

Crypto Assets Conference 2020: key takeaways

By Stephan Dreyer, Managing Director, ANNA

The Crypto Assets Conference 2020 was another jammed-pack event taking place in Frankfurt on 9-10 March, focusing on the future implications of blockchain. In its second year and welcoming over 300 guests and experts, sessions took place to discuss the custody of digital assets, tokenised securities, a digital euro, and regulatory developments in Germany and Liechtenstein.

I listened to a number of interesting debates including, 'Bitcoin and Ethereum as a new Asset Class vs. Permissioned DLT System', 'Blockchain-Enabling Banks', 'Custody of Digital Assets', 'Institutions and Lawmakers', 'Equity, Debt and Corporate Money on Chain', 'Adoption within the German Industry', 'Tokenising Everything', and 'Token Investment and Trading Platforms in Europe'.

With regards to the relationship between digital assets and banking governance, it was deemed that the development of brand new systems and standards could be far too time consuming. It may be preferable to adapt to those systems already utilised to facilitate institutional investments, for example, a suggestion was made for having ISINs assigned to payment tokens like Bitcoin.

Under a tokenised regime it is anticipated that there will be an explosion of new assets as more non-bankable assets become bankable. The possibilities for tokenisation center around the creation of new asset classes and revolutionising existing ones. This is because the fractional ownership of tokenisation has the ability to create fungibility and increase efficiencies. Although we have not yet seen a major movement in the security token market, there are drivers in place for tokenisation over the next few years including trade finance, central bank currencies, and greater institutional participation improving the infrastructure and bringing in more supply and demand. It is hoped that mass adoption will be brought about by great products that inspire and empower users. Questions still remain, however, with regards as to what types of ecosystems will be in place to oversee trading of non-bankable assets, and how these items will be uniquely identified.

As a result of Germany's new Custody license coming into effect on 1st January 2020, the subject of crypto custody is now being welcomed as a major driver for companies and start-up activities alike. Custody solutions are considered to be at the core of infrastructure as they enable functionalities in upstream services. It is viewed that institutional-grade custody would be needed for tokenised assets in order to be sufficiently regulated by financial organisations, and it is thought that the most straightforward way to set up such a system would be to build on the foundations of the current custody platforms.

Ultimately, the conference left me with one overriding impression - in order to determine the right answer, we need to first determine the questions that need to be asked.