



DIGITAL INFRASTRUCTURE IS KEY CHALLENGE TO RWA TOKENIZATION ADOPTION

- Buy-side engagement is key for acceleration of tokenization but challenges remain, GDF study shows

New global research from industry association Global Digital Finance (GDF) identifies digital infrastructure as the biggest challenge by far for buy-side adoption of real-world asset tokenisation.

Nine out of ten questioned in the study with finance firms in the US, Asia, Europe (including the UK) and the Middle East, responsible for more than \$221.75 billion assets under management, identified digital infrastructure as the biggest challenge for buy-side adoption ahead of 69% selecting custody issues and 61% ESG considerations.

The research by GDF, which is focused on accelerating digital finance through the adoption of best practices and standards and engagement with regulators and policymakers, asked major financial institutions to rate current challenges and enablers to buy-side adoption of tokenization.

More than half (51%) pointed to a lack of regulatory certainty and cash on-ledger solutions while 44% pointed to interoperability and 42% to a lack of smart contract standards. Some 39% highlighted distribution issues and 37% cited a lack of token standards. Just 16% said liquidity.

Its research found buy-side engagement is regarded as a critical accelerator of RWA tokenization adoption, confirmed by two-thirds (66%) of the survey respondents. However, the same number say more scale in production use cases would help while 65% say cash-on-ledger is important and 64% want greater regulatory certainty.

Almost as important however is a wider range of assets being available, which 59% questioned say would help drive buy-side engagement and ultimately accelerate adoption of RWA tokenization.

The study also found financial firms are generally positive about the ESG impact of mainstream digital asset trading and tokenization. Around 83% agree tokenization will be positive for ESG and 89% believe artificial intelligence will play a major role in enabling digitization and tokenization. Additionally, 83% highlight the importance of asset interoperability in this context.



Up to three out of four (75%) point to the significance of cybersecurity in digitization of financial services and enabling real-world assets tokenization, with 85% emphasizing the role that DeFi will play. Over four out of five (81%) recognize the significance of digital identity for the digitization of financial services and increased tokenization, with an equal number highlighting the importance of payment interoperability.

Breige Tinnelly, Head of Market Development at Archax and co-chair of the GDF Tokenization Forum states “RWA tokenisation is gathering pace, and we are now moving towards global scale across multiple asset classes. There have already been successful applications including MMFs, equity, debt and other traditional assets, where capital efficiency can have immediate true value for the issuer. Transparency, cost efficiencies, access, distribution and liquidity, as promised by the application of the underlying technology, will come, but many of these benefits are taking time to materialise because of the work that is required in building a complete digital infrastructure, enabling interoperability and achieving clarity of regulation.

Archax, alongside other market participants, has been building this digital ecosystem which will unlock the hurdles to buy-side adoption and scale. It takes time, and in our 6-year journey as a regulated digital custodian, broker and exchange, we are well under way – and soon to add the first digital CSD to our offering, showing just how far we have come. This new digital, financial markets infrastructure will enable natively digital issuance, settlement and post-trade activities, another huge leap, whilst regulations and payments will still need some work across many jurisdictions. We have come a long way, but this journey towards scale is a marathon, not a sprint, as we and other market participants continue to build and interoperate to replace the old FMI rails.”

The GDF mission is to make finance global and digital. Digital assets and digital financial market infrastructure have the potential to reshape financial services and markets to create truly global, accessible, and inclusive finance.

GDF is world’s largest open innovation community advancing digital finance. GDF community works to promote and underpin the greater adoption of market standards for the use of crypto and digital assets, through the development of best practices and governance standards in a shared engagement forum with industry, policymakers and regulators.



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Notes to Editors

* GDF commissioned independent research company PureProfile to interview 100 senior executives at financial institutions in Europe (including the UK), the Middle East, Asia and the US whose organizations collectively manage around \$221.75 billion worth of assets. The survey was conducted in April 2024.

For further information

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Global Digital Finance

Global Digital Finance (GDF) is a global member's association that delivers an open innovation platform that brings together industry firms and policymakers and regulators dedicated to the development of digital finance in the global financial services sector.

Established in 2018, GDF convenes a broad range of industry participants, with 300-plus global community members – including some of the most influential digital asset and token companies, academics and professional services firms supporting the industry.