

Crypto and tokenisation: traditionalists are jumping on the bandwagon

Luxembourg, 12 May 2022 – Crypto assets are not just a passing phenomenon. Even traditional private banks are coming to this realisation now and are entering the topic very actively. “We are currently seeing a high demand for crypto assets from this side and for institutional solutions to enter this asset class with the related services”, said Tim Faltis, Board Member at FAIR ALPHA. “What is interesting is the fact that specifically the clients of these traditional institutions are obviously more innovative than their banks.”

After traditional banks had already been overrun by the wave of FinTechs, they were now facing a repeat in the crypto assets business. Despite challenging market conditions, the number of crypto investors is growing fast. Particularly clients with free liquidity intend to try out the new asset class. “It is the demand from clients that is pushing traditional banks into cryptos”, Faltis pointed out. “Therefore, they will not only need to offer easy access, but then also be able to custody those assets and include them in reporting.”

This is also borne out by the numbers. According to a study by management consultants EY, more than half of all banks in Switzerland, the heartland of banking tradition, expect cryptocurrencies to become established as an asset class. 55 per cent of banks therefore now plan to launch their own range of crypto investment products within the next three years. Private banks are leading the way: 68 per cent want to jump on the crypto bandwagon.

The paths taken by financial institutions are varying. “Some have already applied for their own trading or custody licences”, Faltis mentioned. “Others are initially enabling their clients to access crypto assets.” Particular attention is being paid to seamless integration with existing banking systems. “Securitisations are a very elegant way of doing so”, Faltis added. “In such vehicles, crypto assets or even trading strategies on cryptos can be set up as securities with their own ISIN and may therefore be incorporated into regular banking processes.”

This approach gains quick access to an interesting investment area that is in high demand among clients. “After this initial step, which involves building up expertise, financial institutions are progressing”, Faltis said. “We are receiving numerous requests, for example from asset managers, to even examine transfers of existing products to tokens.” Tradability and costs play a major role. “In the long run, blockchain-based assets will continue to displace and eventually replace existing assets”, Faltis concluded.

More at www.fair-alpha.org.

About FAIR ALPHA

FAIR ALPHA offers financial market solutions for (semi-)institutional investors and asset managers through its subsidiaries. Investment ideas and trading strategies are implemented in investable and custodial securities. In addition, the company pursues digital approaches, which focus on creating and issuing crypto assets (tokens) that are held in specific wallets. With the help of customised issuance vehicles, structures are created that exclude issuer risk.

In each case, FAIR ALPHA assumes the entire value creation process ranging from product set-up to administration and ongoing life cycle management.

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