

# DLT and Digital Assets in the real world

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## POST TRADE 360 PANEL: DLT in the real world



Post Trade 360 saw our ISSA CEO, Julia McKenny join ISSA members Horacio Barakat from Broadridge, Julien Clausse from BNP Paribas and Value Exchange's, Barnaby Nelson to consider the critical and constantly evolving topic of DLT and its impact and significance.

Here is an overview of the discussion.

## DLT AND DIGITAL ASSETS FINDS THEIR FOOTING AGAIN

In 2020, just 4% of financial institutions were live with DLT and digital asset projects, but this has since skyrocketed to 36%, according to the latest 'DLT in the Real World' Report by The Value Exchange – also in conjunction with ISSA.

"Our data, which now stretches back five years, shows there was a massive hype driven adoption of DLT and digital assets between 2020 and 2022, with adoption rates hitting 32% in 2022. Following the FTX collapse, the crypto winter of 2022 and the subsequent issues at Australian Securities Exchange (ASX), there was a cooling off period towards DLT and digital assets - but despite this - the technology has been fairly resilient. It is clear there is still a strong belief that DLT and digital assets are going to transform capital markets," said Nelson.

This chimes with a recent paper from Citi highlighting that the crypto-winter – although disruptive - rooted out a number of DLT projects, which organizations were simply not that committed to. This left only the most dedicated firms – and allowed them to redefine their DLT strategies and avoid rushed launches of crypto-custody and tokenization services.<sup>1</sup>

## NO SHORTAGE OF APPLICATIONS

There are plenty of tangible use cases for DLT and digital assets.

The Value Exchange's study found 72% of organizations – including banks, investors and market operators - had issued a digital asset in the last 12 months, whilst another 60% are currently providing digital asset custody solutions. Over the next 12 months, a further 56% of firms told The Value Exchange that they would pledge tokenized securities as collateral, and 51% said they would go live with a tokenized fund.

Tokenization has a number of value-adds, as other panelists explained. "What many firms are looking to achieve through tokenization is asset velocity – ultimately the digitalization of institutional capital markets will increase velocity and the mobility of assets, at least relative to traditional markets," said Barakat.



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<sup>1</sup> Citi – [Securities Services Evolution 2025](#)

By mobilizing assets more quickly, it will unlock all sorts of liquidity and capital benefits. Take collateral management, for example. By pledging tokenized money market fund (MMF) units as collateral in real-time on derivatives or securities lending transactions, previously trapped cash can be freed up for re-investment purposes elsewhere. The Value Exchange added that of those firms that have pledged tokenized assets as collateral, 58% said the experience was a better one, when benchmarked against using traditional assets.

Tokenization is also accelerating operational and capital efficiencies in the repo market. By automating daily lifecycle management, reducing the error and settlement fail counts and enabling 24/7 instant settlements – tokenization is creating conditions ripe for supporting intra-daily liquidity on short-term borrowings and added collateral optimization.<sup>2</sup>

In the case of fund tokenization, the technology can help lower the subscription thresholds for retail investors, allowing them to access a wider gamut of products - including alternatives.

Panelists also underlined that DLT and digital assets can have a materially positive impact on transparency too. “Through tokenization, market participants can get increased transparency as data can be embedded into the token itself. For example, we recently issued a tokenized project finance bond for a renewable energy project, where the Environment, Social, Governance (ESG) data was visible across the entire value chain,” said Clausse.

#### **BUT THE INDUSTRY NEEDS TO GET ITS ACT TOGETHER....**

Although The Value Exchange’s findings indicate that financial institutions are embracing DLT and digital assets more widely, the paper caveated there are still quite a few barriers precluding the technology’s adoption.

Together with the absence of liquidity in the tokenized securities market, The Value Exchange has flagged there are still unanswered questions about the actual Return on Investments (ROI) being accrued from DLT and digital assets. The cost of implementing such transformative technology changes and re-platforming is going to be significant – especially coming at a time when the industry is facing a number of prevailing – and quite difficult - headwinds.

“DLT infrastructure will need to co-exist for a prolonged period of time with the industry’s traditional legacy systems – in other words, trad-fi and de-fi will operate in parallel universes, where there are dual rails,” said McKenny.

Interoperability, or a lack of, is another impediment. “There is not one single Blockchain, but multiple Blockchains – public and private alike, and the question is how they interoperate with each other. These Blockchains also need to interoperate with traditional systems and that is going to be a huge amount of work. And finally, there needs to be interoperability between the digital assets themselves, which is also yet to happen,” noted Clausse.

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<sup>2</sup> McKinsey – June 20, 2024 – [From ripples to waves: The transformational power of tokenising assets](#)

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Without standardized regulation either, DLT and digital assets will struggle to achieve critical mass. Different markets have created their own regulatory frameworks – some good, others less so, overseeing DLT and digital assets, allowing for fragmentation to proliferate.

### GETTING EVERYTHING IN ORDER

DLT and digital assets are becoming more embedded across the financial services ecosystem, but if they are to expand further, there needs to be closer industry coordination and standardization. “By encouraging industry-wide dialogue, ISSA is helping firms identify the opportunities and challenges with DLT and digital assets. By doing this, we can pave the way for their eventual adoption,” said McKenny.