

BREAKING DOWN BARRIERS:

# Institutional Adoption of Digital Assets



SBI  
Digital Asset  
Holdings  
an SBI company

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CEO of SBI Digital Asset Holdings
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# Introduction to SBI Digital Asset Holdings

As a subsidiary of the SBI Group, SBI Digital Assets Holdings (SBI DAH) oversees and operates digital asset-related businesses with a commitment to redefining the future of finance as a trusted partner, through innovative services enabled by digital technology.

Our aim is to re-imagine and transform capital markets and banking value chains for the benefit of our clients, leveraging our broader network and ensuring alignment with market regulators. With a deep understanding of blockchain and distributed ledger technologies, as well as regulatory standards and compliance, we have created an end-to-end digital asset ecosystem comprising SBI Digital Markets, AsiaNext, SBI Zodia Custody and SBI Security Solutions. These entities work in synergy to provide a regulatory-compliant, scalable, secure, and robust digital asset value chain to help financial institutions manage the issuance, custody, management, and liquidity of digital assets.

SBI DAH's three-pronged approach focuses on:

- Building institutional-grade financial infrastructure and services to meet the needs of institutional investors;
- Establishing a robust ecosystem & distribution networks;
- Working with regulators to build standards and ensure industry alignment.

Headquartered in Tokyo with established subsidiaries in Singapore, SBI DAH is strategically positioned to drive transformative changes across Asia and beyond, contributing to the global evolution of digital assets with emphasis on security, transparency, and innovation.



# Institutional Trust: Evolving Priorities and Considerations of Institutional Investors

A foreword by Fernando Luis Vázquez Cao,  
CEO, SBI Digital Asset Holdings

A digital revolution is taking over the finance landscape. Decentralised technologies and digital currencies are reshaping the future of finance, challenging the traditional ways in which the financial industry works. While this brings new challenges, it also offers exponential opportunities. With the growing recognition of digital assets as a legitimate and diversified investment class, and institutional interest increasing, the digital assets space is only set to grow.



To tap into industry sentiment surrounding digital assets, the level of adoption, perceived barriers and influencers, we conducted a survey with over 50 financial institutions across Asia. The survey unveiled a common concern—institutional trust. From the survey we've observed that the skepticism surrounding institutional trust arises from the need for regulatory clarity, and institutional-grade solutions.

At SBI DAH, we know that institutions seek alignment with governance, policy and regulations, and that a compliant institutional-grade offering is key. They require interoperable and trusted end-to-end ecosystems to facilitate the digital asset journey including comprehensive and compliant digital capital markets and wealth management solutions, a safe and secure venue for tokenisation and digital asset trading, expert institutional insights, and – as also indicated in the survey results – frictionless cross-border access to liquidity, faster settlement and reduced costs.

However, digital transformations do not happen overnight – processes and protocols need to be carefully considered and established in a compliant manner that protects all stakeholders, and we recognise that we cannot do everything ourselves. To this end, we have been leveraging our networks to expand our end-to-end digital asset ecosystem.

We've been working closely with the public sector, to manifest risk controls and legislation to safeguard the interest of all stakeholders. We are collaborating with the banking sector on pilots aimed at demonstrating the positive outcomes that can be derived from the meaningful application of blockchain technology.

Under the Monetary Authority of Singapore's Project Guardian, SBI Digital Markets partnered UBS Asset Management to issue and distribute a tokenised Variable Capital Company (VCC) fund, while SBI DAH collaborated with UBS and DBS to launch the world's first live repurchase transaction (repo) with a natively-issued digital bond on a public blockchain, automatically and instantly settling a repo, digital bond purchase and redemption using regulated digital payment tokens across regulated entities located in Japan, Singapore and Switzerland.

That's not all we're committed to. Empowering the industry with information will also act to address institutional concerns and highlight the potential of the digital assets space.

At SBI DAH, we understand the importance of injecting public markets with innovative solutions, and we believe that by consistently challenging ourselves we will develop the capabilities required for scaling success.

We hope that this report sheds some light on institutional trust sentiments and what's required to take the future of tokenised assets to the next level.

Fernando Luis Vázquez Cao  
CEO of SBI Digital Asset Holdings

# Growth of Institutional Demand for Digital Assets

Institutional demand for digital assets is experiencing a notable surge. The survey reveals that nearly 60% of institutional investors have witnessed exposure to digital assets in the past 12 months. An equal percentage reports an uptick in client demand for tokenised securities. This trend indicates the growing recognition of digital assets in diversifying investment portfolios.

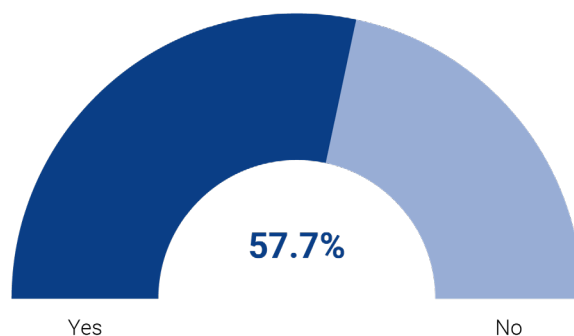
Among those already engaged in digital asset investments, 40% express their intent to continue investments in the coming year, with an additional 25% planning significant increases in investment volume.

Over the next three years, survey participants foresee greater adoption of Central Bank Digital Currencies (CBDCs) (**33%**), cryptocurrencies (**23.5%**), and tokenised securities (**21.6%**), underscoring further growth of the digital assets landscape.

## Key Benefits

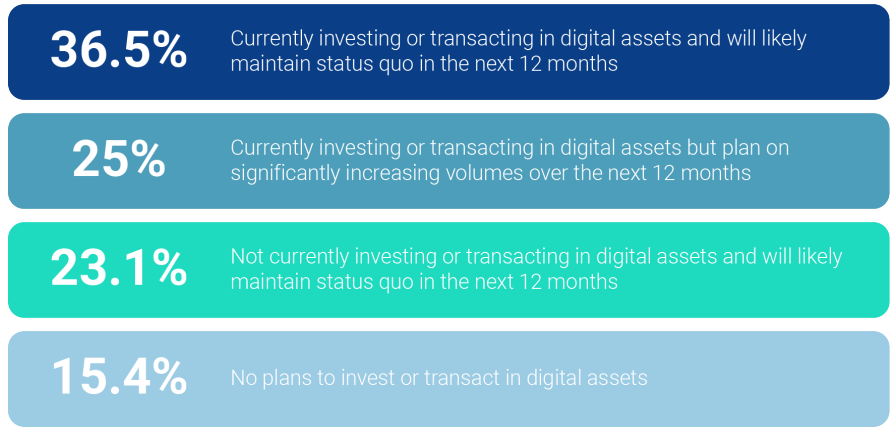
The intention to invest in tokenised securities is also prevalent among 76% of respondents, with key influencing factors including lower issuance costs, shorter settlement periods, and the potential to access new or global capital. On the benefits of tokenising real-world assets, nearly half of participants cite reduced intermediaries as the primary factor, with faster settlement, cost efficiency, enhanced transparency, and increased liquidity as others.

**Has your organisation's exposure to digital assets increased in the last 12 months?**

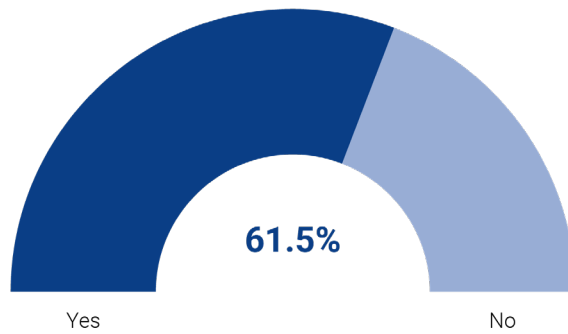


*60% of respondents reported an increased exposure to digital assets over the past 12 months, with two-thirds noting increased client demand for tokenised securities.*

**Which of the following best describes your focus on digital assets?  
(please select one of the following)**

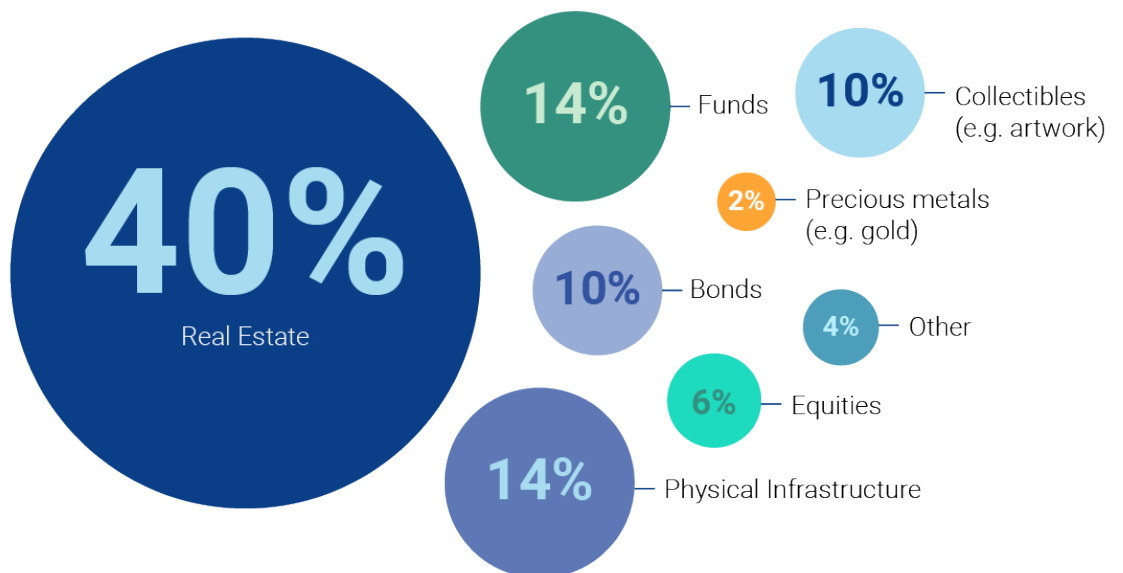


**Have you seen an increase in client demand for investment in tokenised securities?**



*In ranking RWAs that respondents wanted to see tokenised most, real estate took the top spot followed by funds, physical infrastructure, bonds and subsequently, collectibles, while equities, and precious metals lagged behind.*

**Which of the following assets do you want to see tokenised most?  
(please select one of the following)**



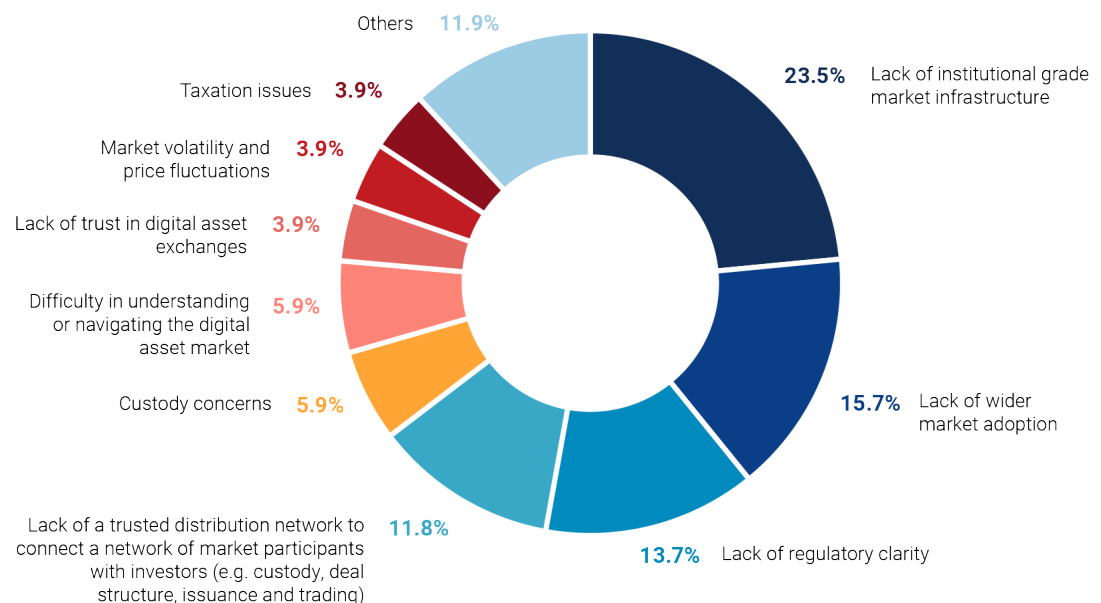
# Barriers to Adoption

Institutional investors find themselves at a critical juncture - compelled to harness the benefits of blockchain technology and smart contracts to achieve capital and operational efficiencies, but held back by perceived barriers, hindering their full-scale investment in digital assets.

Survey respondents indicated that the absence of institutional-grade infrastructure (**23.5%**), regulatory ambiguity (**13.7%**), and the absence of a trusted distribution network (**11.8%**) were key barriers to investment. About 15% of participants also said that the lack of wider market adoption influenced their current investment decisions.

*The lack of institutional-grade market infrastructure, lack of wider market adoption and regulatory clarity are key barriers restricting institutions from investing in digital assets.*

**Which of the following is the number one barrier currently restricting you from investing in digital assets? (please select one of the following)**



Participants also perceived the lack of a trusted end-to-end ecosystem (**60%**), cyberthreats and the lack of comprehensive regulatory standards (**18%**) as obstacles to the safety of tokenised securities.



Respondents stated that tokenised securities would be deemed safer if there were a trusted ecosystem to take digital asset transactions from end to end (**62%**), and comprehensive regulatory standards (**17%**), while 19% felt that cyberthreats were a key obstacle.

**Which of the following is the biggest obstacle to ensuring the safety of tokenised securities?  
(please select one of the following)**



# Creating an End-to-End Digital Asset Ecosystem

From the survey responses, it is clear that there is institutional interest in the digital assets market, both in terms of its potential for growing investments but also in terms of capturing benefits from operational efficiencies such as reduced intermediaries, lower costs, quicker settlement, higher liquidity and improved risk management.

However, there are also reservations amongst institutions with many playing the 'wait-and-see' game, watching for big industry players to make their first move. As a pioneer in the business, we have observed that many institutions are, in fact, seeking solutions.

But for widespread adoption and commercialisation to occur, institutions need institutional-grade infrastructure and an end-to-end value chain which can take the challenges out of doing business in the digital asset space.

## But what does institutional-grade truly mean?

At an institutional level, there is a different rigour to operational requirements and compliance, with a higher level of complexity compared to conventional B2B or even commercial banking or institutional trading setups.

Institutional-grade solutions are required throughout the value chain, ensuring that institutions can securely and efficiently engage in activities related to digital assets, from origination and structuring, to tokenisation, distribution and payments, atomic settlements, custody of digital assets as well as listing, trading and portfolio management.

Enhanced security features, regulatory compliance, scalability, and the capability to handle large volumes of transactions and settlements across jurisdiction are key.

As regulatory frameworks are being developed in different countries, the legality of tokenised assets is also important to determine, and institutions need to engage in a trusted ecosystem that can ensure compliance across different processes and transactions.

With blockchain and distributed ledger technologies (DLT) at the core of tokenised technology, cross-chain interoperability is also vital to ensure that assets are not locked into any single blockchain and can be easily liquidated. This also opens up the market for trading for buyers and sellers in different geographies.

Across market-making, trading, custody and security solutions, there are also concerns surrounding conflict of interest. This is why at SBI DAH, instead of doing it all under one roof, we have focused on building an ecosystem of partner companies that can support institutional investment across the value chain, including access to a broader network of capital pools.

# Market Outlook

Although the survey findings reflect a momentary snapshot of sentiments on digital assets amongst financial institutions at this point in time, the outlook is positive.

## **In the near future we anticipate:**

- More diversity in asset classes through increased tokenisation
- Greater regulatory clarity with more regulatory frameworks emerging to meet the growth in demand and to facilitate market operations
- Improved interoperability among tokenised asset exchanges, wallets, custodians and other platforms
- Heightened focus on security and cybersecurity measures, including advanced encryption methods, multi-factor authentication and continuous monitoring
- Elevated technologies such as enhanced scalability and cost-effectiveness for tokenised asset exchanges, for example, as well as the ability to offer investors sophisticated analytics and trading algorithms
- Advanced developments in institutional-grade infrastructure to meet demand in the institutional sector



The call for institutional-grade market infrastructure should not be seen as a barrier, but rather an opportunity for collaboration and innovation. The need for trust presents opportunities for us to create strategic solutions, working with regulators and industry players so that institutions can capitalise on the benefits that blockchain can offer. We believe that a trusted ecosystem, with access to a broader network, and compliant infrastructure will increase institutional adoption.

As the digital asset ecosystem continues to mature, institutional-grade infrastructure coupled with regulatory certainty will be pivotal to shaping the future of the financial markets - for compliance, scalability, security and institutional confidence.

- Winston Quek, Head of Capital Markets Centre of Excellence, SBI DAH and CEO, SBI Digital Markets

These insights confirm our view that many institutions are seeking access to tokenised assets through a safe and secure trading venue. Our outlook is that with the right risk infrastructure in place, a comprehensive trading platform and access to expert institutional insights, institutional investments in digital assets will catapult the market.

With the strong backing of both our shareholders SBI DAH and SIX Group, as well as affiliated exchanges, AsiaNext will also be able to offer greater access to frictionless trading and acquisition of liquidity worldwide.



- Chong Kok Kee, CEO, AsiaNext

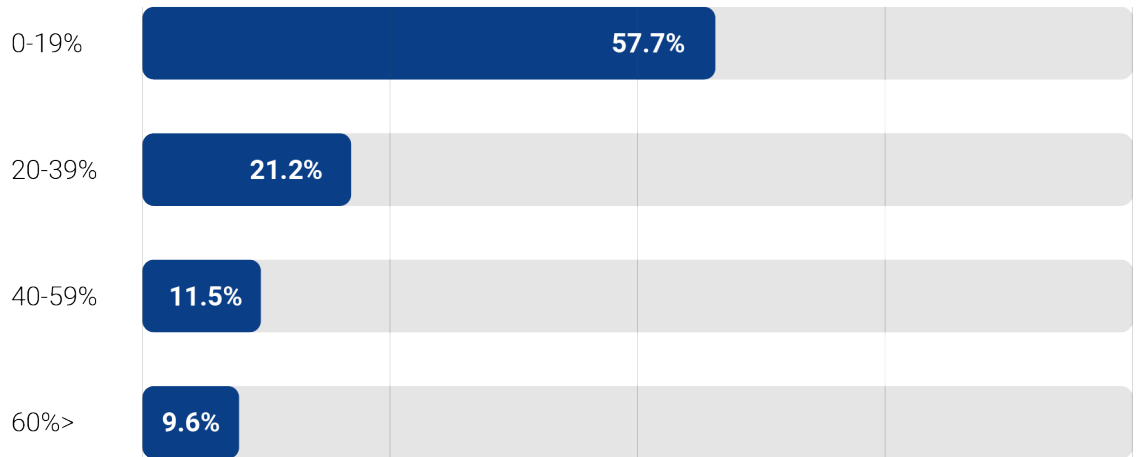


We have observed for some time that the market is still underwhelmed by current offerings when it comes to the safety of their digital assets. SBI Zodia Custody offers a true institutional-grade custody offering, guided by Japan's FSA regulations – known for having the clearest regulatory framework for crypto in custody – as a safe harbour for clients operating within the SBI DAH ecosystem.

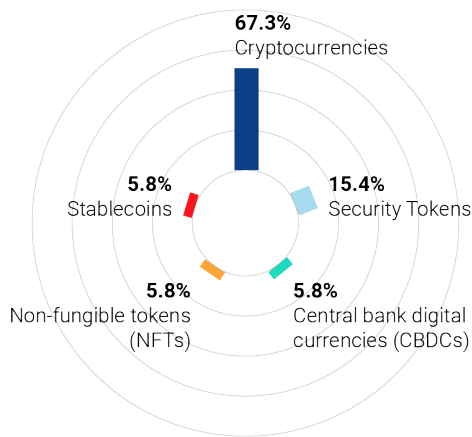
As part of SBI Digital Asset Holding's unique 'hub-and-spoke' approach, SBI Zodia Custody is part of a bespoke network where distribution occurs from a central location with 'spokes' leading to corridors connecting various jurisdictions to one another. This not only allows access to frictionless global markets and reduces intermediaries, it allows for greater control to the safekeeping and management of digital assets.

- Koichi Kano, Head of Cryptocurrencies Centre of Excellence, SBI DAH and CEO, SBI Zodia Custody

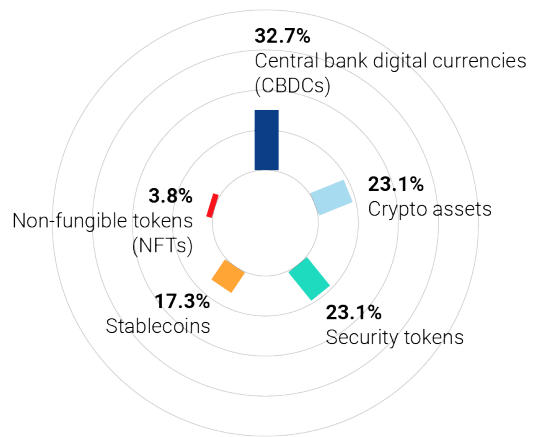
**What percentage of your market do you envisage will be in digital assets by 2026?**



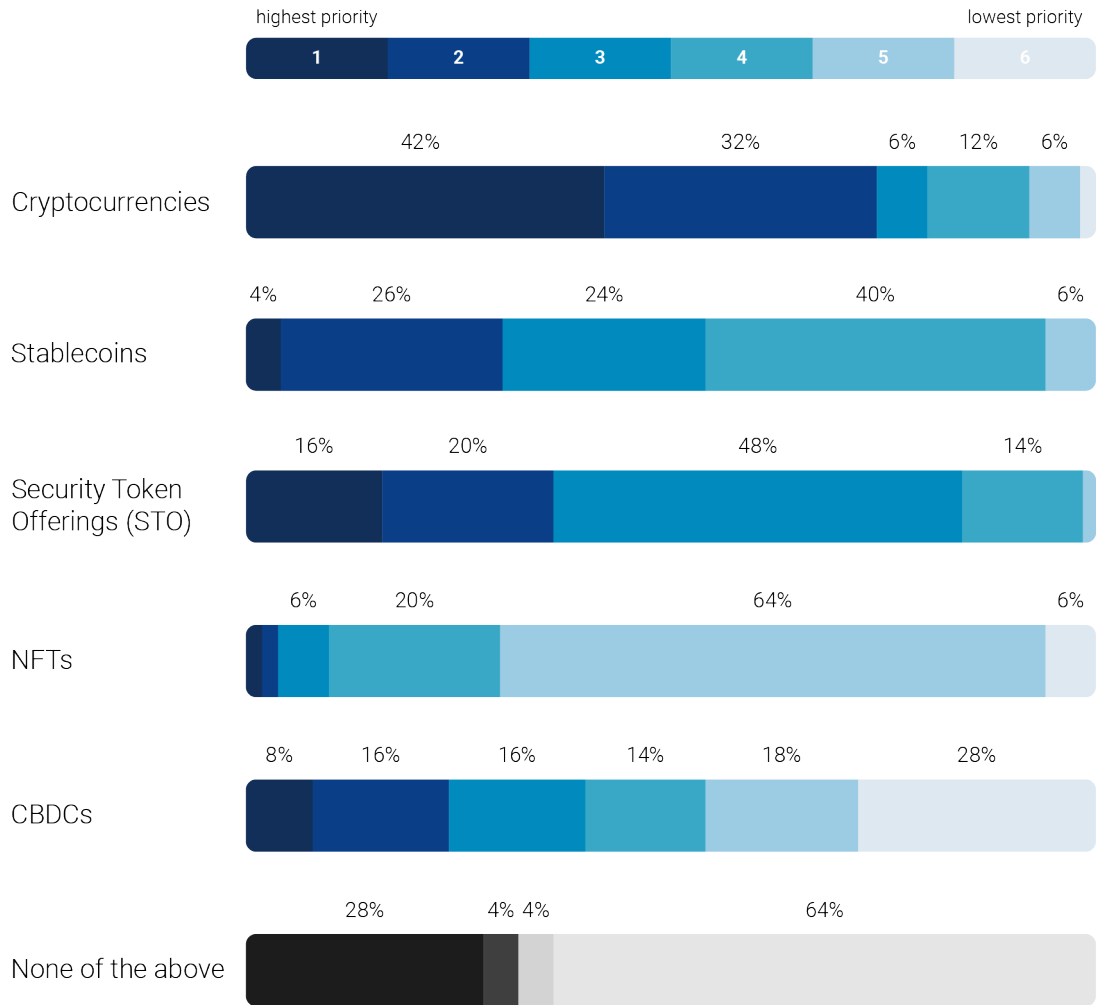
**If you are currently investing or transacting in digital assets, which of the following are you investing or transacting in most?**



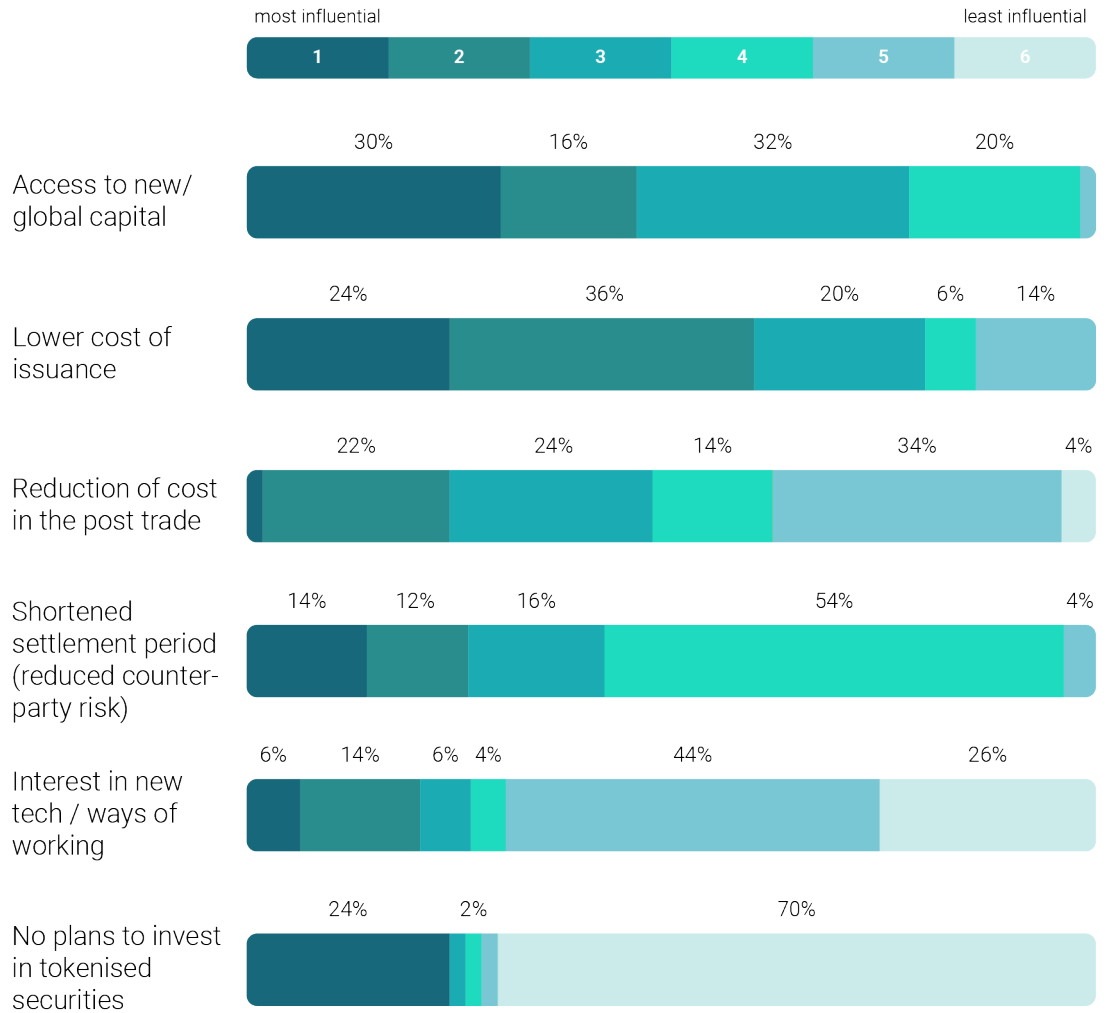
**Which of the following digital assets do you think will receive the highest adoption over the next three years?**



**Which of the following types of digital assets is your organisation prioritising for investment?  
(please rank 1 - highest priority through to 6 - lowest priority)**

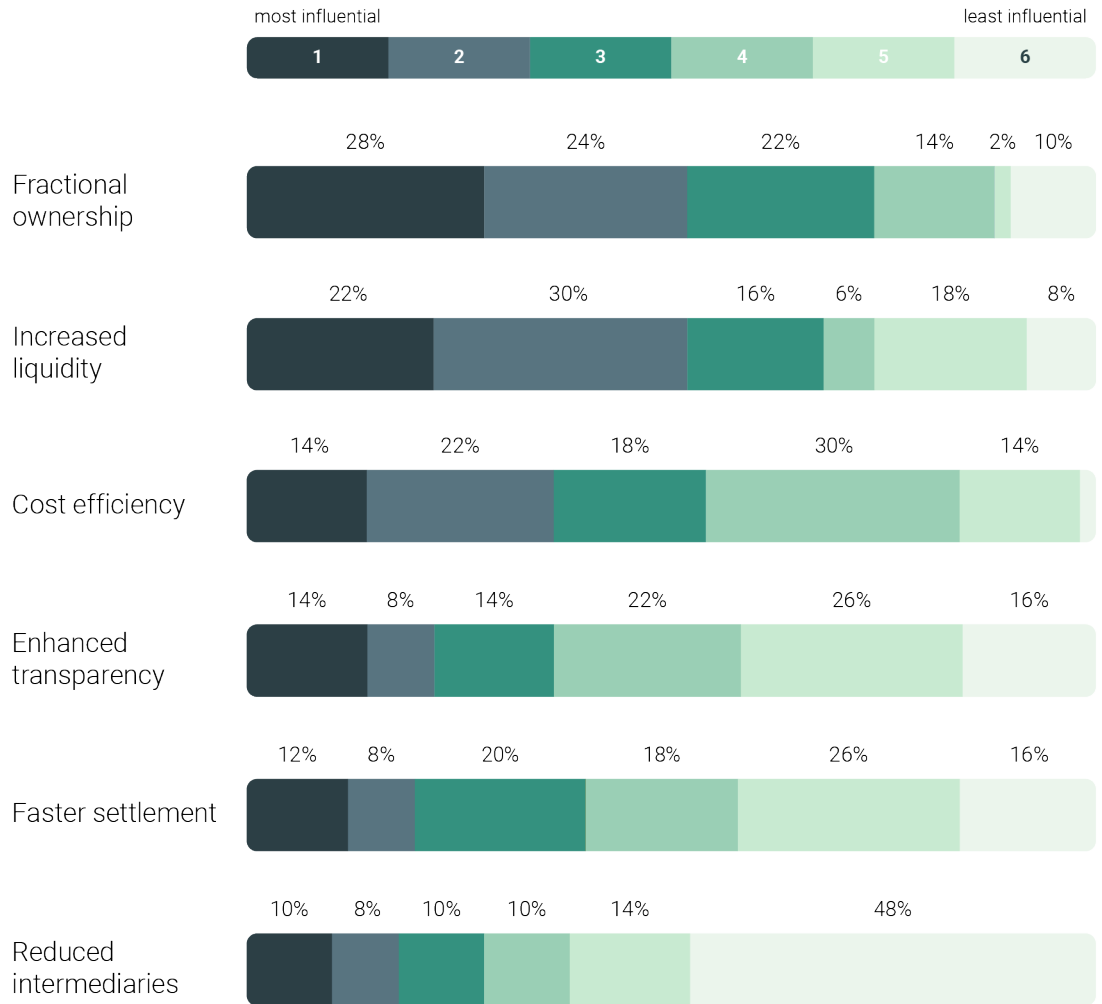


**Which of the following factors has most influenced your organisation’s decision to invest in tokenised securities? (please select in order of most influential - 1 (most influential) 5 (least influential))**





**Which of the following do you see as the main benefit of tokenising real-world assets like real estate? (please rate 1-least beneficial through to 6-most beneficial)**





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