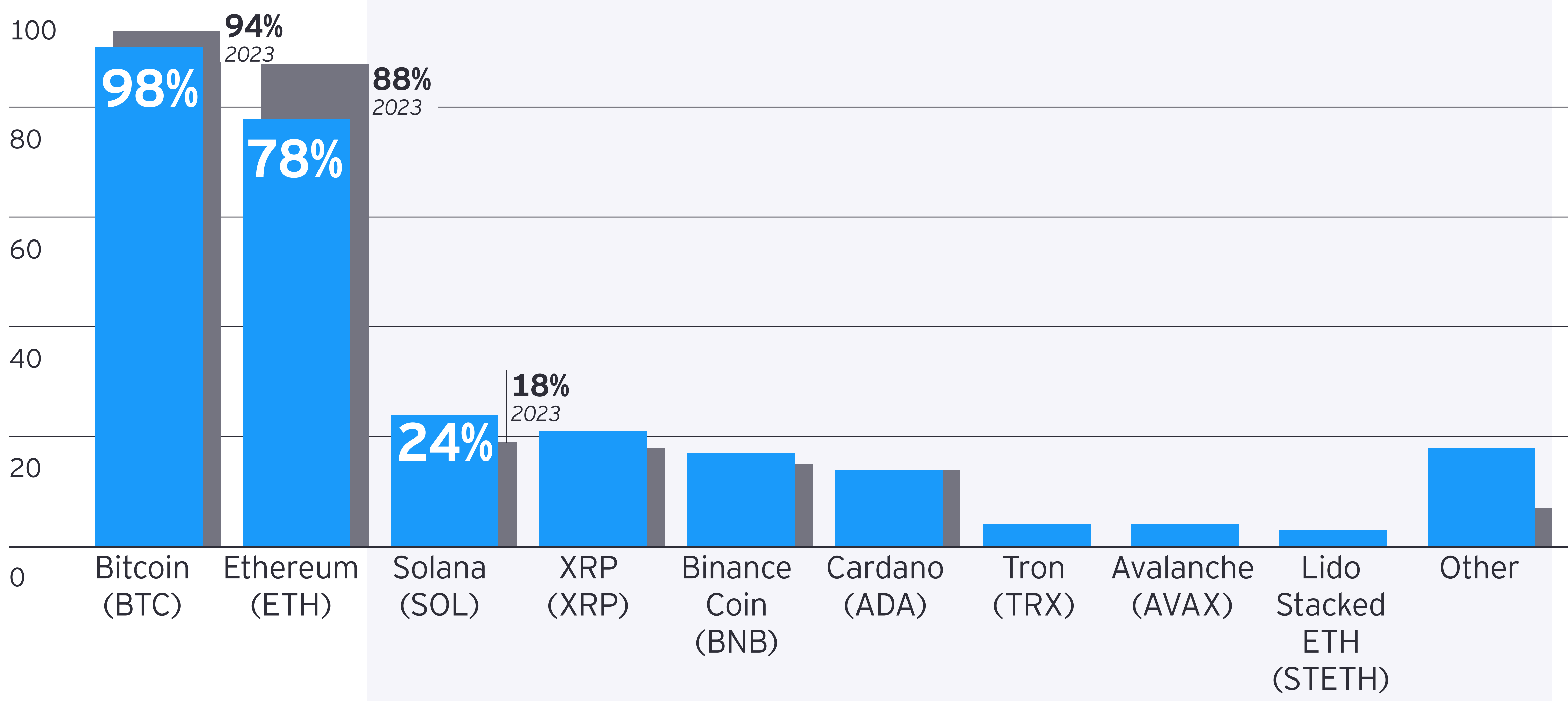
	Excellent	Good	Average	Mediocre	Poor
All respondents	18%	37%	22%	19%	5%
Asset owners	6%	32%	26%	28%	8%
Family offices/RIAs/ wealth managers	20%	41%	16%	16%	7%
Traditional hedge funds	22%	50%	17%	11%	0%
Institutional asset managers	23%	33%	24%	16%	3%

Institutional investors that invest in spot crypto typically own BTC, ETH cryptocurrencies and use USD Coin stablecoins.

Fifty-seven percent of respondents who allocate to crypto currently have allocated to coins other than BTC or ETH, with 68% of family offices more likely to invest in coins beyond BTC or ETH. USDC dominance increased YoY as institutions moved away from Tether (USDT) compared to last year (42% to 35%). PayPal USD emerged as a top 3 entrant within the past year as well.

Q:

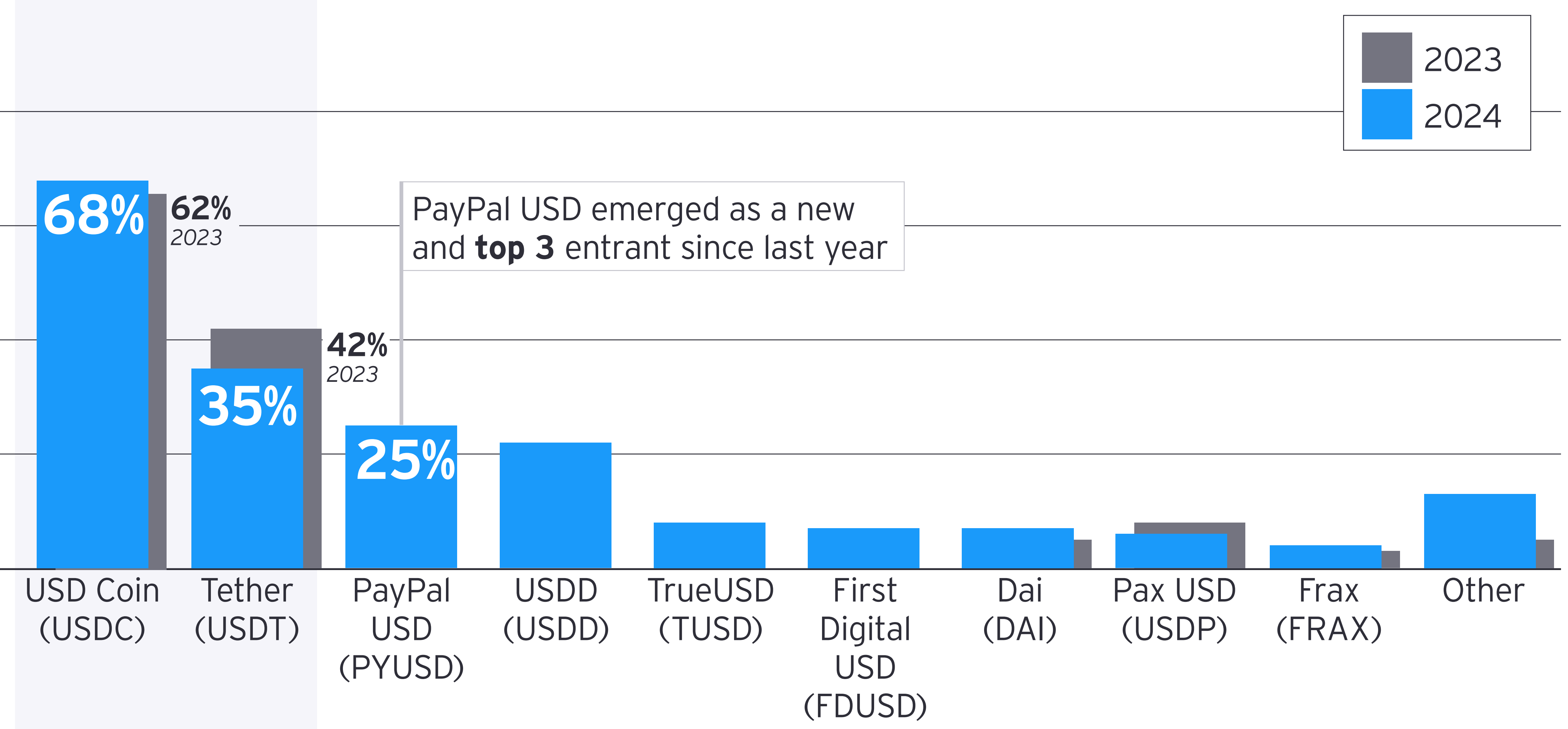
Which types of cryptocurrencies is your firm allocated to currently? Choose all that your firm owns.



Of the 119 firms with current crypto allocations, **68 (57%) have allocated to coins other than BTC and ETH,** similar to the 71 (60%) results in the 2023 survey.

Q:

Which stablecoins do you use? Choose all that your firm uses.



USDC dominance has increased YoY as institutions move away from USDT.

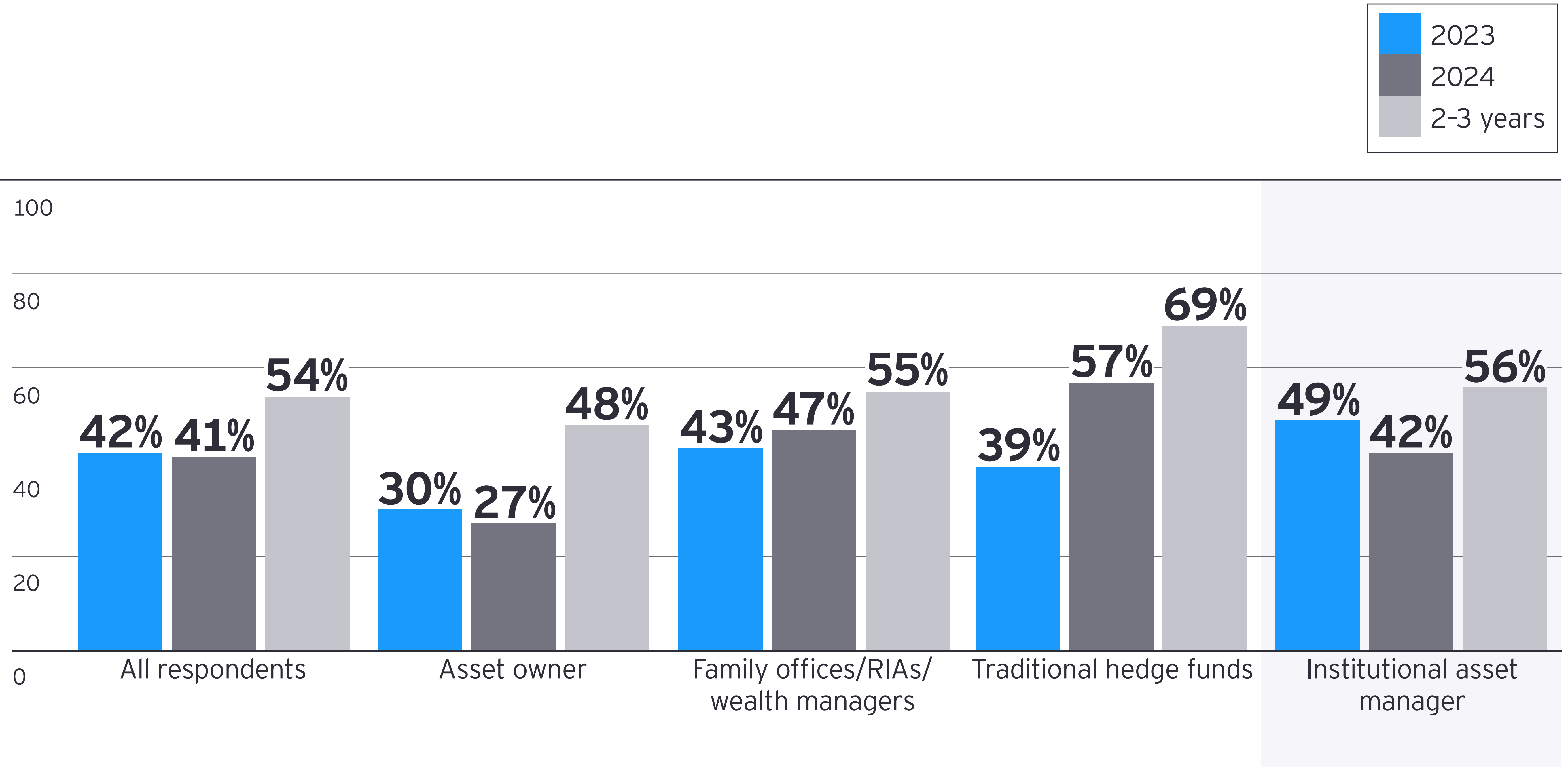
Allocation to digital assets expected to ramp up over the next three years, with 54% of investors noting they expect to increase allocations in the next 2–3 years.

Allocation to digital assets will remain roughly consistent from 2023 to 2024 among all investor segments and is expected to increase over the next three years. Forty-two percent of investors increased allocations in 2023, while 42% had their holdings remain unchanged, and 16% decreased their holdings. Hedge funds expect to see the biggest jump in increase in allocations, with 69% expecting to increase allocations in 2–3 years vs. 39% increasing allocations in 2023. In 2024, the majority of asset owners (67%) and institutional asset managers (49%) expect to leave their holdings unchanged, suggesting these institution types are reaching a desired allocation to the asset class in the short term.

Q:

How do you anticipate that your firm's allocation to cryptocurrencies, digital assets, or related crypto funds/products will change?

Percentage of respondents expecting to increase allocation to crypto



68% of institutional investors have already invested or plan to invest in a Bitcoin ETP. Family offices surveyed are most allocated to Bitcoin ETPs at 47%. If the SEC approves an ETH ETP, only 28% responded that they are unlikely to invest in ETH ETPs.

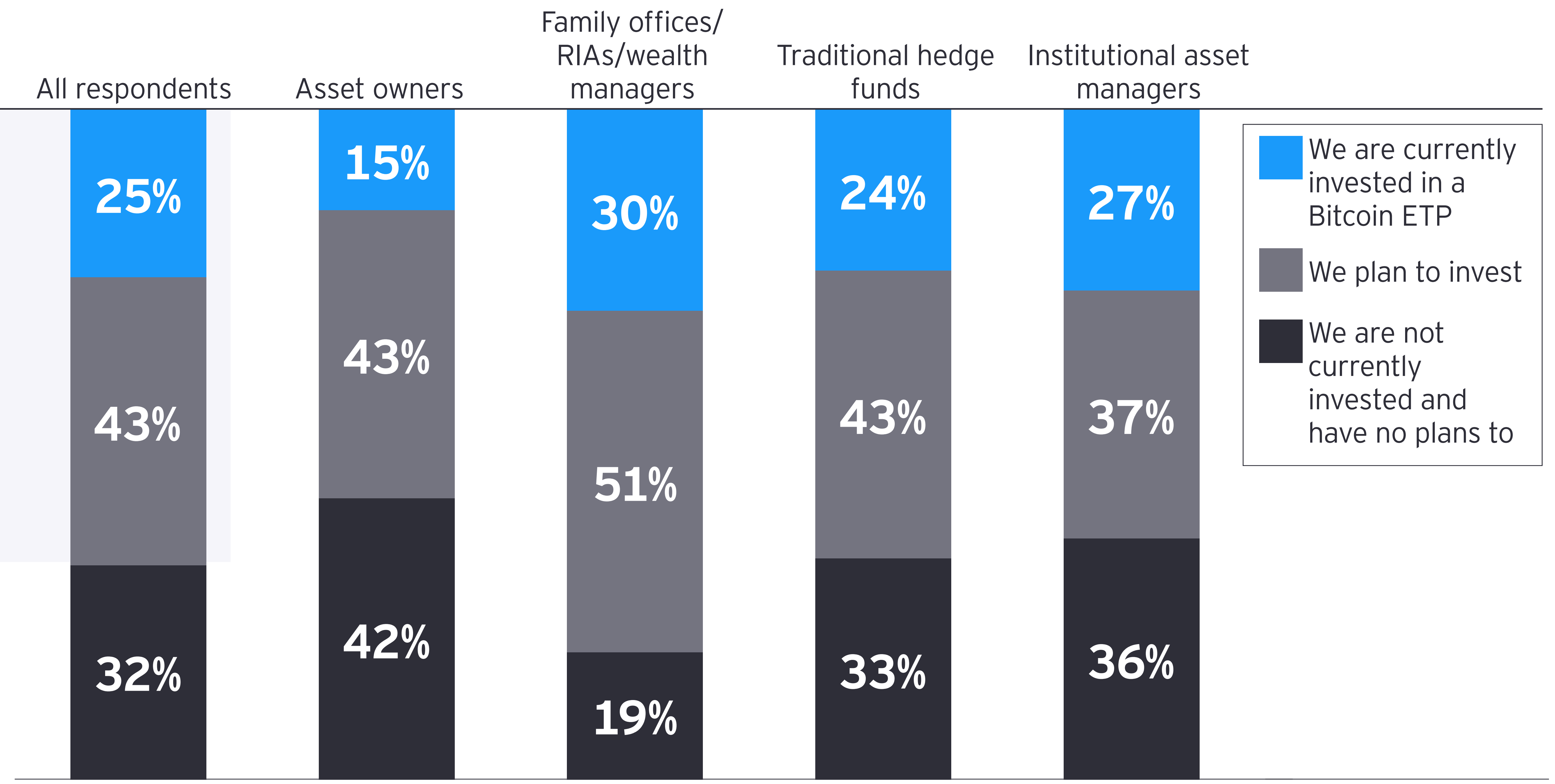
Q:

Would you prefer to get exposure to cryptocurrencies through a registered vehicle (e.g., ETP, Mutual Fund, Trust) or directly purchase individual cryptocurrencies (e.g., spot)?

Q:

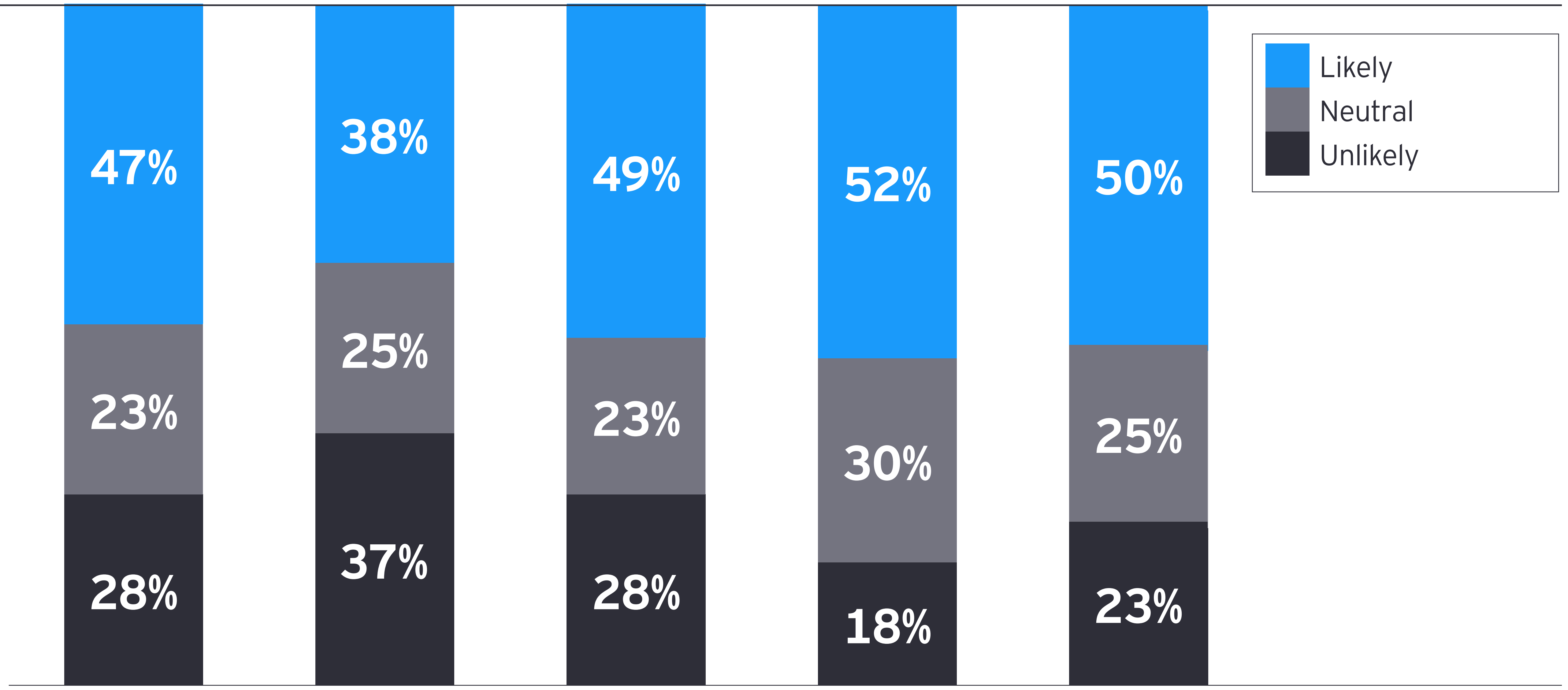
Have you, or do you plan to, invest in any Bitcoin ETPs?

68%
of respondents are currently invested or plan to invest in a Bitcoin ETP.



Q:

How likely is your firm to invest in an Ethereum Spot ETP if it were approved by the SEC?



59% of asset managers plan to launch a crypto fund in the next two years, with larger asset managers (AUM > $500b) more likely to (89%).

Only 41% of asset managers surveyed aren't considering launching a crypto fund in the next two years. Majority are exploring a Bitcoin ETP (26%), while a small percentage are considering private crypto funds (4%). Larger asset managers, with AUM >$500b, some of which have already launched a BTC ETP, are interested in launching an Ethereum ETP (65%).

Q:
Does your organization plan to launch any crypto funds in the next two years? Please select all that apply.

Q:
Breakdown of firms by AUM that are planning to launch crypto funds.

	All	<$1b	$1b-$50b	$51b-$499b	>$500b
No	41%	18%	50%	25%	7%
Yes Bitcoin ETP	26%	4%	25%	25%	46%
Yes Ethereum ETP	19%	0%	20%	15%	65%
Yes other crypto strategy ETPs[1]	12%	0%	38%	15%	46%
Yes Private crypto funds[2]	4%	25%	0%	50%	25%
Unsure	23%	20%	32%	24%	24%

59% of asset managers plan to launch a crypto fund in the next two years.

89% of larger asset managers (AUM >$500b) are more likely to launch crypto funds.

[1] E.g., staking, multi-token, SOL.
[2] E.g., Not 1940 Act/ETP.

Digital assets infrastructure and tech sentiment

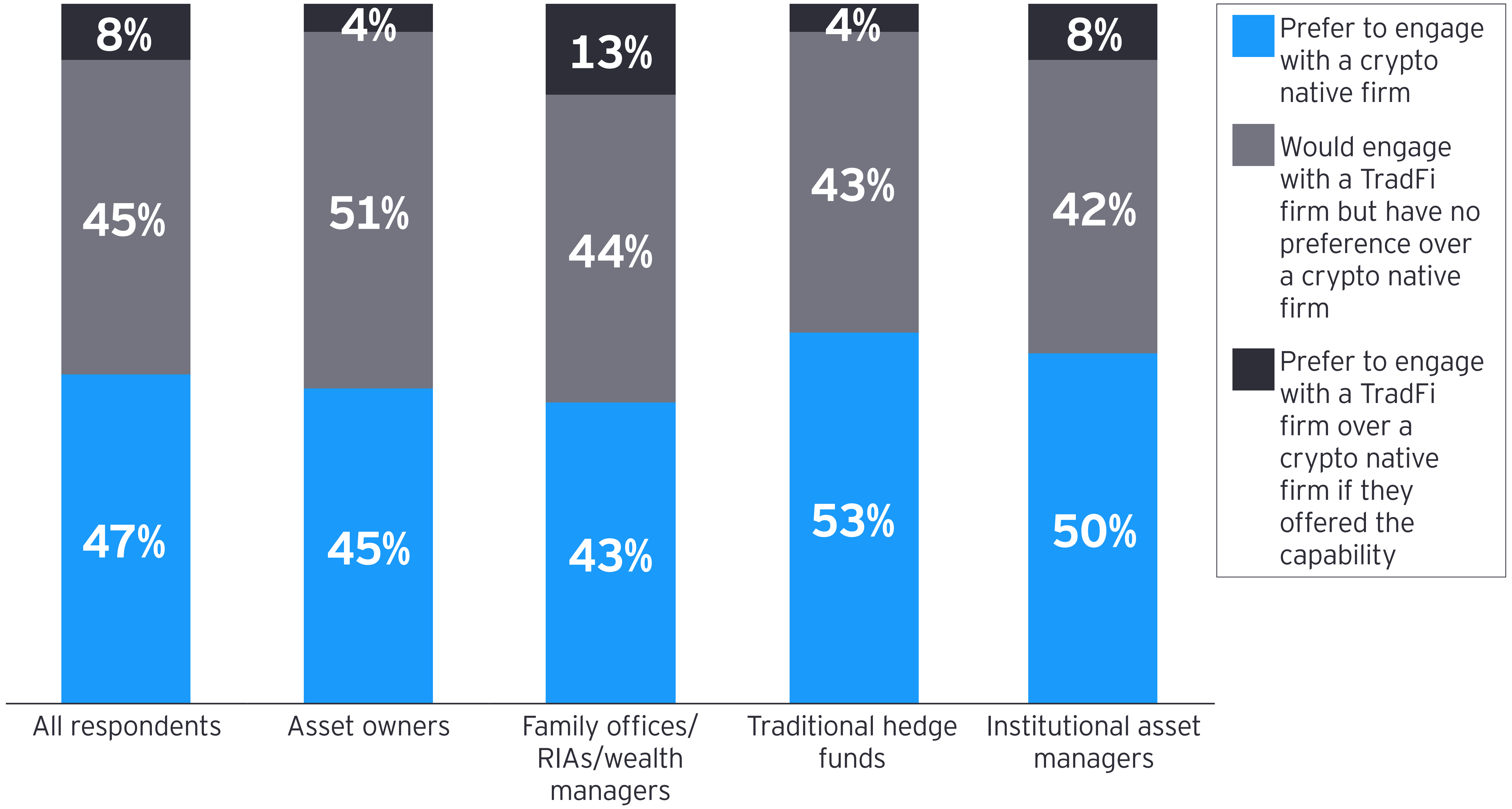
High-profile scandals, enforcement actions and nontraditional communications strategies loom large and create an aura of increased risk around crypto native firms providing trading, custody and/or general infrastructure services for digital assets.

Combining this with a financial industry ever-focused on risk, TradFi firms are naturally hesitant to embrase the new crypto ecosystem with open arms. While more are open to change in recent years, institutions still show a preference for dealing with traditional finance firms over crypto natives, primarily due to regulatory and compliance concerns. 47% perfer to engage with TradFi firms for digital asset services, with 82% of respondents citing regulatory compliance as important (highest rank) in selecting custody provider or technology platforms. Other concerns like track record, existing relationships and integrated offerings with traditional assets also played into this preference. However, 45% noted they are indifferent with engaging with TradFi firms over crypto natives, suggesting an openness by traditional institutional investors as they weigh the depth and breadth of capabilities offered by crypto natives vs. existing relationships with TradFi firms.

In general, investors expressed a strong preference toward engaging with traditional financial institutions for digital asset services. According to the survey, 47% of respondents prefer dealing with TradFi firms vs. 8% of respondents who prefer to interact with digital natives.

Q:

Would you prefer to engage with a TradFi or crypto native firm for digital asset custody, trading, and/or other digital asset services (i.e., fund admin, lending)?



Q:

You said you would prefer to engage with TradFi firms for digital asset custody, trading, and/or other digital asset services. Why? Please select the top 3 most important reasons[1].

1	Regulatory/compliance concerns associated with the crypto natives	61%
2	Risk of crypto native firms ceasing operations/going bankrupt	50%
3	I trust TradFi banks more than crypto natives	48%
4	I prefer an integrated provider for all custody needs, covering both traditional and digital assets	42%
5	Lack of reputation or track record of crypto-natives	42%
6	I want to be able to view performance and get my services from one firm	24%
7	I already have an existing relationship with TradFi firms and it's easier to continue working with them	23%
8	Difficulties with account onboarding process with crypto natives	11%

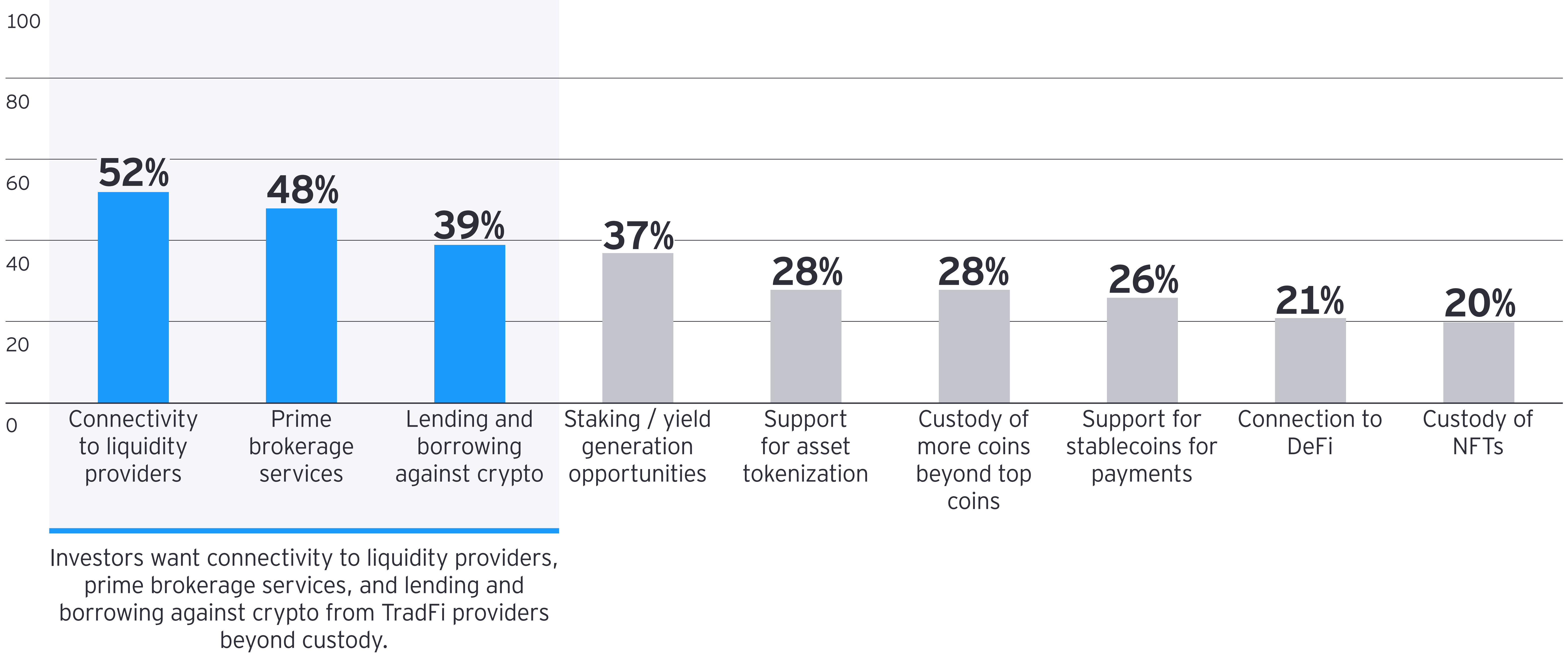
[1]Excludes "other" responses.

Investors want connectivity to liquidity providers, prime brokerage services, and lending and borrowing against crypto from TradFi providers beyond custody.

When asked about the features investors most wanted from a TradFi custodian beyond just custody of top coins in order to engage with them, respondents most valued connectivity to liquidity providers, prime brokerage services, and lending and borrowing against crypto. These requirements reinforce a preference and competitive edge for firms with a more robust and diverse offering, which are currently offered by the digital natives and FinTechs. There is an opportunity for TradFi firms to provide these capabilities to their investors, either by building them or through partnerships.

Q:

What features would you most want from a TradFi custodian beyond custody of top coins (e.g., BTC, ETH) to begin engaging with them? Please select top 3.



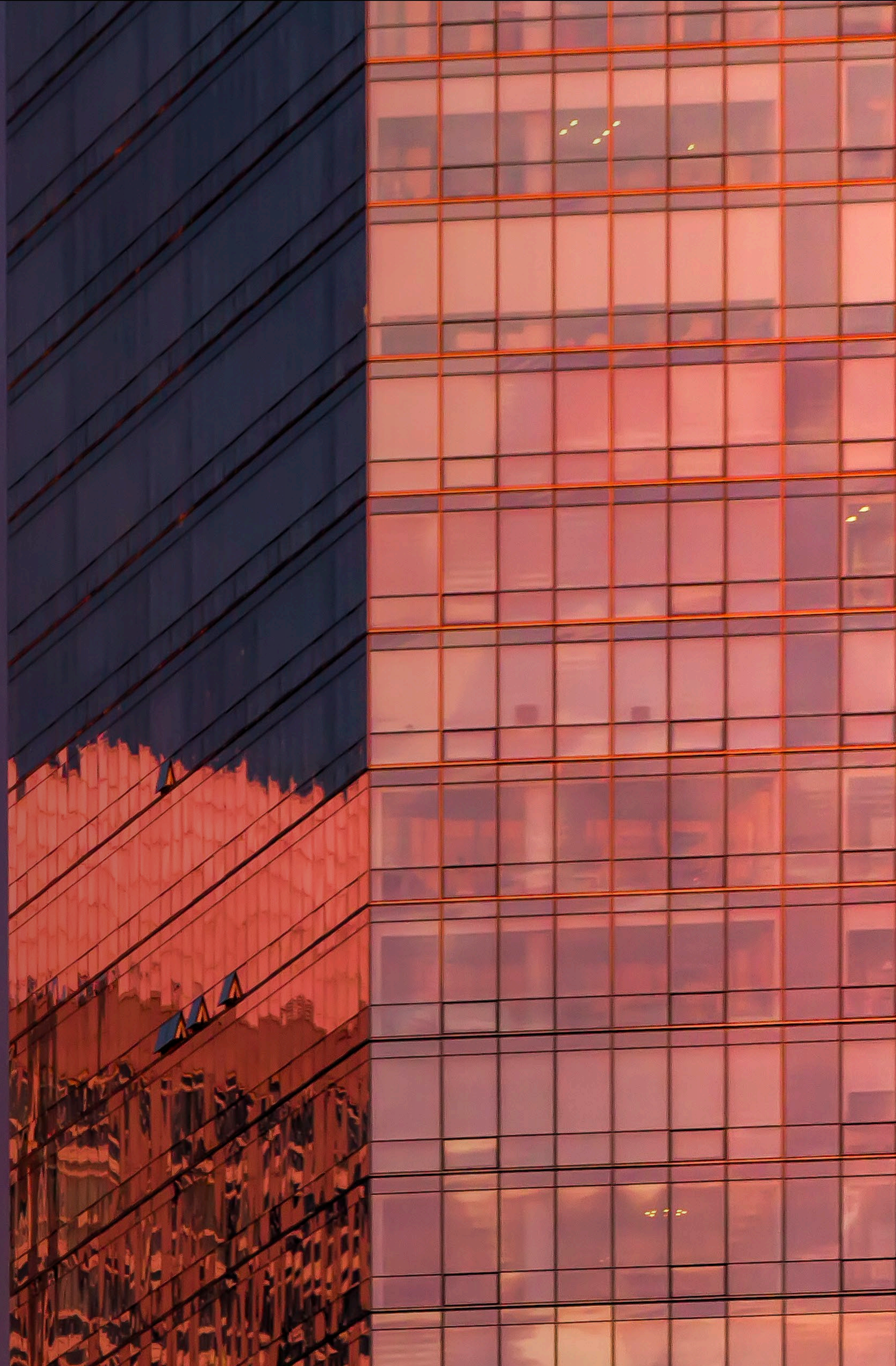
Note: Excludes "other" responses.

Tokenization plans and sentiment

Tokenized assets promise to reduce costs, improve liquidity, and democratize a host of investment vehicles, making them available to new customer segments. With this as backdrop, 50% of investors surveyed overall show interest in investing in tokenized assets.

Across all investor types, 53% wish to invest in tokenized alternative funds, 46% in tokenized public funds, and 38% are interested in investing in tokenized real estate investments. When asked about the top motivation for interest in tokenized assets, portfolio diversification was most important, followed by access to new asset types and greater/increased liquidity.

Even with momentum building, tokenization is a new innovation, and there is some hesitance. Concerns exist primarily over regulatory clarity, lack of an established secondary market to enable liquidity, and lack of trusted service providers. Again here, institutions would prefer to access tokenized assets through familiar intermediaries like existing broker dealers, asset managers and exchanges vs. FinTechs or tokenization firms. While adoption is low today, 65% of institutions expect greater than 1% of their portfolios to be tokenized/DLT based by the end of 2028. However, this allocation depends largely on the supply of tokenized asset. As 44% of asset managers surveyed noted they are interested in tokenizing their own assets, there appears to be a supply/demand mismatch that will need to be resolved.



50% of firms are interested in investing in tokenized assets; 53% plan to have invested by 2027.

While half of firms are interested in investing in tokenized assets, the timing of planned investments (28% don't plan to invest until 2026 or later), and the fact that 30% of respondents indicated they are awaiting regulatory clarification, suggest some hesitancy until a legal framework is in place. Fifty-eight percent of smaller institutional investors with AUM <$50b are interested in investing in tokenized assets, compared to 42% of larger investors with AUM >$50b.

Q:

How interested is your firm in investing in tokenized assets (e.g. tokenized bonds, equities, funds)?

Q:

How soon would your firm want to begin investing in tokenized assets?

	Interested in investing in tokenized assets	Already invested	2024	2025	2026/2027	2028+	Waiting on regulatory clarity	No interested in investing
All respondents	50%	5%	10%	16%	22%	6%	30%	10%
Asset owners	46%	1%	9%	13%	25%	9%	30%	13%
Family offices/RIAs/wealth managers	44%	5%	6%	22%	15%	5%	35%	12%
Traditional hedge funds	52%	0%	17%	17%	13%	13%	22%	17%
Institutional asset managers	57%	8%	12%	14%	28%	4%	28%	6%

53%
plan to have invested in tokenized assets by 2027.

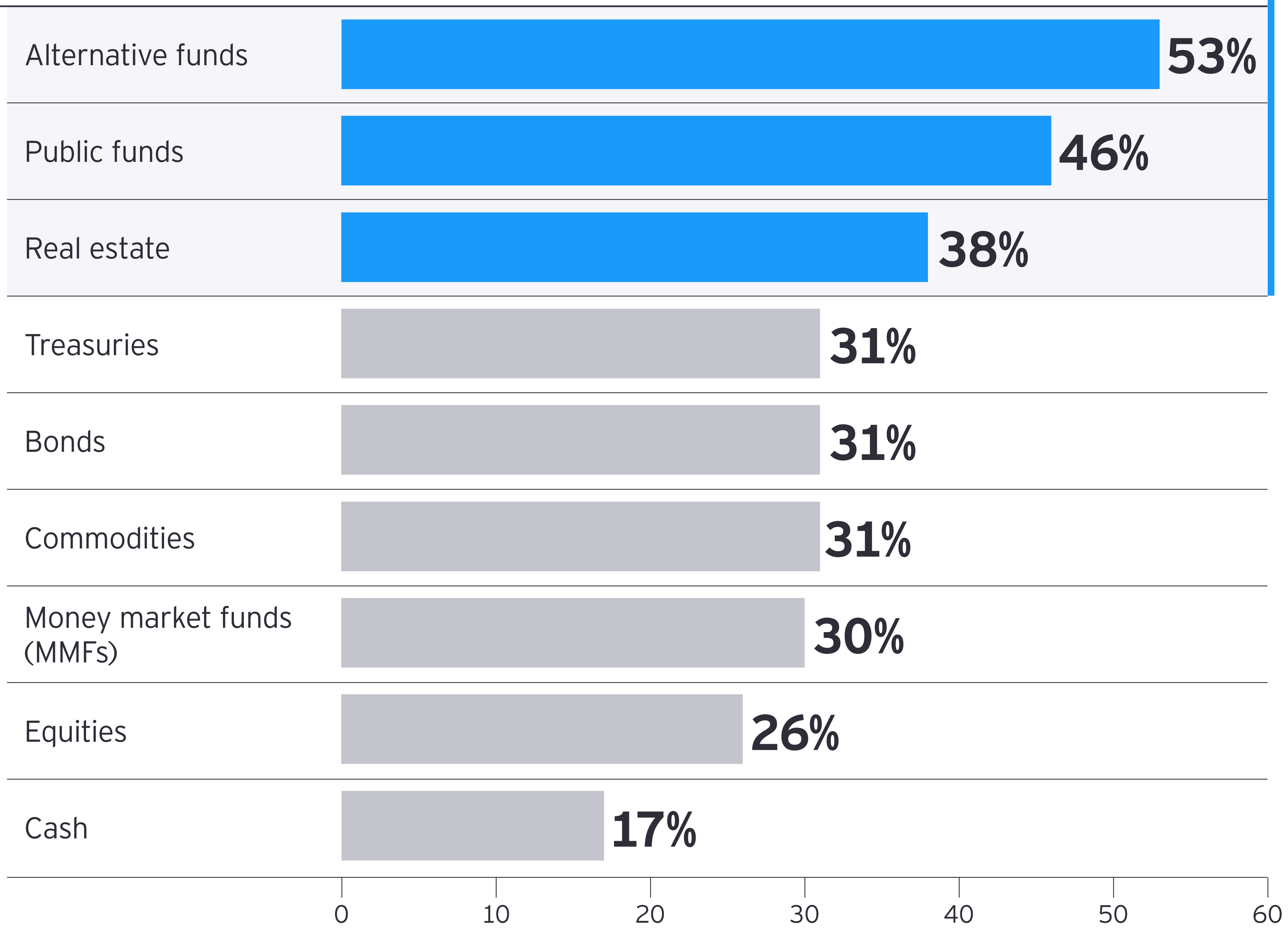
Top tokenized products investors are most interested in investing in are alternative funds, public funds and real estate.

Alternative funds have emerged as the primary asset of interest for investing in for institutional investors, although public funds follow closely behind, with 46% expressing interest. The main incentive for these firms' interest in investing in these tokenized assets is portfolio diversification, reported by 65% of the firms. Access to new asset types (58%) and greater/increased liquidity (47%) were other top drivers.

Top tokenized products investors are most interested in investing in are alternative funds, public funds and real estate.

Q:

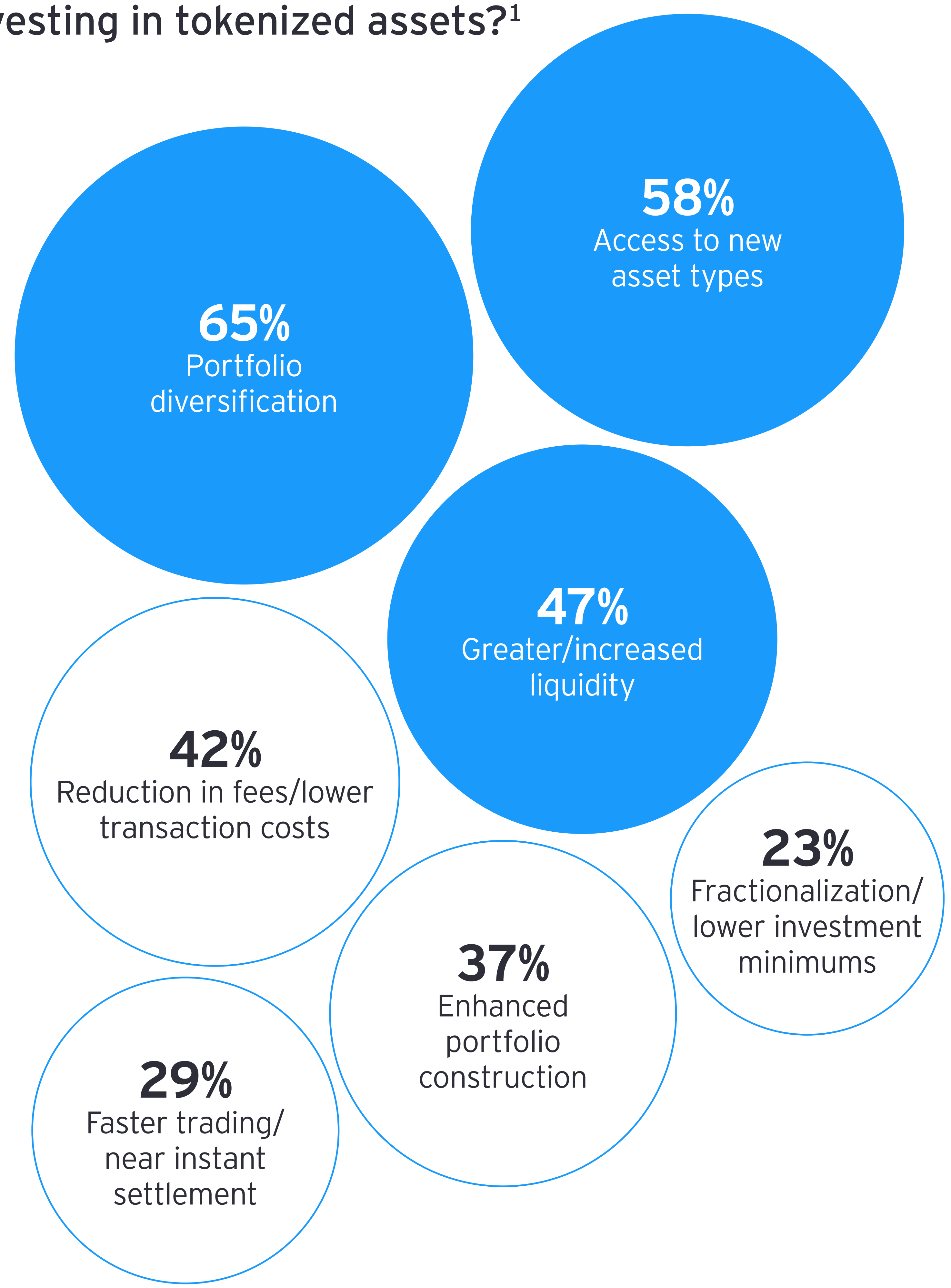
Which tokenized asset classes or security types would your firm be interested in investing in?[1]



[1]Excludes de minimis "other" responses.
[2]Real-world assets include assets such as carbon credits, gold, timber, water.

Q:

Why is your firm interested in investing in tokenized assets?[1]

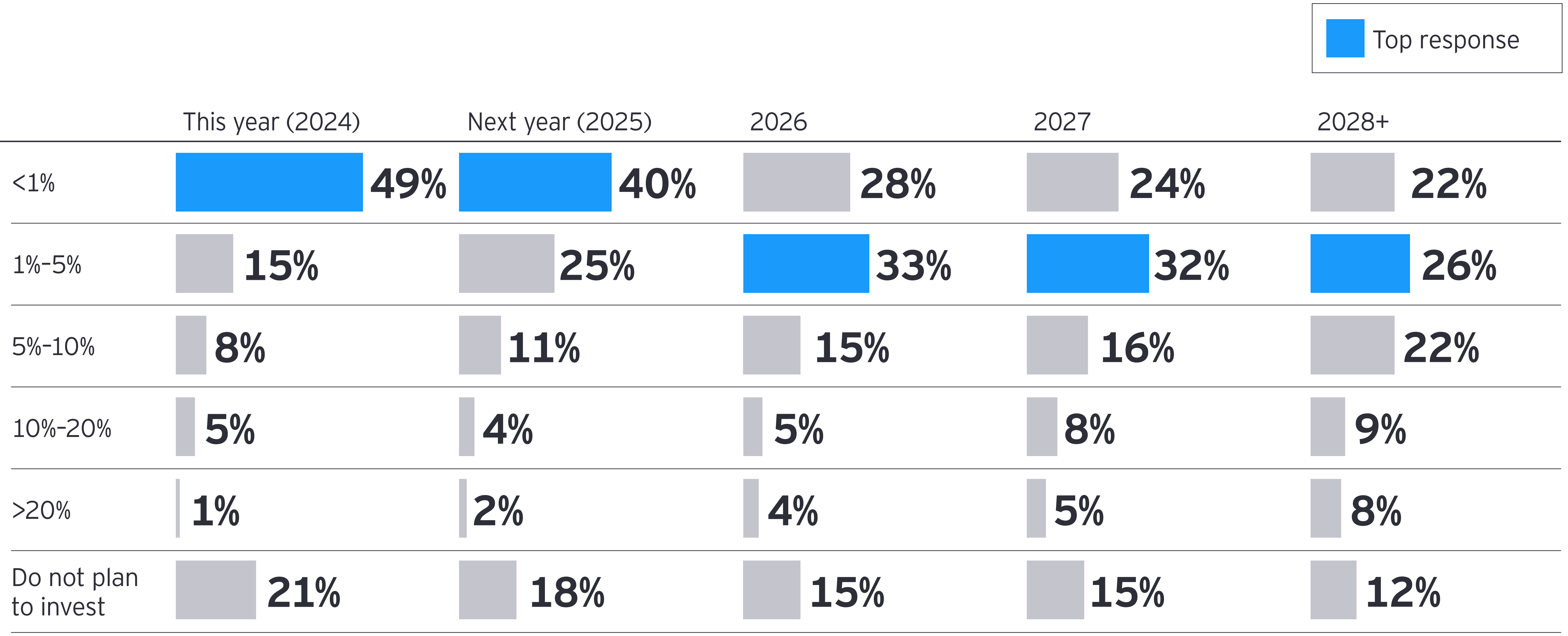


While only 29% of institutions anticipate >1% of their portfolio being DLT-based by the end of 2024, 65% anticipate the same by 2028.

Companies anticipate increasing their allocations to tokenized assets over the coming years with 51% of firms plan to allocate more than 1% of their overall portfolio this year, growing to 60% planning to do so next year By 2026, a third of the investors plan for DLT assets to constitute 1%–5% of their overall portfolio. The survey further reveals that 8% of investors project that DLT will constitute more than 20% of their portfolios by 2028, indicating a significant long-term investment commitment to this technology.

Q:

What proportion of your portfolio do you anticipate being DLT-based/tokenized over the following time periods?



Fifty percent of institutional asset managers are interested in using digital cash for FX; external payments and securities settlement follow closely at 48% and 47%, respectively.

With the emergence of use cases around blockchain based deposits, tokenized cash, and programmable money, asset managers are interested in a variety of use cases that can enable faster settlement times, better cash management, and B2B payments.

Q:

On a scale of 1 to 5, how interested are you in using digital cash (e.g., tokenized deposits, stablecoins) as a form of payment?

Scale	Not interested	Neutral	Interested
FX/foreign exchange	24%	26%	50%
External payments/B2B payments	30%	22%	48%
Securities settlement	24%	29%	47%
Money movement internally/internal cash management	34%	23%	43%
Collateral management	32%	31%	37%
Trading out of risk on assets in crypto ecosystem	33%	31%	36%

Fifty percent of institutional asset managers are interested in using digital cash for FX; external payments and securities settlement follow closely at 48% and 47%, respectively.

Forty-four percent of institutional asset managers are interested in tokenizing their own assets. Twenty-two percent plan to do so in the next two years.

While about half of institutional investors are interested in investing in tokenized assets, 44% of asset managers are interested in tackling the effort and navigating the regulatory waters of tokenizing assets themselves. The interest in tokenizing increases with larger asset managers (65% of asset managers with AUM >$500b), while smaller asset managers are more cautious and less interested (33% with AUM <$1b). While 22% plan to begin tokenizing their assets by 2025, 39% are driven by a "wait-and-see" approach, citing the need for more regulatory clarity. There is a more cautious approach compared to last year. In last year's survey (2023), 45% of asset managers were intending to explore tokenization within the next two years, while that number decreased to 22% during this years survey (2024).

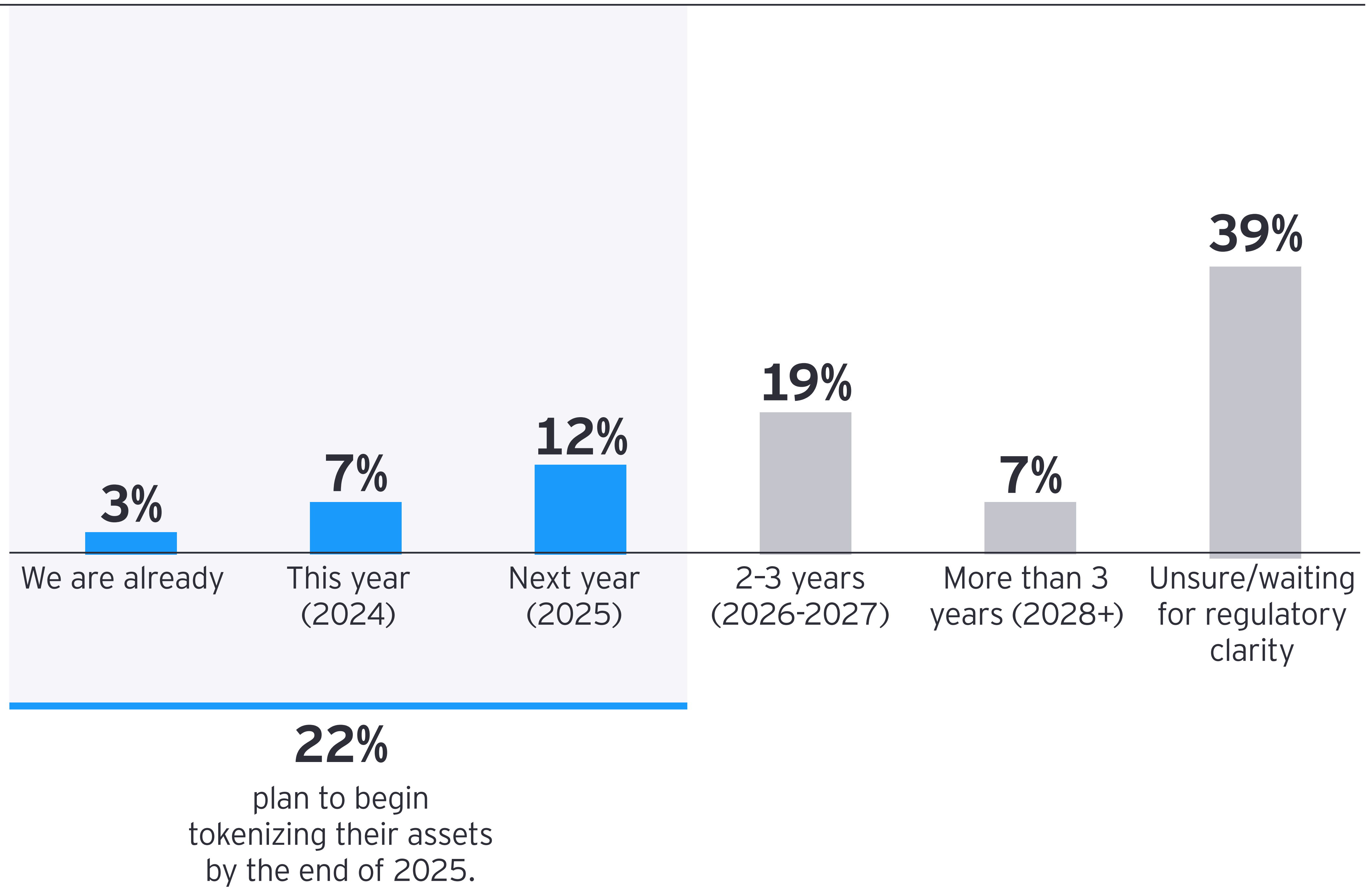
Q:

How interested is your firm in tokenizing its own assets?

	Interested in investing in tokenized assets
Total	44%
<$1b	33%
$1b-$50b	35%
$51b-$499b	42%
>$500b	65%

Q:

How soon would your firm want to begin tokenizing its own assets?

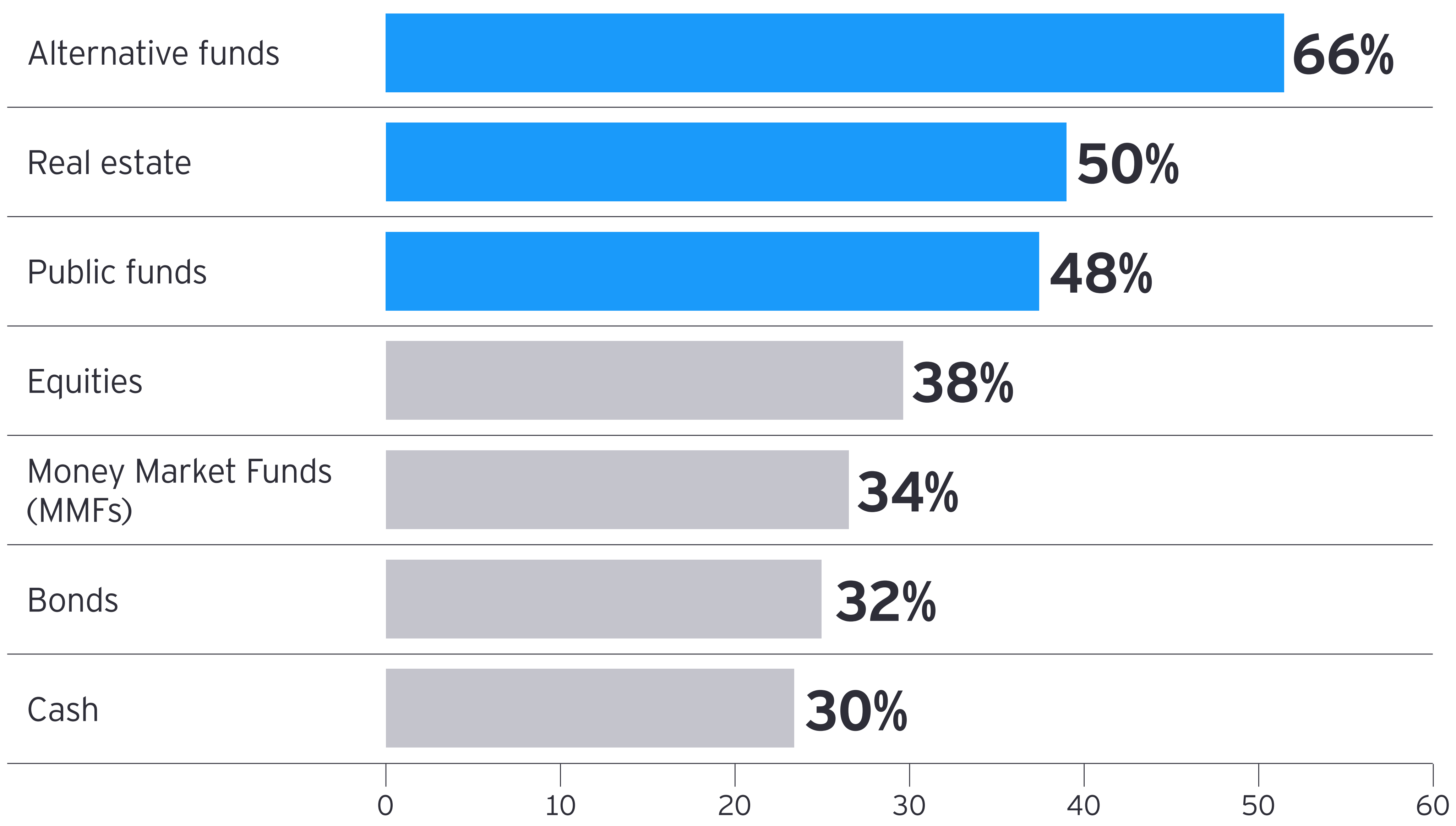


Asset managers are most interested in tokenizing alternative funds and real estate. Top drivers for tokenizing include access to new investors and cost savings.

It's certainly no surprise that alternatives and real estate are of interest to asset managers for tokenization. Both real estate and alternatives assets are notoriously "illiquid," and a goal of tokenization is to create liquidity out of illiquid assets utilizing blockchain technology. Asset managers' primary motive behind tokenizing their assets is to enable access to new investors and capital (52%), as well as drive cost savings (46%).

Q:

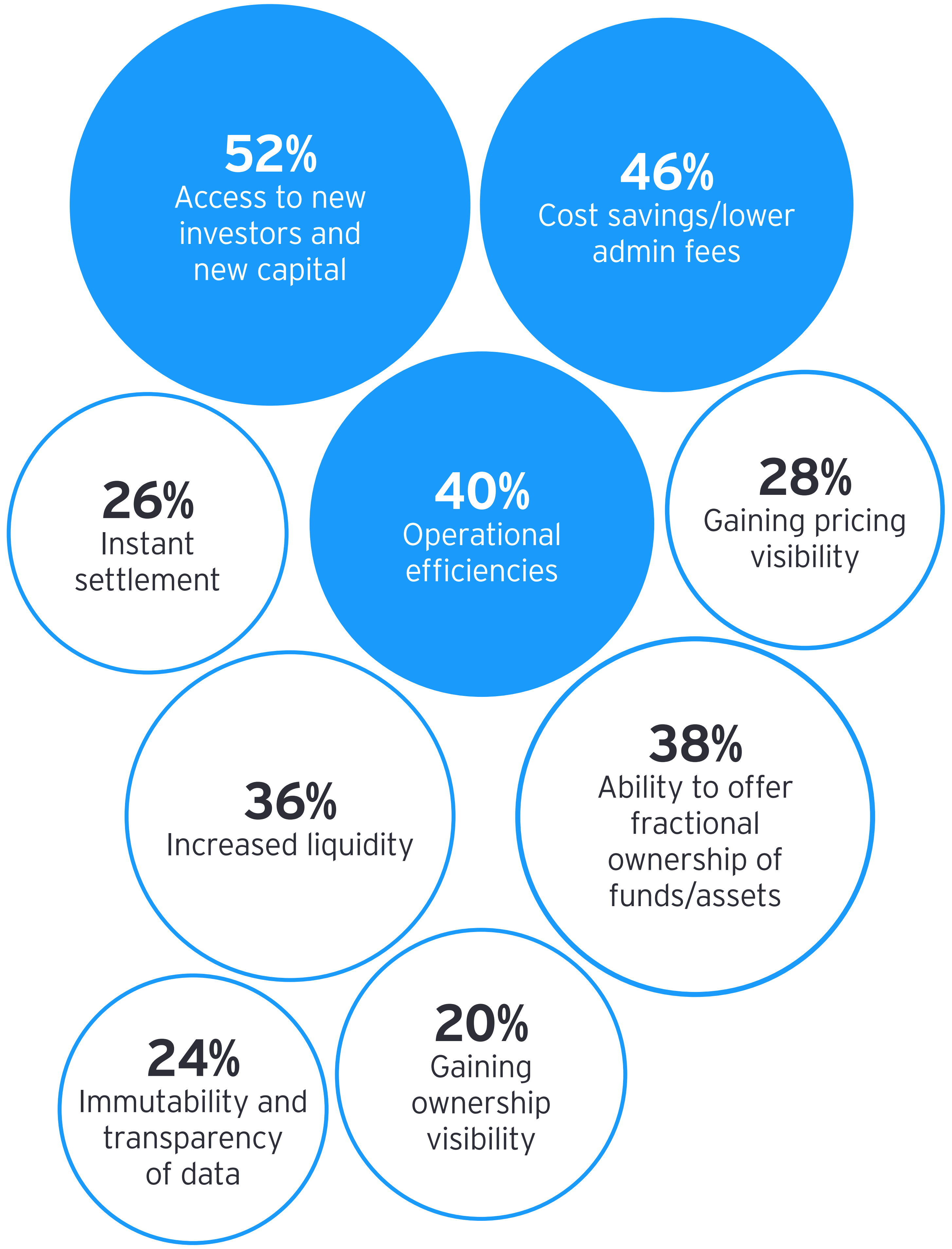
Which asset classes or security types would your firm be interested in tokenizing?[1]



[1]Excludes de minimis "other" responses.

Q:

What excites you/your firm most about tokenizing your assets? Please select the top three most important considerations.

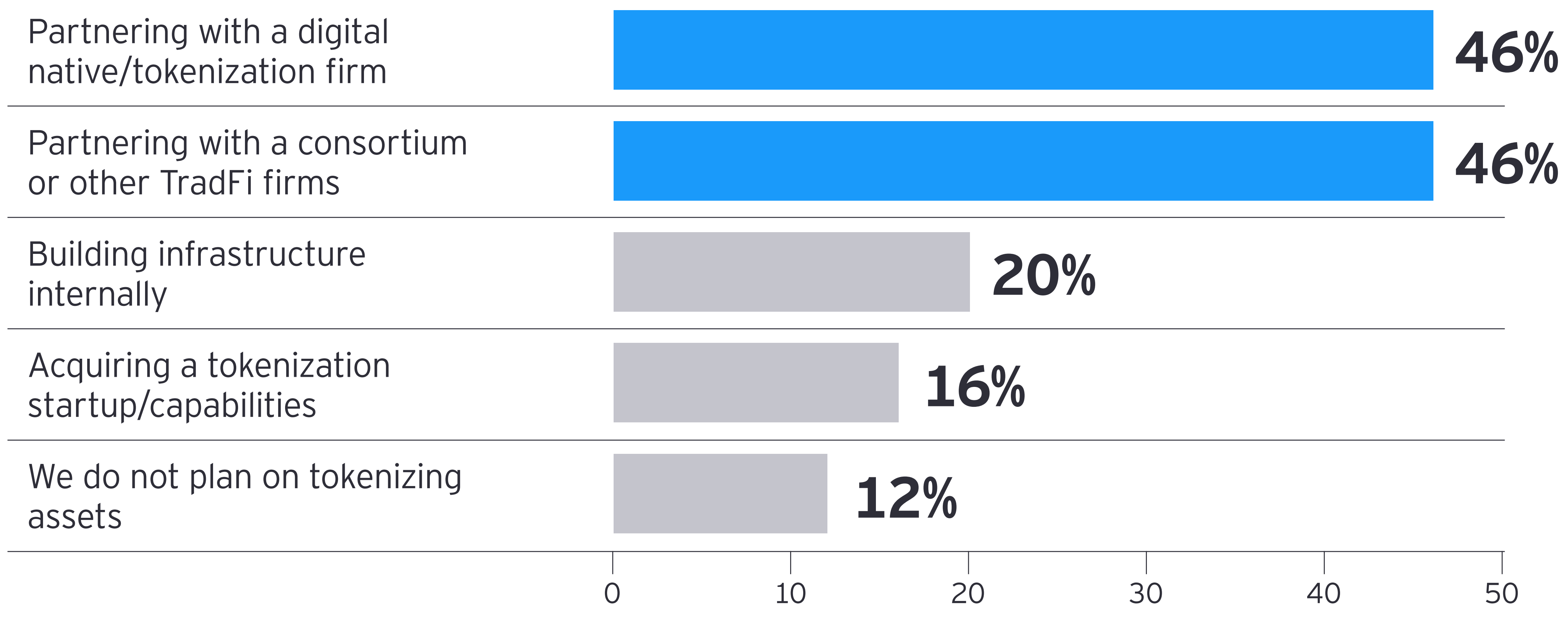


Majority of institutional asset managers plan to tokenize assets by partnering with digital native/tokenization firms or joining a consortium with other TradFi firms.

With concerns over regulatory clarity and the effort involved, it's not surprising that many firms are seeking a partnering approach to tokenizing assets. While fewer than 20% of firms said they would build the capabilities themselves in-house or acquire a tokenization startup for capabilities, 46% stated they would seek partnerships with a digital native firm, and another 46% noted they would partner with a digital assets consortium or other TradFi firms. Asset managers were mixed and uncertain as to a preference for tokenizing a new fund or tokenizing a sleeve of an existing fund.

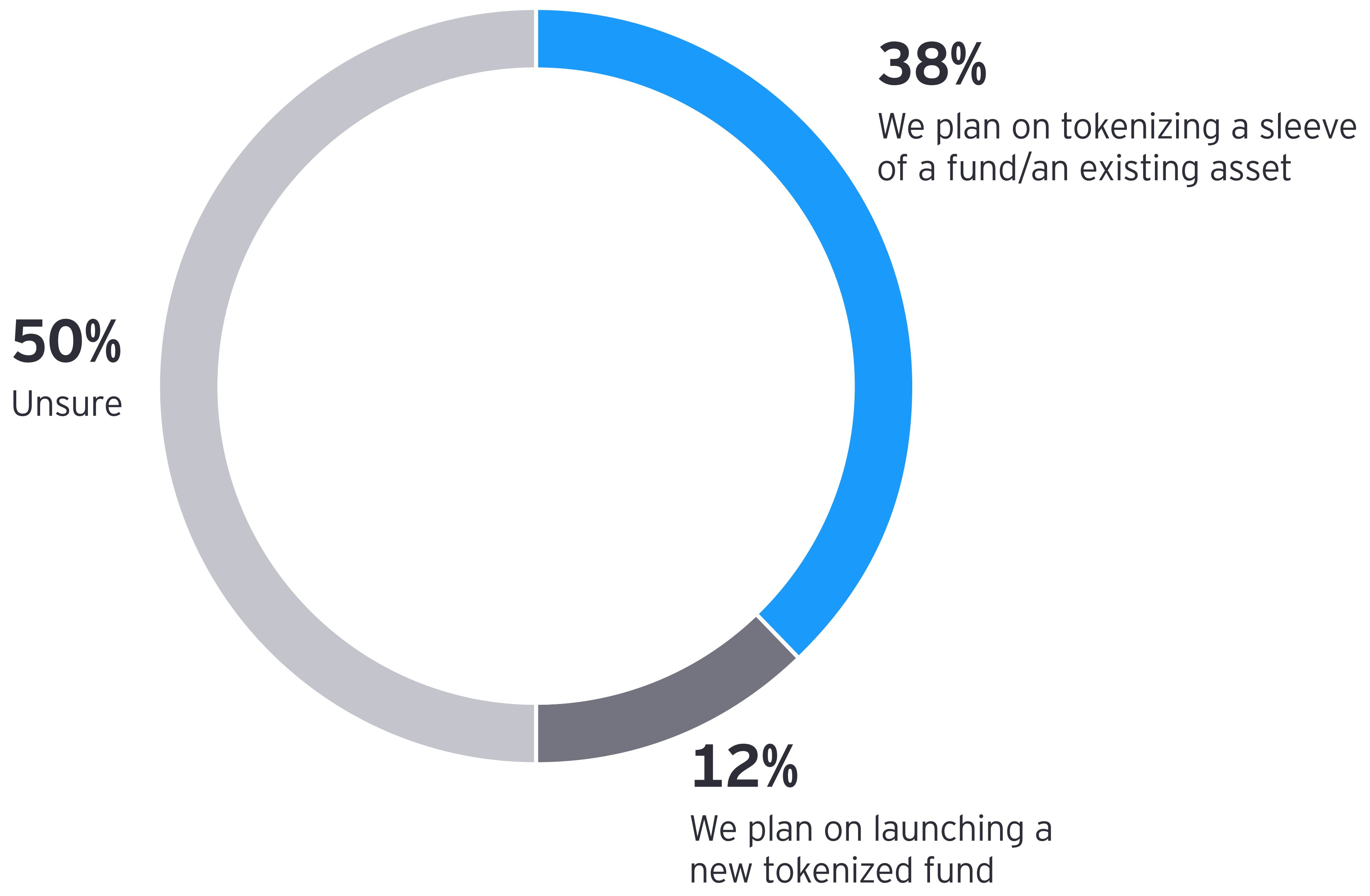
Q:

How do you plan on tokenizing assets?



Q:

Do you plan on tokenizing an existing sleeve of a fund/an existing asset, or a new fund/asset directly to the blockchain?

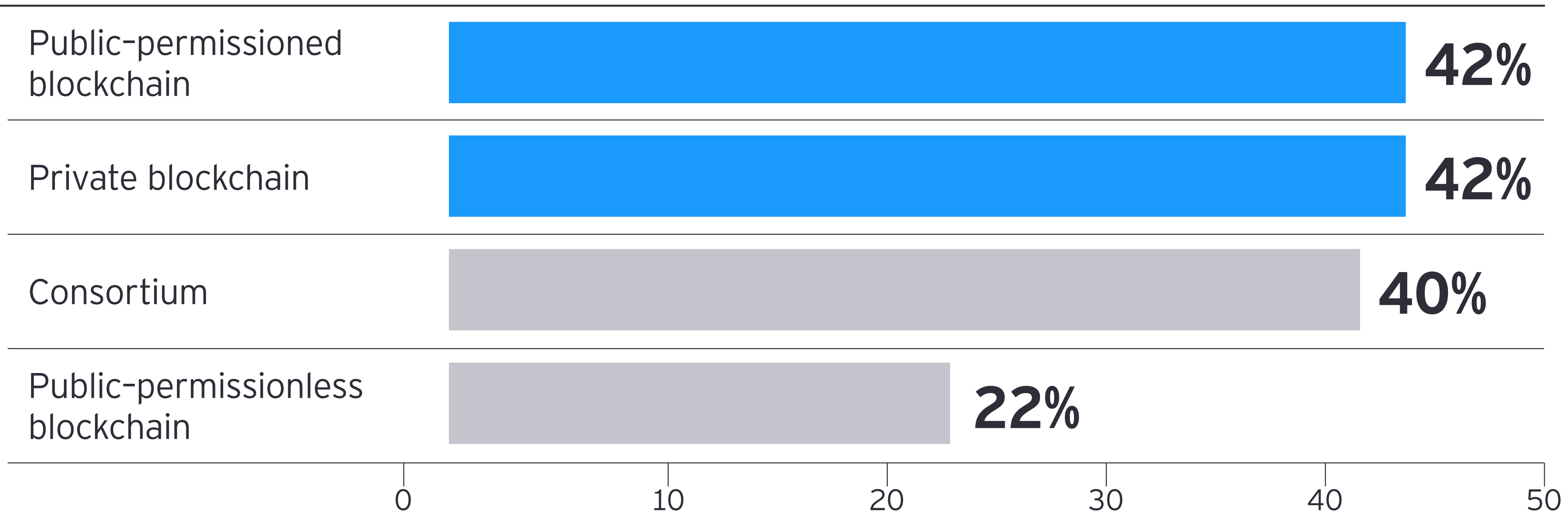


Forty-two percent of institutional asset managers plan to tokenize assets on public, permissioned blockchains, with Public Ethereum being the most considered protocol.

As institutions contemplate the type of blockchain used to tokenize assets, there is currently no clear preference between using a public permissioned blockchain, a private blockchain or a consortium network. Of the protocols most considered, 44% preferred private Ethereum options, 40% cited Digital Asset (DAML), and 36% are leaning toward public and permissioned Ethereum.

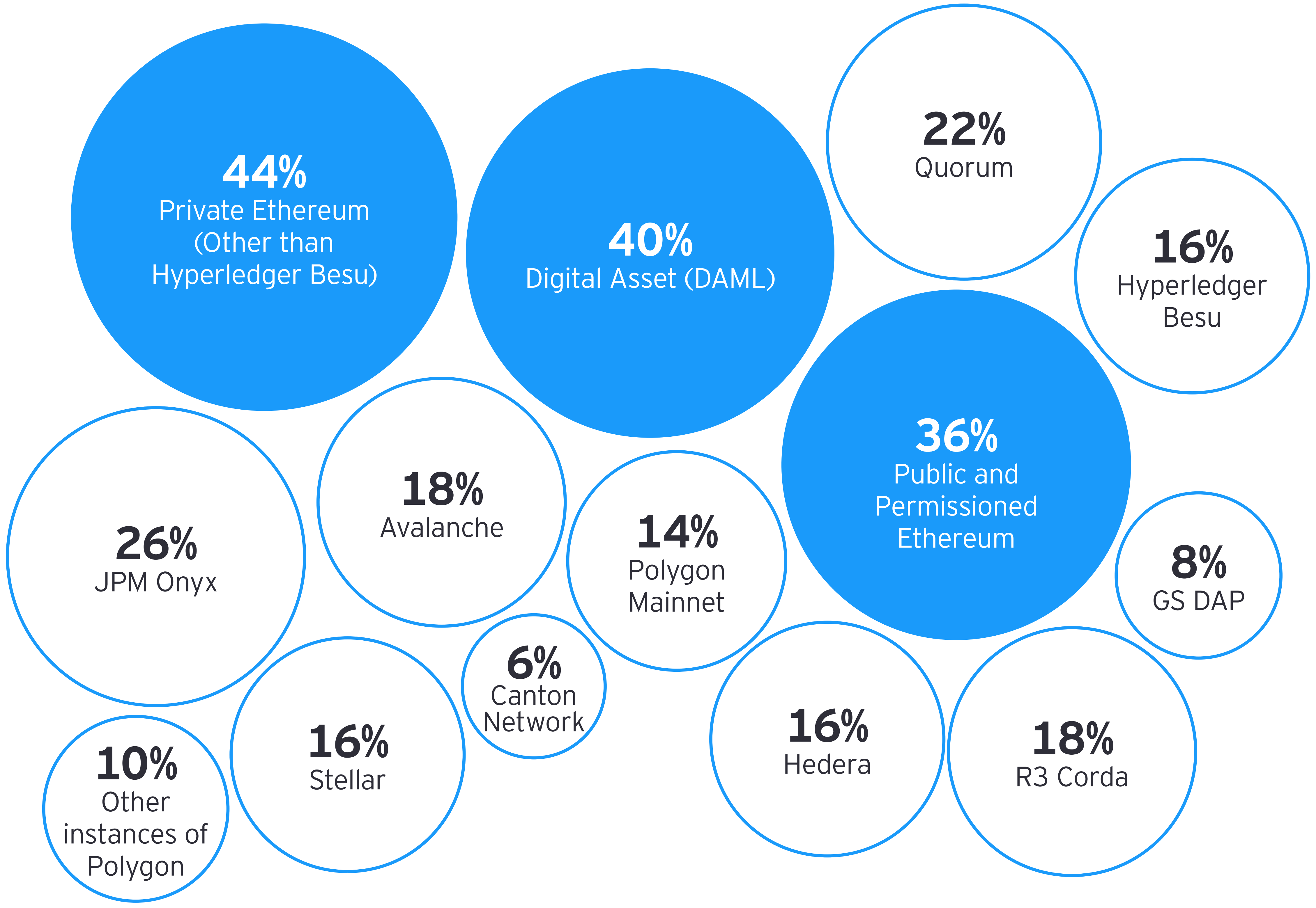
Q:

Do you plan on tokenizing assets on a public or private blockchain? Select all that apply.



Q:

What protocols are you most considering for tokenization/have you already tokenized on? Please select top 3[1].



Considerations for institutional investors and other financial institutions

Asset managers

- For firms considering launching a crypto fund, decide what the strategy of the fund will be, what cryptocurrencies will be held within the fund, the fund type (e.g., ETP, private fund) or tokenized funds. Start by defining the fund strategy (e.g., what cryptocurrencies within the fund, what assets/fund structures to tokenize).
- If considering tokenizing a fund, decide the type of fund or asset (e.g., MMF, Alternative) as well as an implementation model (e.g., tokenize a sleeve, launch a digitally issued fund). Consider how the fund will be distributed – will the firm want to own this, partner with a FinTech, etc.
- After defining the strategy, firms should identify vendors to support the product, initiate RFPs for vendors and conduct robust due diligence. Important factors to consider are what regulatory certifications and attestations the potential partners may have, as well as their ability to meet enterprise risk and technology standards, along with a steady financial backing. Building the right ecosystem is critical to the success of the new offering.
- Operationalize the offerings by developing new, or modifying existing, fund support processes, accounting for newly introduced risks and blockchain nuances. Design approach to pricing and distribution.

Wealth managers

Including family offices, private banks and RIAs

- For firms considering enabling access to digital assets to their investors, develop a strategy, assess the risks of providing access to digital assets. Educate advisors and bankers on the opportunities, advantages and the types/ways to provide exposure to digital assets, as well as the risks associated with them so they can better educate their end clients.
- When considering onboarding Bitcoin ETPs or other crypto funds to the firm's platform, conduct robust due diligence into the underlying crypto assets, the vendors utilized by the fund manager, liquidity of the underlying assets and operational procedures employed (e.g., the process around custodying the underlying assets). Due diligence should expand beyond traditional approaches based on the increased risks associated with digital assets.
- Assess the landscape of custody and wallet offerings when enabling access to spot crypto. Document and update risk policies and procedures and develop safeguards to support the oversight of transactions.

Institutional investors

- If interested in making an investment in digital assets, educate themselves about the market dynamics, including the differences between various ways to get exposure (e.g., funds vs. spot), as well as the different types of digital assets (e.g., cryptocurrencies, stablecoins).
- Develop an investment thesis and allocation model that supports long-term investment strategies and objectives, as well as where the allocation will come from. Investor risk profiles can help decide whether to fund digital asset investments by reallocating from more risk-sensitive buckets, such as equities, or less risk-sensitive fixed income allocations.
- Execute the investment plan with a framework that considers vendors to support access (e.g., custodians, liquidity providers), and addresses ongoing operational, risk management, tax, compliance and accounting requirements.

Banks and crypto natives

- Robust institutional infrastructure and capabilities will be needed to support the growing demand for digital assets. Providing services like custody and wallet capabilities, enabling liquidity, lending, collateral management, off-chain settlement, order and portfolio management capabilities, and more will enhance the institutional investor experience.
- Consider the role to play in tokenization, including providing tokenization services such as being the tokenization engine, standing up a digital transfer agency, providing fund administrative services for tokenized funds, supporting distribution of tokenized assets, and enabling secondary liquidity.
- Banks and crypto natives could consider partnerships to bring institutional infrastructure to support the trading of crypto, operational processes required for crypto funds, and capabilities to support the tokenization of funds, assets and cash.

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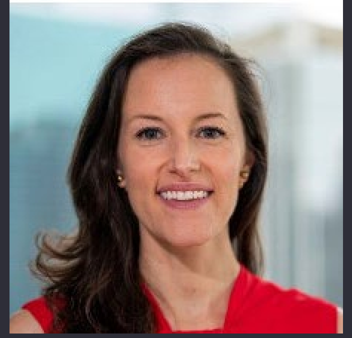

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