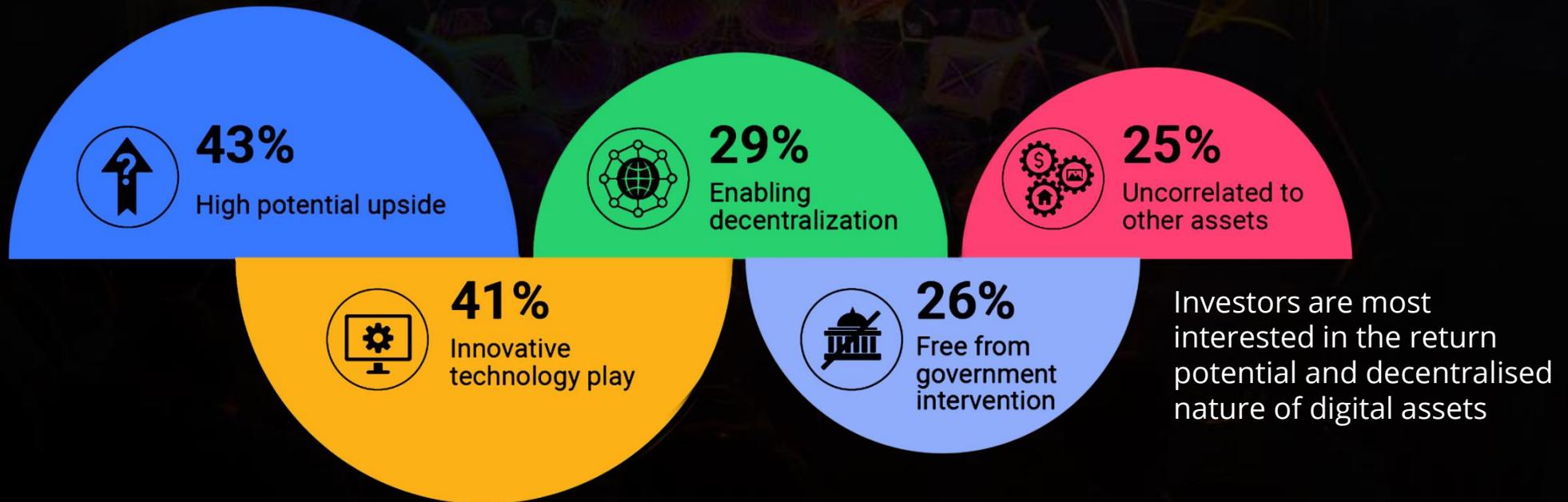
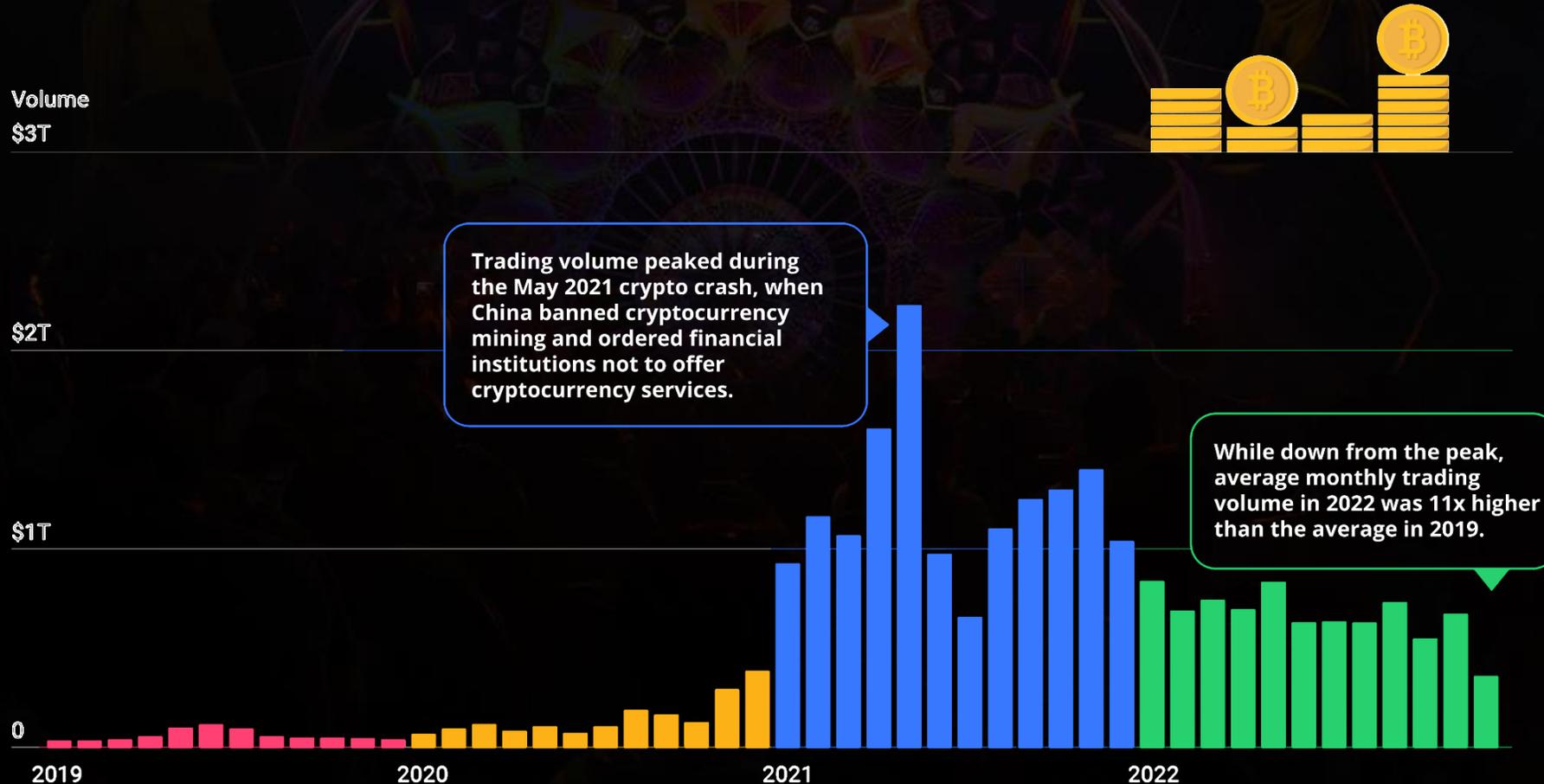


Why invest in digital assets?



Crypto exchange volumes: spot market



Primary use cases for digital assets

Digital Currencies

Assets native to blockchains that primarily enable the transfer of value.

Digital Currencies

Bitcoin 



Blockchain Infrastructure

Ethereum 



On-Chain Derivatives

Tether 



Digital Asset Applications

Uniswap 



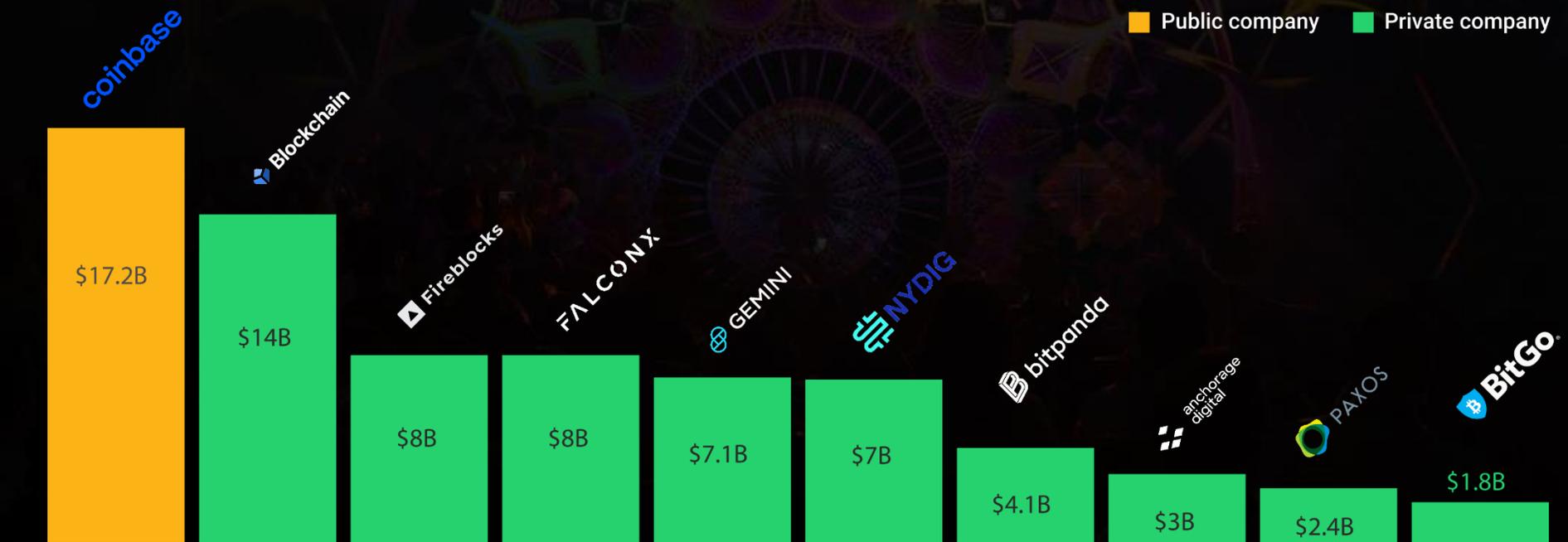
Blockchain Infrastructure

Assets that support the development, interoperability, scale, and growth of blockchain technologies.

Digital Asset Applications

Assets that are native to an on-chain application that provides a specific service or product to blockchain users.

Valuations of leading Web3 players



Source: CBInsights, Oct 2023: <https://app.cbinsights.com/market-report/1140?tab=marketData>

Risks associated with digital currencies

1	Market risk		Price volatility
2	Counterparty risk		Another player's default
3	Illicit-finance risk		Fraud, money laundering, etc.
4	Regulatory risk		Continuously evolving local government thinking
5	Security risk		Theft, loss, and attack
6	Operational risk		Including smart contracts and technological challenges
7	Reputational risk		Damage to the public image

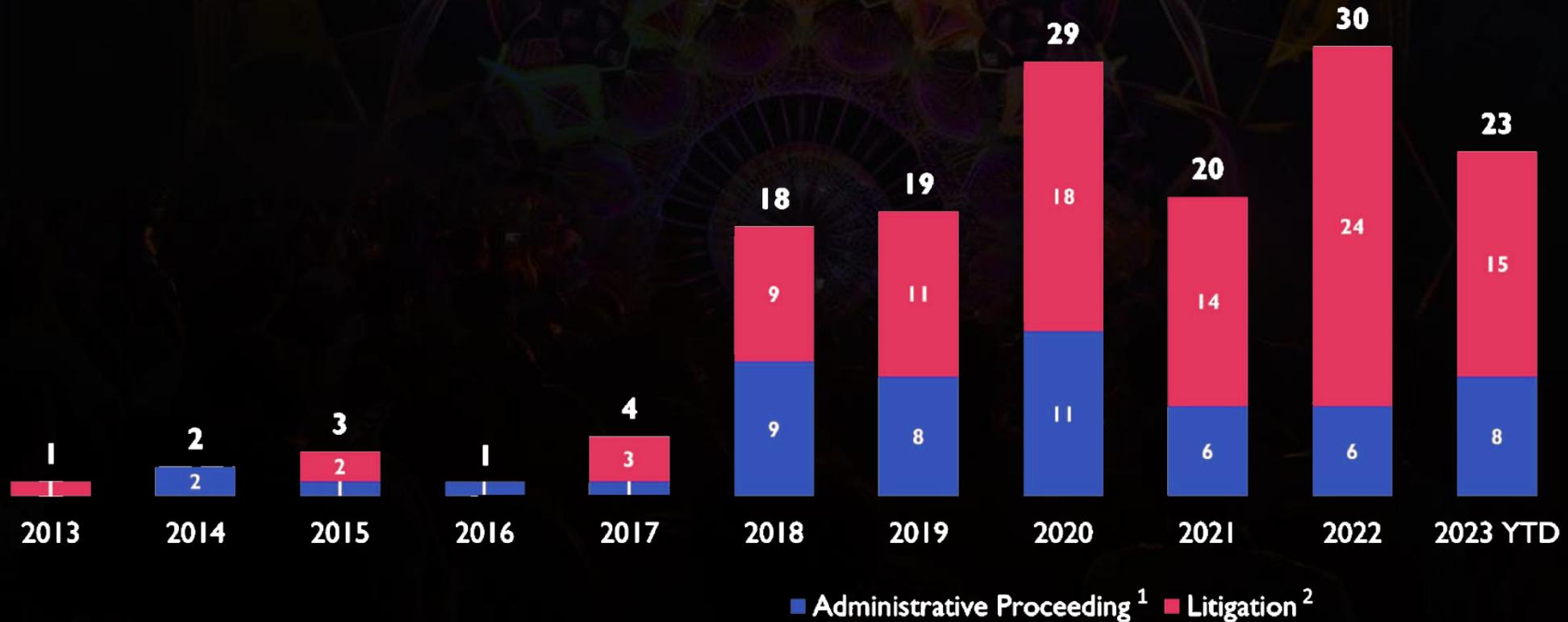
Source: BCG, Jul 2023: <https://www.bcg.com/publications/2023/managing-risk-for-next-wave-of-digital-currencies>

Crypto volatility is showing decreasing peaks



Rolling annualized 30-day volatility of daily returns.
Components of COINCORE index currently include 70.7% bitcoin, 27.5% ether and 1.8% other.
Source: Coinbase, Sep 2023: <https://www.coinbase.com/institutional/research-insights/research/monthly-outlook/crypto-markets-in-10-charts-sept-2023>

SEC enforcement actions on Crypto



1: SEC's administrative proceedings refer to internal processes conducted before administrative law judges (ALJ) to enforce securities laws. The SEC acts as the prosecutor and the ALJ makes findings and decisions. 2: SEC's litigations refer to legal actions brought before federal courts, involving alleged violations of securities laws. The SEC acts as the plaintiff and the case presented before a judge or jury.

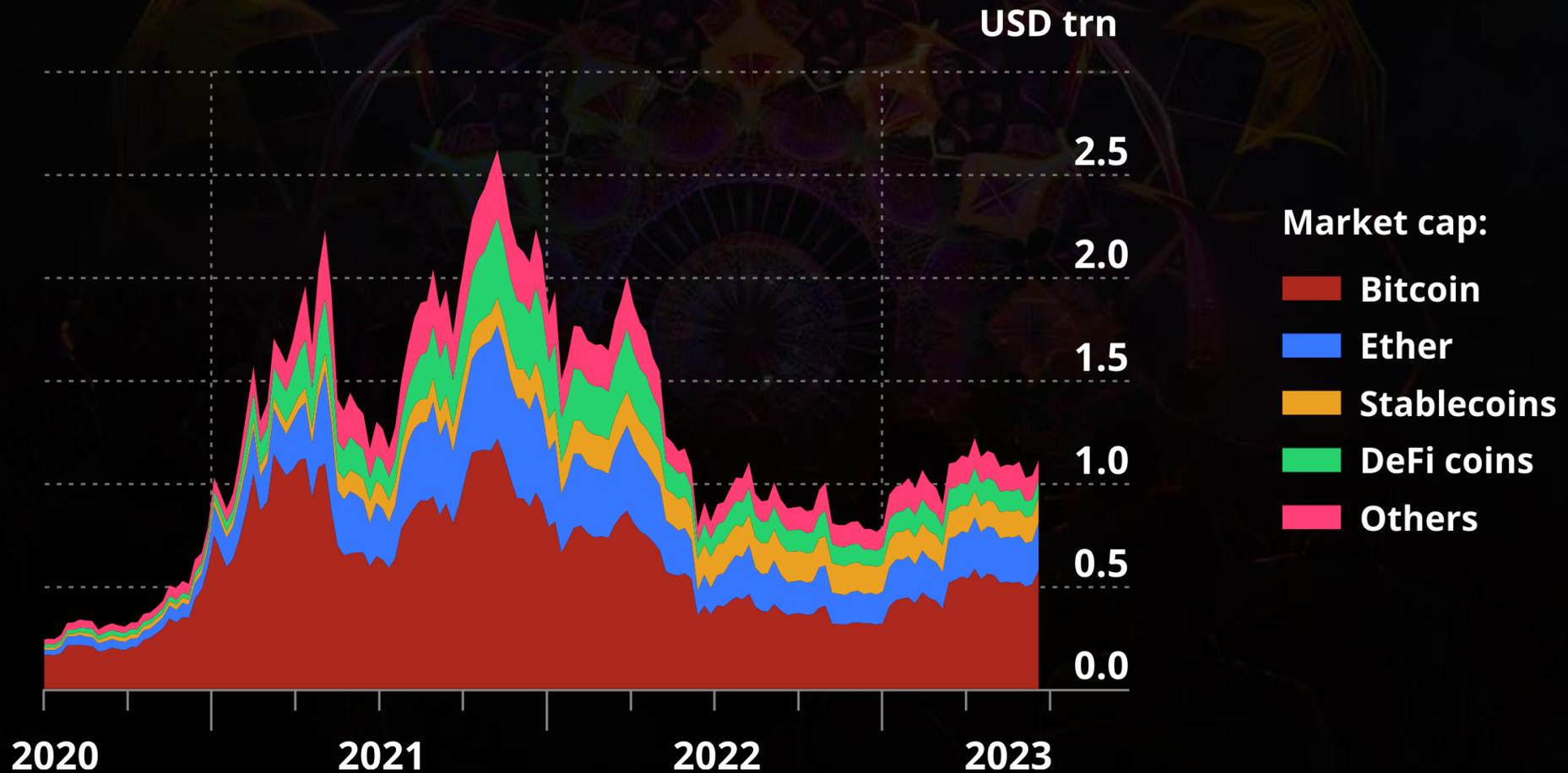
Source: The Block Research (Cornerstone Research), SEC.gov, Aug 2023: <https://static2.ftitechnology.com/docs/white-papers/FTI+Technology+White+Paper+-+Global+Regulatory+Trends+in+Crypto.pdf>

Global crypto regulations overview

Jurisdiction	Regulatory Framework	AML / CTF	Travel Rule	Stablecoins Regulation
Argentina	In progress	In progress	In progress	In progress
Bahamas	✓	✓	✓	✓
Brazil	✓	✓	✓	In progress
Cayman Islands	✓	✓	✓	✓
China	✗	✗	✗	✗
Colombia	In progress	In progress	In progress	In progress
European Union	✓	✓	✓	
Hong Kong	✗	✓	✓	In progress
Japan	✓	✓	✓	
Singapore	✓	✓	✓	In progress
South Korea	✓	✓	✓	In progress
United Arab Emirates	✓	✓	✓	
United Kingdom	In progress	✓	✓	In progress
United States	In progress	✓	✓	In progress

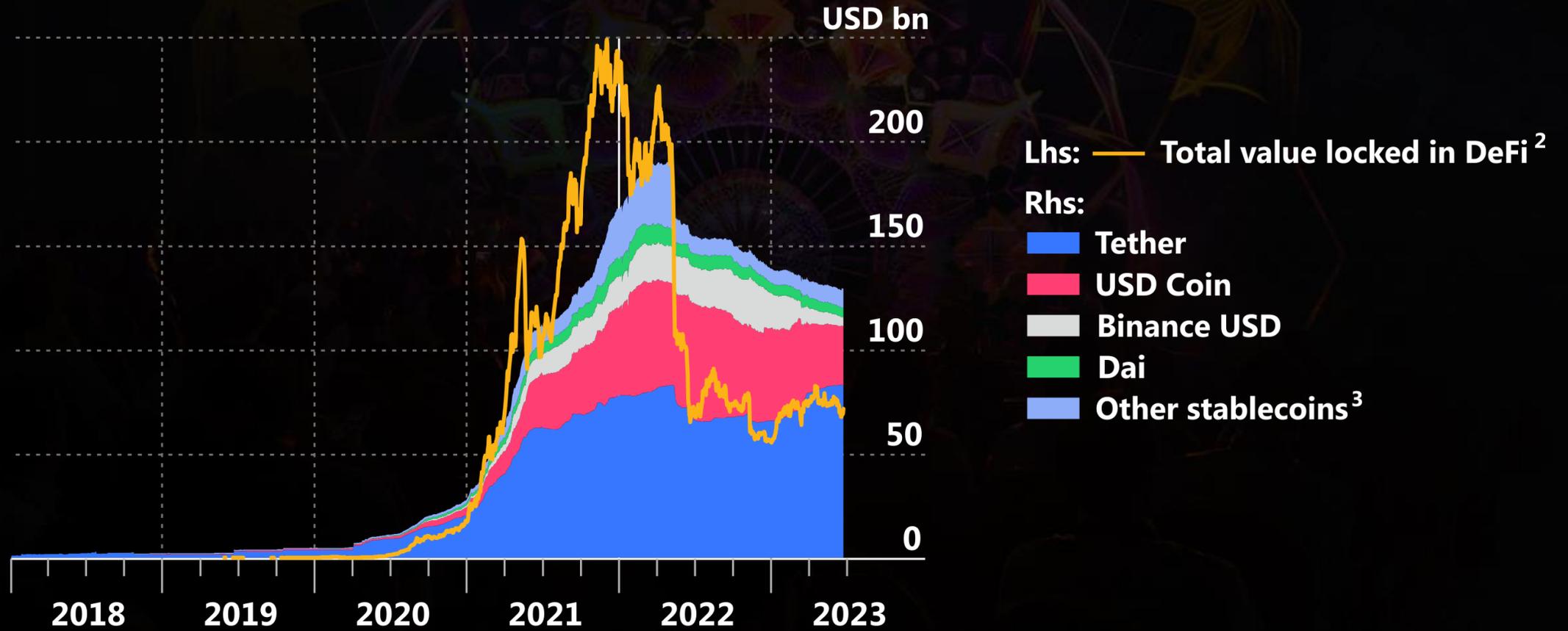
Source: The Block Research (PwC, legal filings), Aug 2023: <https://static2.ftitechnology.com/docs/white-papers/FTI+Technology+White+Paper+-+Global+Regulatory+Trends+in+Crypto.pdf>

Crypto and DeFi market size



1 End-of-week values. Categories comprise the largest seven stablecoins, 59 DeFi coins and 64 other cryptocurrencies. DeFi coins correspond to cryptocurrencies issued by DeFi platforms and with a market capitalisation-to-total value locked ratio smaller than 50, as reported by DeFiLlama. Total value locked refers to the size of capital pools underpinning DeFi protocols. For more details, see Table A2 from Auer (2022). Source: BIS (2022); BIS (Bloomberg; CoinGecko): <https://www.bis.org/publ/othp72.pdf>

Growth in stablecoins



Source: BIS (Aramonte et al), Jul 2023: <https://www.bis.org/publ/othp72.pdf>

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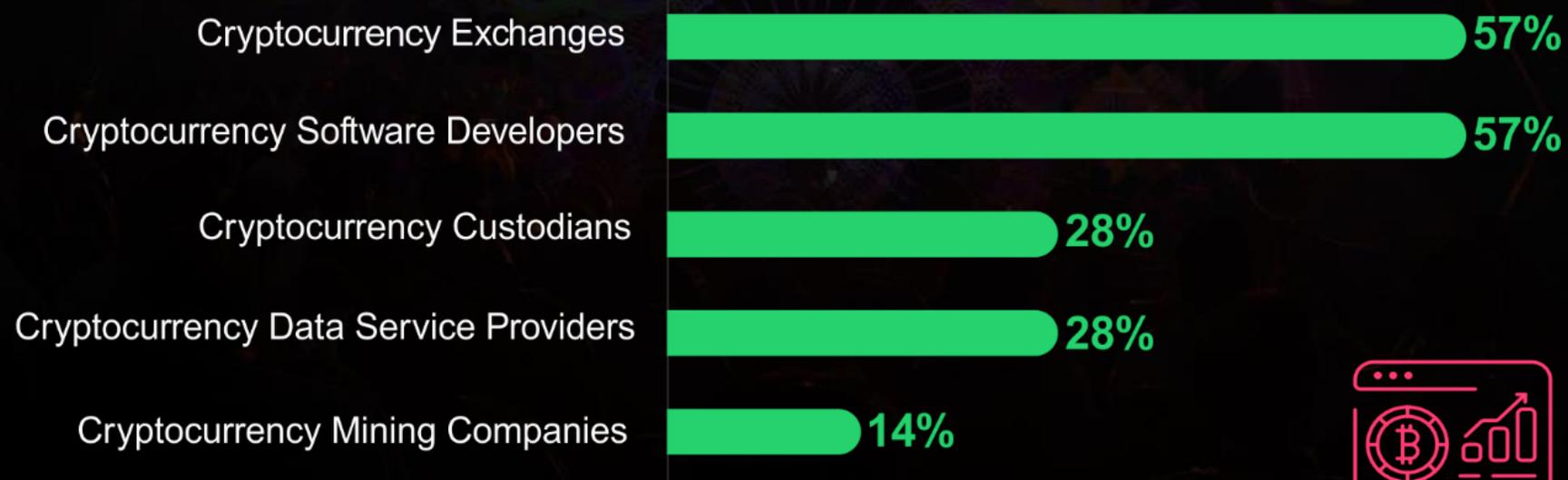
DeFi mkt cap & share of overall market



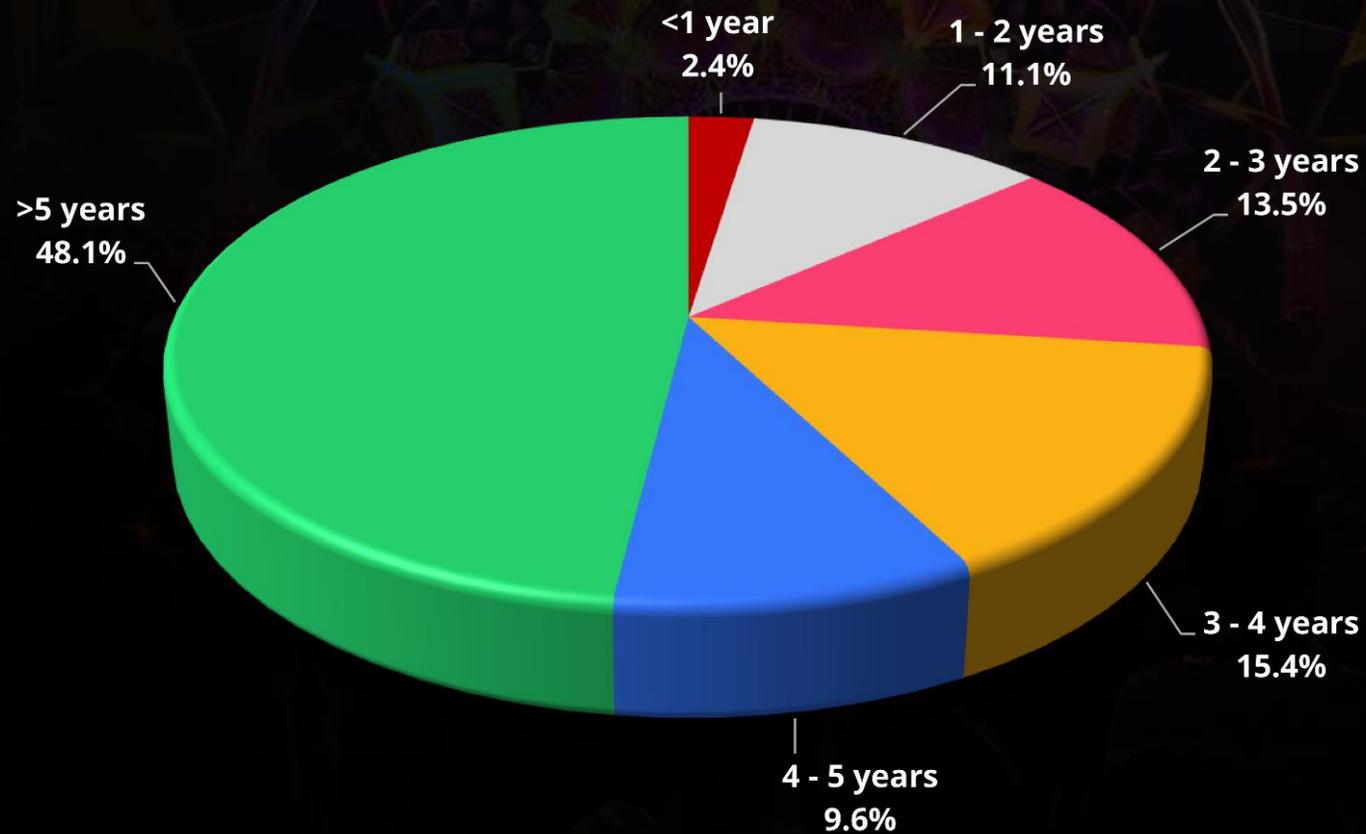
Source: CoinGecko, Oct 2023: <https://www.coingecko.com/research/publications/2023-q2-crypto-report>

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Family Offices & HNWI's – how are they investing in Web3?



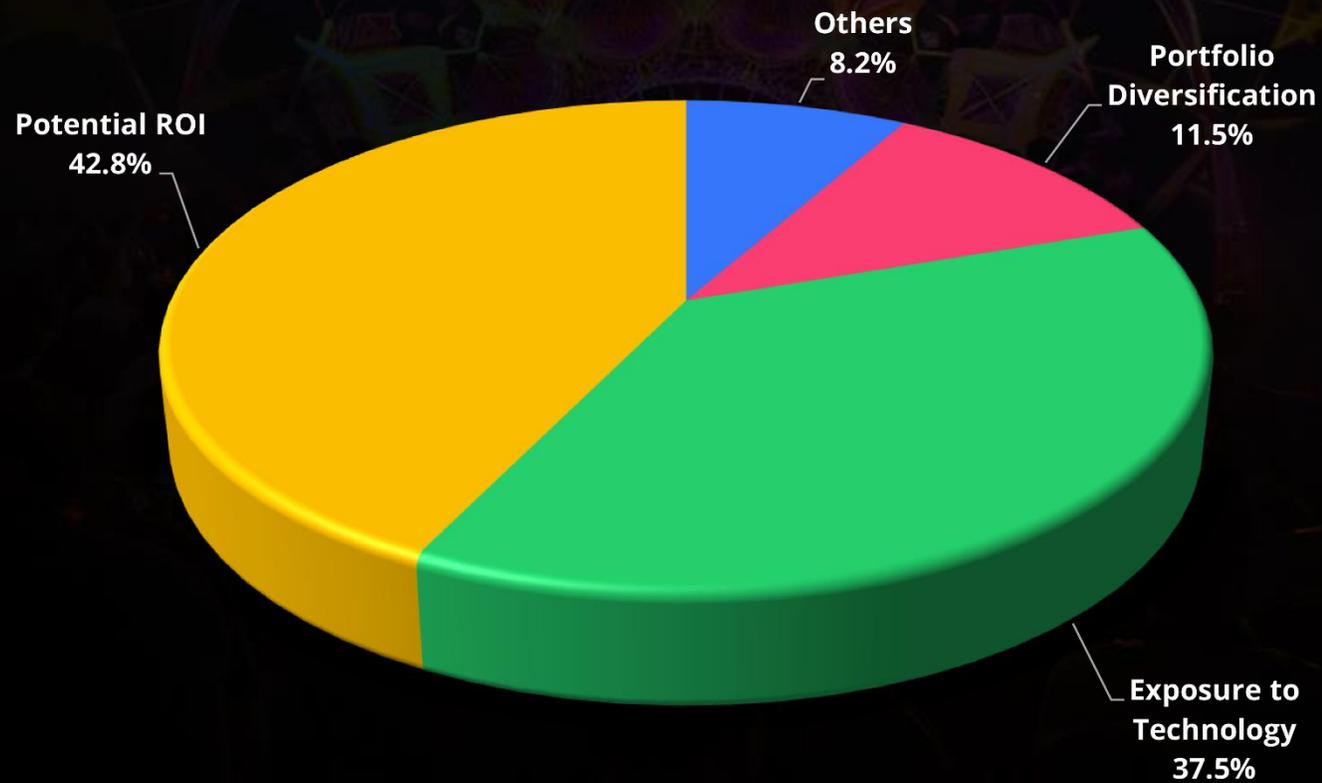
Institutional investors: crypto investing experience



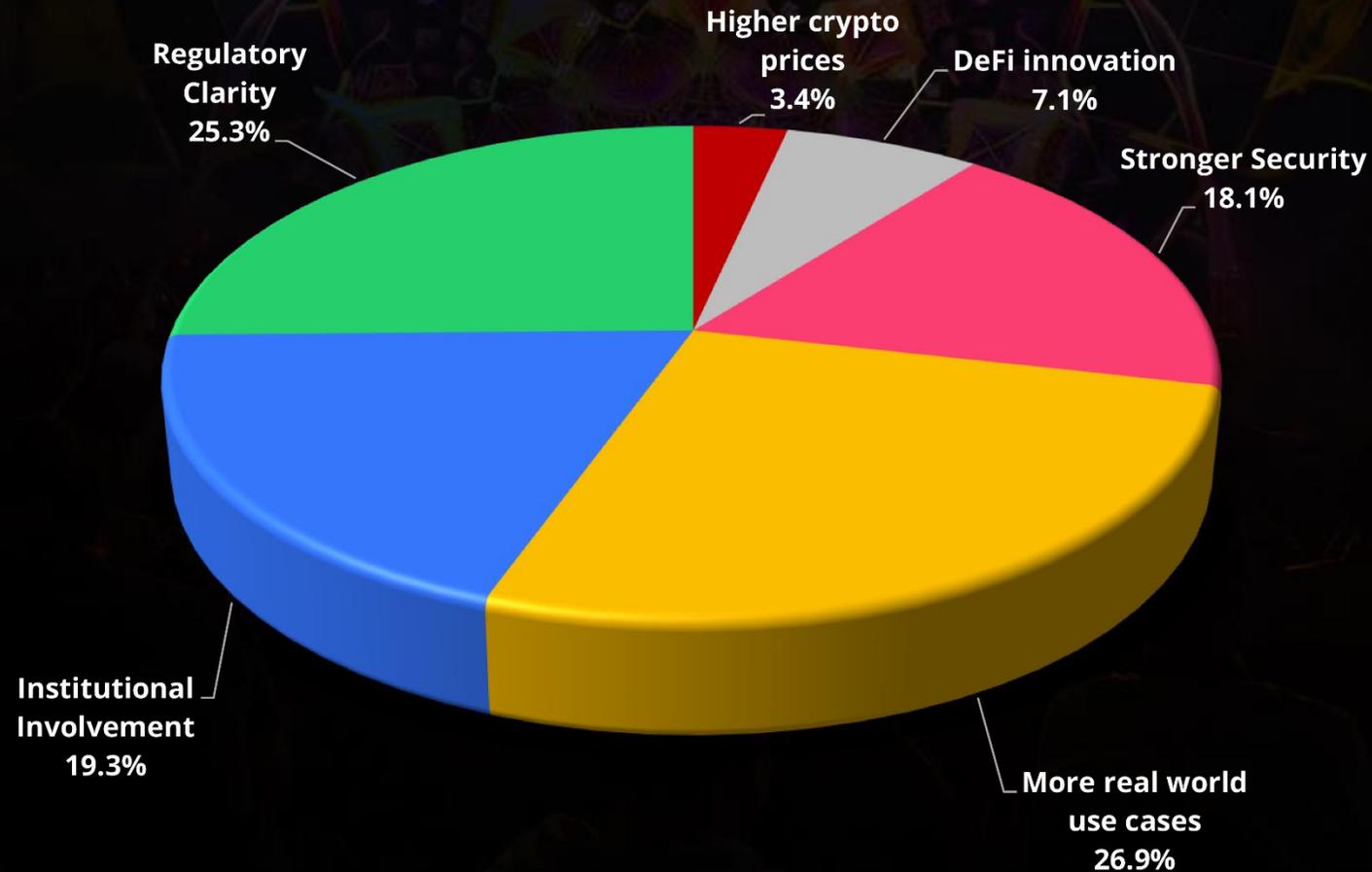
Source: Binance, Jun 2023: <https://research.binance.com/static/pdf/institutional-crypto-outlook-survey-2023.pdf>

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Institutional investors – why invest in crypto?



What is driving crypto adoption?



Web3 sentiment and allocation

SENTIMENT

Long-term believers in the market.



of institutions noted that recent market events have impacted their short-term digital assets and/or related product investment plans, but that they have plans to re-evaluate quickly.



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

ALLOCATION

Increasing their allocations.



of respondents increased digital assets and/or related product holdings in 2022.



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

*Digital asset-related products include funds, trusts, derivatives, etc.
Source: EY, Apr 2023: https://www.ey.com/en_us/financial-services/how-institutions-are-investing-in-digital-assets

Institutional confidence and interest in tokenization

CONFIDENCE

More trusting of TradFi institutions.



90% of respondents would engage with a TradFi firm for custody of their crypto investments.



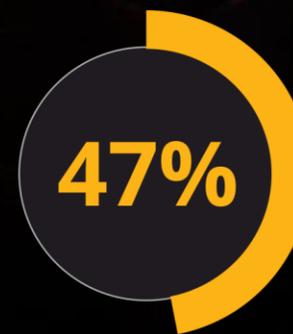
50% of respondents would be likely to switch from a crypto native firm to a traditional finance firm if the same capabilities were offered.

TOKENIZATION

Interested in tokenization.



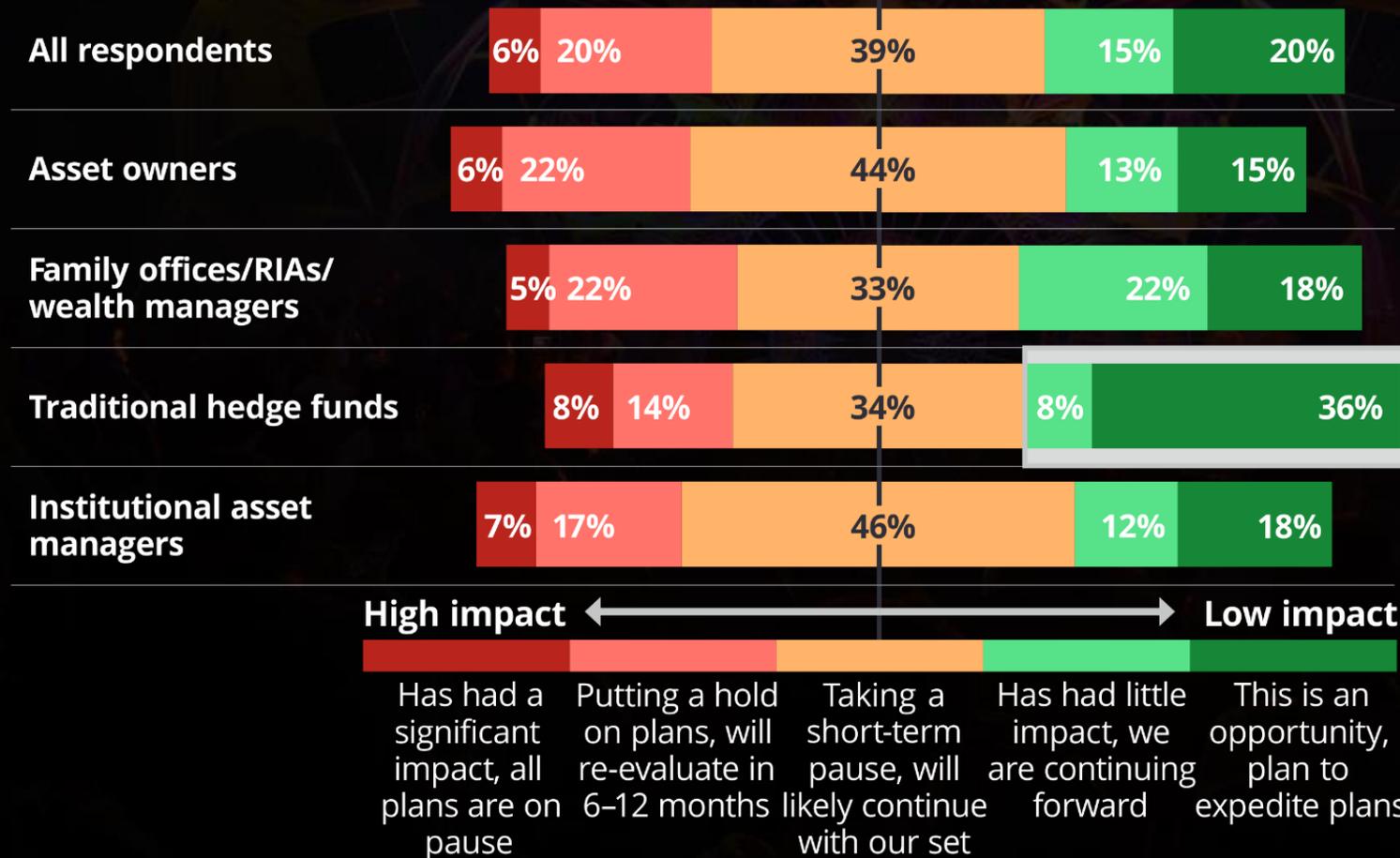
57% of institutional investors are interested in investing in tokenized assets, with 40% interested in starting this year or next.



47% of hedge funds and institutional asset managers are interested in tokenizing their own assets, with 45% planning to start this year or next.

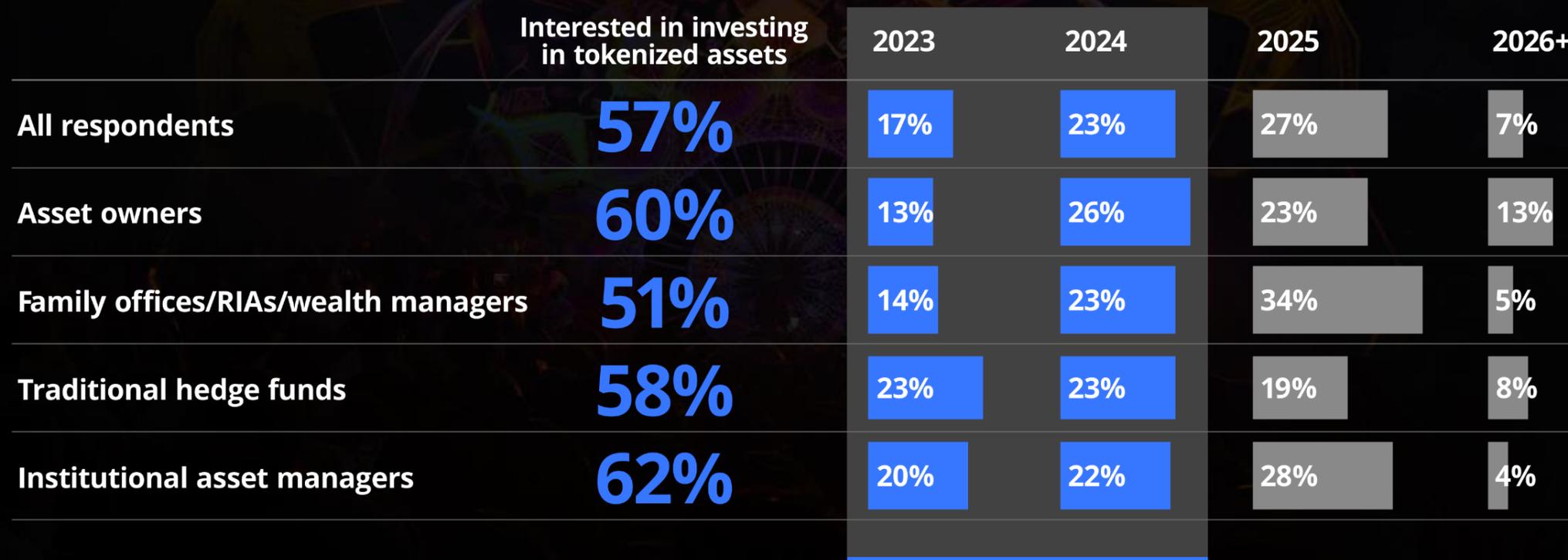
*Digital asset-related products include funds, trusts, derivatives, etc.
Source: EY, Apr 2023: https://www.ey.com/en_us/financial-services/how-institutions-are-investing-in-digital-assets

Impact of crypto winter on demand



44% of hedge funds' crypto investment plans are unaffected by the current "crypto winter."

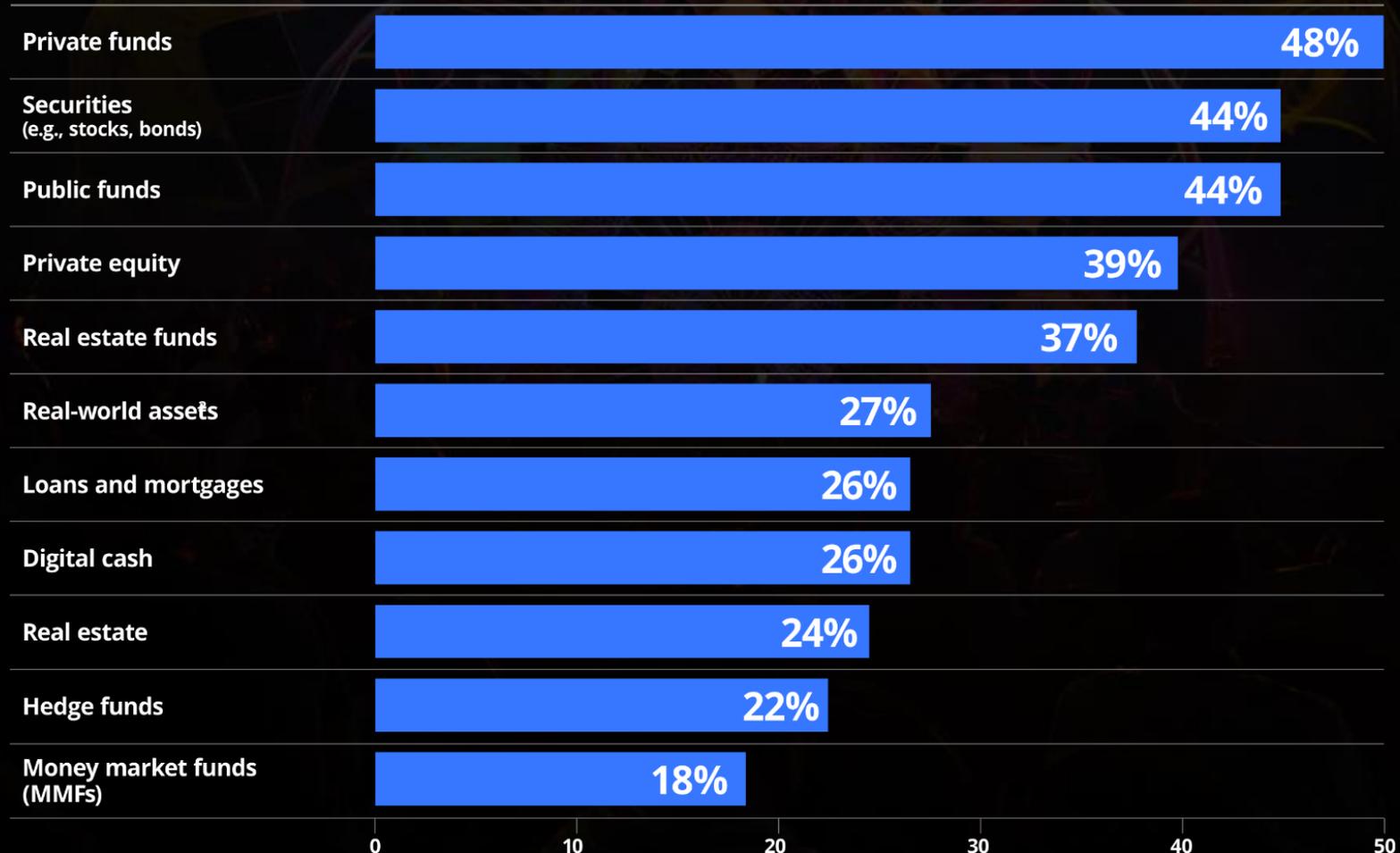
Institutional interest in investing in tokenized assets, and when



There is broad interest in investing in tokenized assets this year and next among institutional investors.

Note: does not include respondents who indicated "unsure — waiting for regulatory clarity."
Source: EY, Apr 2023: https://www.ey.com/en_us/financial-services/how-institutions-are-investing-in-digital-assets

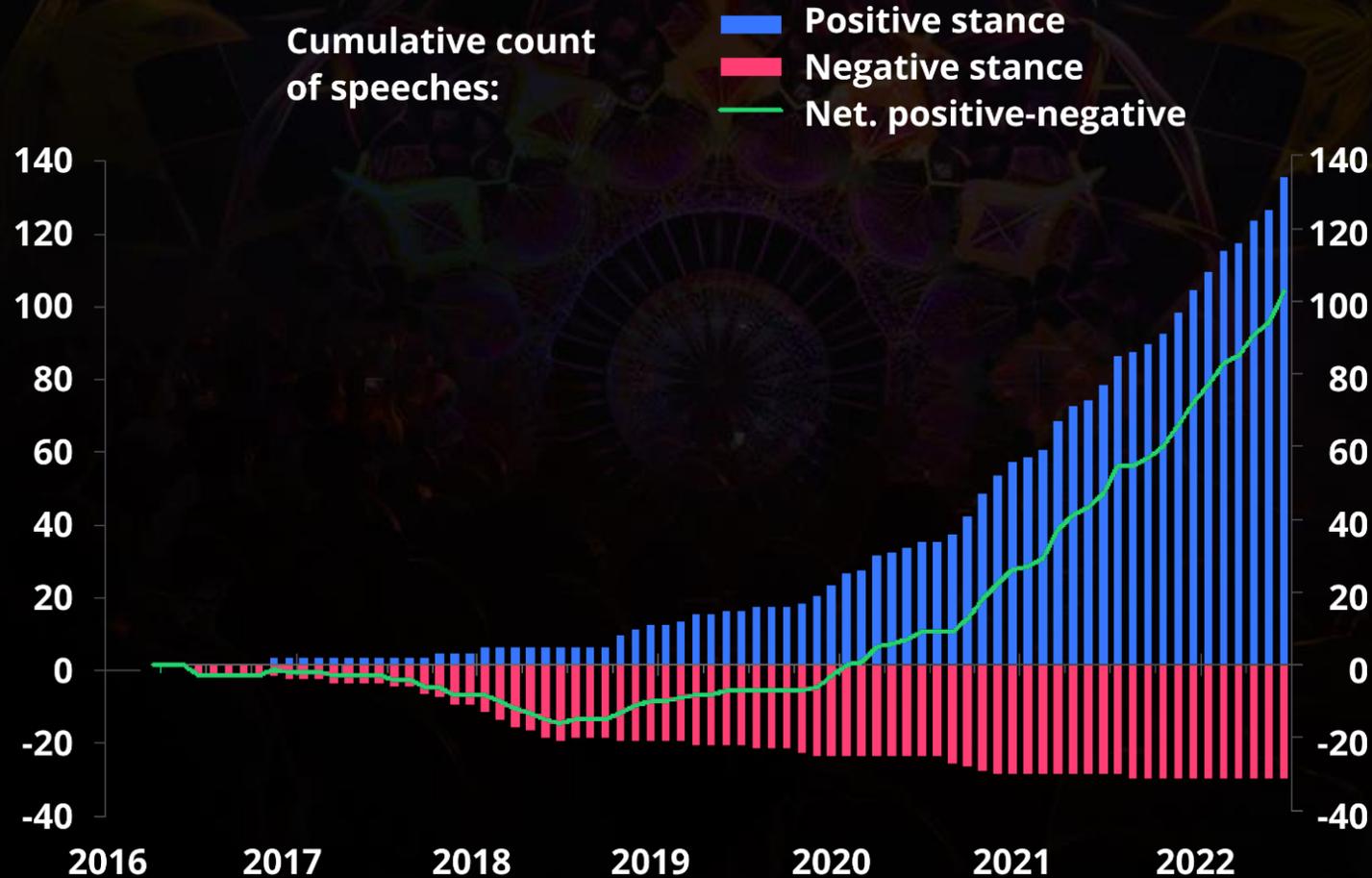
Tokenized asset classes driving most institutional interest



Source: EY, Apr 2023: https://www.ey.com/en_us/financial-services/how-institutions-are-investing-in-digital-assets

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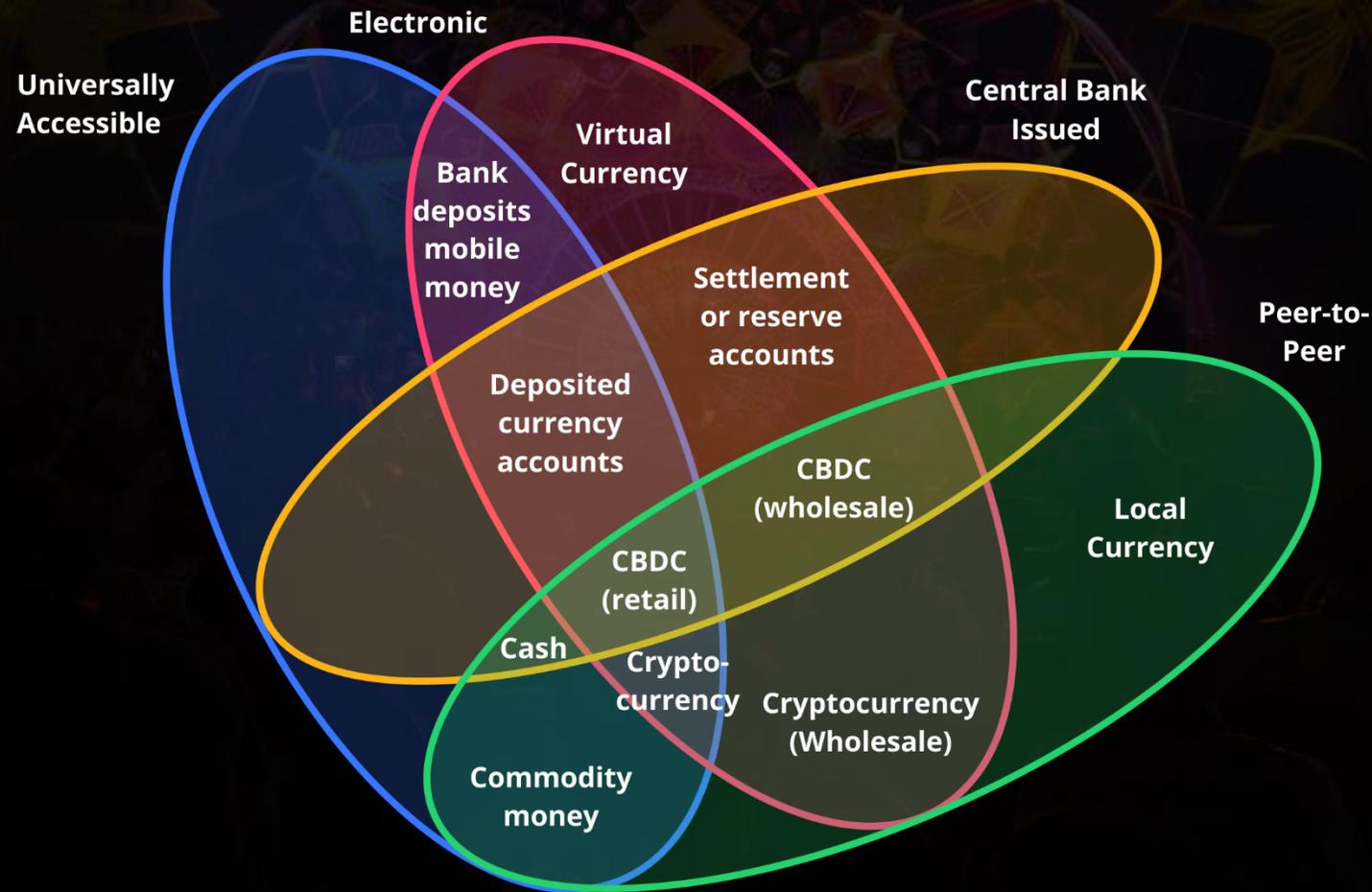
Central banks on CBDCs: speech count



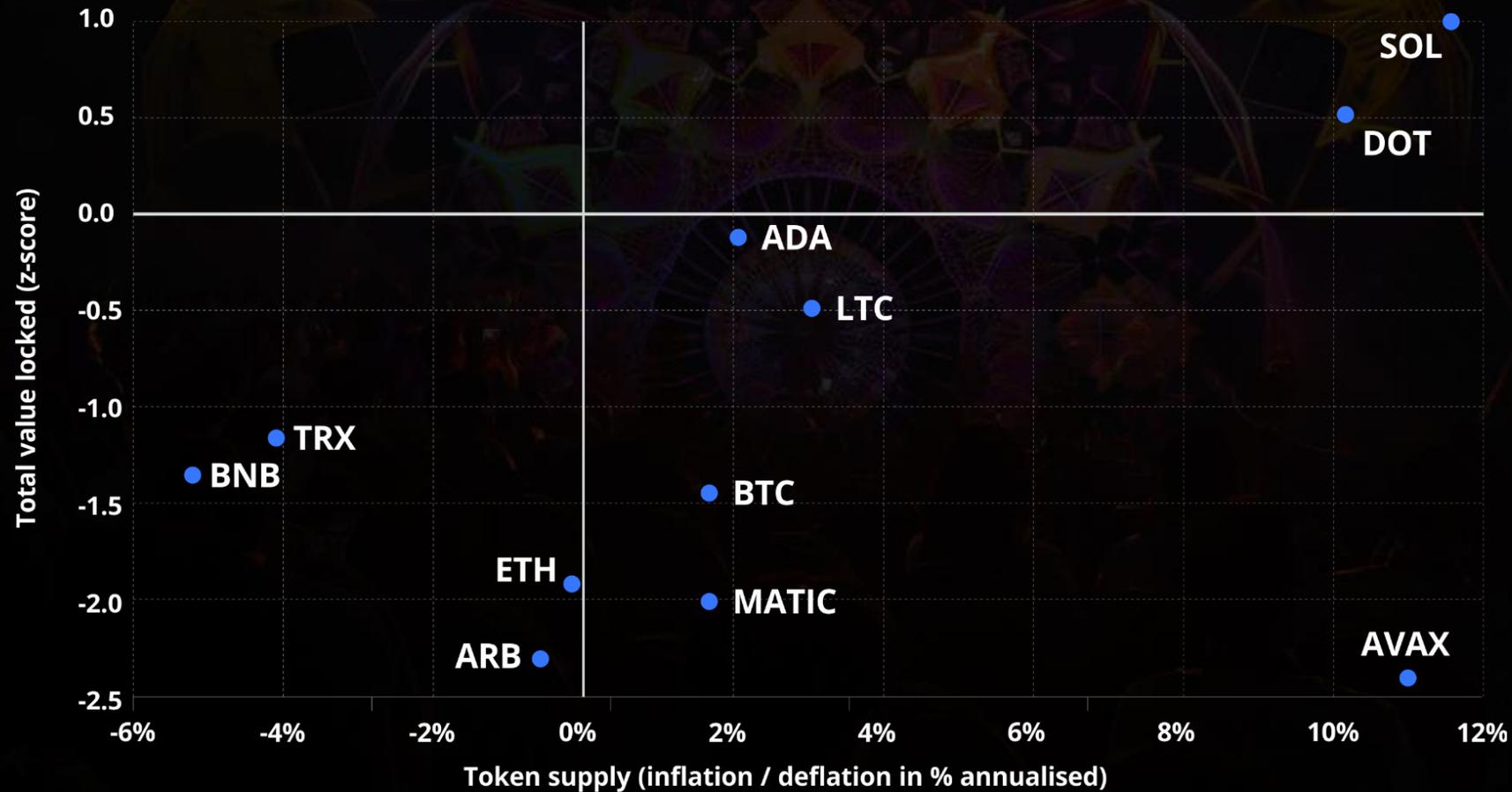
Note: Search on "CBDC," "digital currency," and "digital money." Classification based on authors' judgement. Score takes value of -1 if speech stance clearly negative or if explicitly said there was no specific plan at present to issue digital currencies. Value of +1 if speech stance clearly positive or project/pilot launched/in pipeline. Other speeches (not displayed) have been classified as neutral.

Source: Citi GPS, Mar 2023: https://www.citifirst.com.hk/home/upload/citi_research/rsch_pdf_30143792.pdf

A taxonomy of money



Total value locked vs. token supply



TVL based on z-scores measured over 90-day window. Token supply growth measured as annualized % change over last three months. Sources: Messari, CoinMetrics, DeFiLlama and Coinbase.

The TVL measures the total value of assets deposited in a particular decentralized finance (DeFi) protocol. It's also possible to calculate the TVL of the entire blockchain ecosystem by aggregating the TVLs of all the different DeFi protocols on that blockchain.

Source: Coinbase, Sep 2023: <https://www.coinbase.com/institutional/research-insights/research/monthly-outlook/crypto-markets-in-10-charts-sept-2023>, Binance: <https://academy.binance.com/en/glossary/total-value-locked-tvl>



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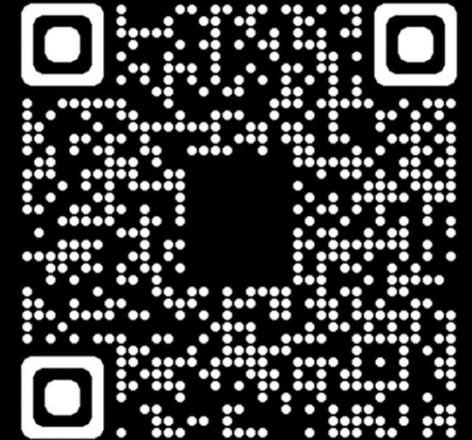
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