

Building the markets of the future



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The digital assets ecosystem is going through a period of remarkable dynamism, moving from risky but exciting technology to production-grade, regulated business. Progress – both technical and regulatory – is extraordinarily rapid. This report from OMFIF’s Digital Monetary Institute will identify and analyse the assets, technology and service providers that are already shaping the future of digital finance.

The winds of the crypto winter have blown away much of the speculative froth in the digital assets space and left us with a far clearer view of where real value and solid, reliable infrastructure is to be found. OMFIF’s digital assets report examines the developing ecosystem, highlighting those exchanges,

custodians and other infrastructure providers that have demonstrated the most robust and resilient quality throughout this challenging period.

Just as financial regulators are at last catching up with the nuances of the new asset class, traditional financial institutions’ experiments with digital asset technology are beginning to bear fruit, promising a new, more efficient and powerful transaction medium for financial markets.

But while the technology is promising, there are still important questions to be answered about how we move from individual projects and platforms to a market-wide utility. Institutions with roles enshrined in regulation, like central securities depositories, have a

competitive advantage, but banks are working hard to ensure that their systems are at the cutting edge of capital markets technology and asset managers are beginning to reshape their own industry.

Will blockchain enable disintermediation? If so, regulations will have to change. We examine the different players in this battle to provide the plumbing for financial markets. Although we are still some time away from wholly digital financial markets, the decisions being taken today are determining the way these markets will look in the future.

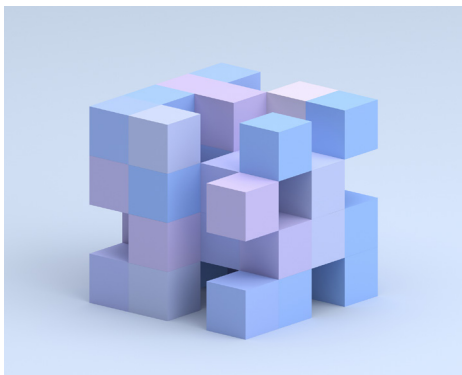
The report, and the related pre- and post-launch events and discussions, are a prime opportunity for infrastructure and service providers in both the digital and traditional assets markets – including banks, exchanges, custodians, lawyers and technology providers – to showcase their credentials and shape outcomes in a rapidly developing area of finance.

The first edition of the OMFIF Digital Monetary Institute's report on

digital assets provided an invaluable guide to the emerging digital assets ecosystem, its market and technology infrastructures and the looming challenges for participants and regulators alike. It sparked a lively but informative debate among the leading actors from both the public and private sectors in the digital assets space.

The second edition will be promoted among the DMI's ever-growing and highly influential network, which includes the majority of the world's central banks and financial services regulators, as well as civil servants and politicians in functions relating to the creation and implementation of policy and regulation for digital assets. In the private sector the audience will include financial institutions and intermediaries, technologists, digital asset market participants, lawyers and entrepreneurs.

Following publication, an extensive programme of roundtables and seminars will ensure that the issues raised in the report will continue to be widely discussed and debated.



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Key questions

Who will own the plumbing for the digital asset ecosystem? Who will shape the rules and policies that govern it?

How will digital asset technology change the world of traditional finance? What asset classes will transition to digital first?

What infrastructure providers have distinguished themselves as high-quality, robust and stable components of a healthy marketplace?

How will regulators seek to reshape the cryptocurrency market in the aftermath of the crypto winter?

Chapters

Thriving in winter

Although the crypto winter has wreaked havoc on the industry's market cap, some assets and platforms have grown in market share. The run up to the top was characterised by exotic, highly leveraged business models to generate yield, but these have been exposed now that the direction of monetary policy has turned.

What are the characteristics of those assets and infrastructure components that are surviving or thriving at present? We will take a quantitative approach to assessing the robustness of exchanges, stablecoins and more, uncovering whether functionality has proven to be the difference maker or if technical robustness and prudent risk management are the key features for users and investors.

Digitalisation of traditional finance

A battle may be brewing over who the providers will be for the next generation of financial plumbing. Banks are using distributed ledger technology to build digital asset platforms and asset managers are applying the same tools to their own products. While some hope that such tools might disintermediate certain elements of the transaction chain, to do so would require changes to regulation of central securities depositories.

On the other hand, CSDs are already developing their own DLT tools with which to modernise settlement. This chapter will examine the different approaches that regulators and market participants are taking to the modernisation of financial markets. It will also explore the role central bank digital currencies could play in a fully digital capital market, how to ensure privacy in a blockchain context and the question of whether public or private blockchains are more appropriate for financial market use.

Digital assets for sustainability

In this chapter, we will examine the possibility of digital assets as a means of delivering sustainability goals. We will explore the possibility of internet of things devices being used to track environmental key performance indicators, using them as triggers for financial instruments, the sale of non-fungible tokens representing ownership of environmental assets as a means of monetising and protecting them, and blockchain carbon credits.



































Spring-cleaning the crypto market

The collapse of FTX alerted regulators in the US and beyond to the gaps and poor practices endemic in digital asset custody services. The result has been a rapid increase in the aggression and volume of cryptocurrency enforcement activity. We will chart those developments and explore their implications for cryptocurrency business around the world.

Custody services have, not surprisingly, been at the core of many of the new regulatory developments. The industry is going through rapid changes with well-known names from traditional finance joining digital native firms in offering custody and exchange services, allowing their clients to hold new digital assets, while benefitting from the standards of security that they are used to. We discuss this development and how it affects their business models.

As part of this chapter, we will examine the variety in the developing regulatory environment around the world, producing a snapshot of the regulatory approach in key jurisdictions.

Market leaders who chose DMI



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