

Capabilities Decoded: Opportunities in an expanding Value Chain

October 2023



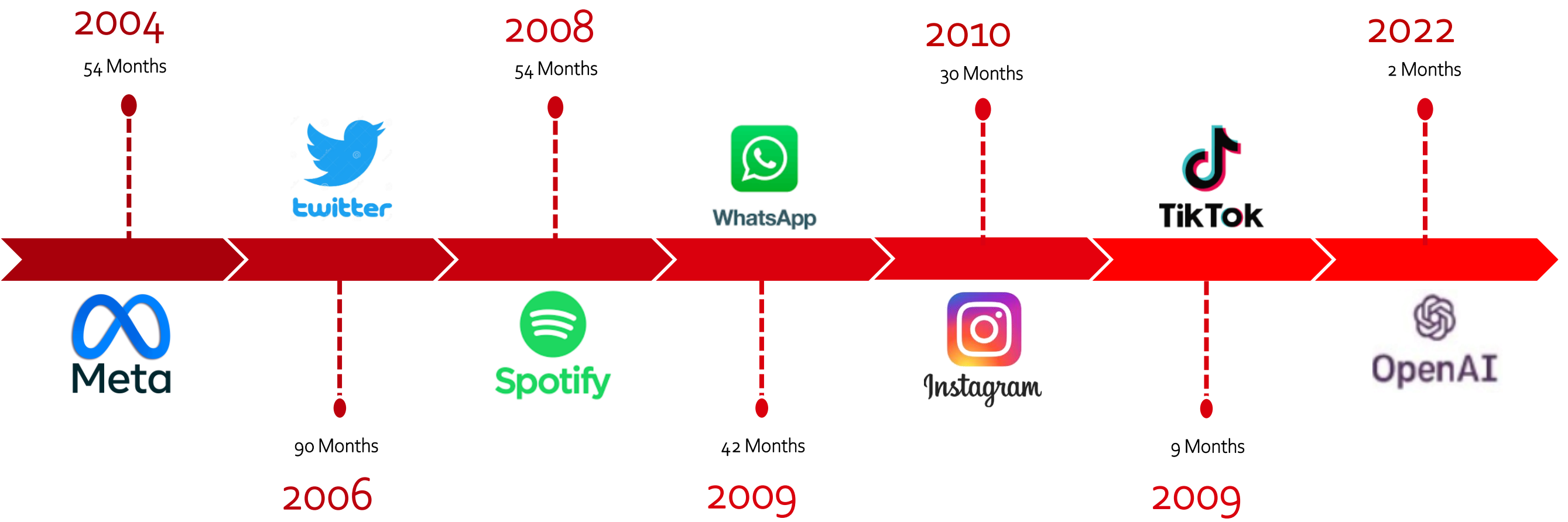
“

True breakthroughs don't happen by being more efficient at what we already do.

They happen by doing what was
Hitherto Impossible

”

Months taken to exceed 100 Million monthly active users



Pursuing Proximity

Giving Customers What they Want, When they Want it

Unified Theory of Technology and Markets

Digitalisation will push the production and provision of value ever closer to the moment of demand.

Value will be produced in higher volumes at lower ticket size.

This is true across all industries.

Companies that have embraced this principle have thrived:

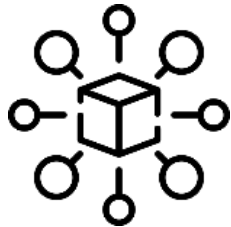


As a business, we need to consider how we can change the way we deliver products and services to be closer to the point of demand of clients.

Digital assets is one way to achieve this goal.

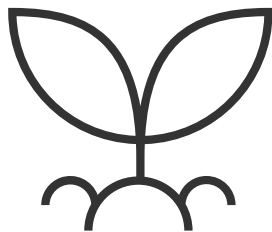
Global Investment Trends

Decentralized Finance (DeFi)



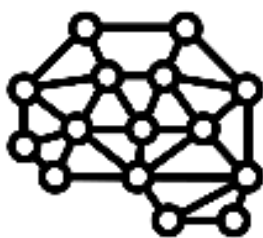
Financial applications and platforms that operate on **blockchain technology**.
Growing demand for transparent, secure and accessible financial services via blockchain technology

Climate & ESG Investing



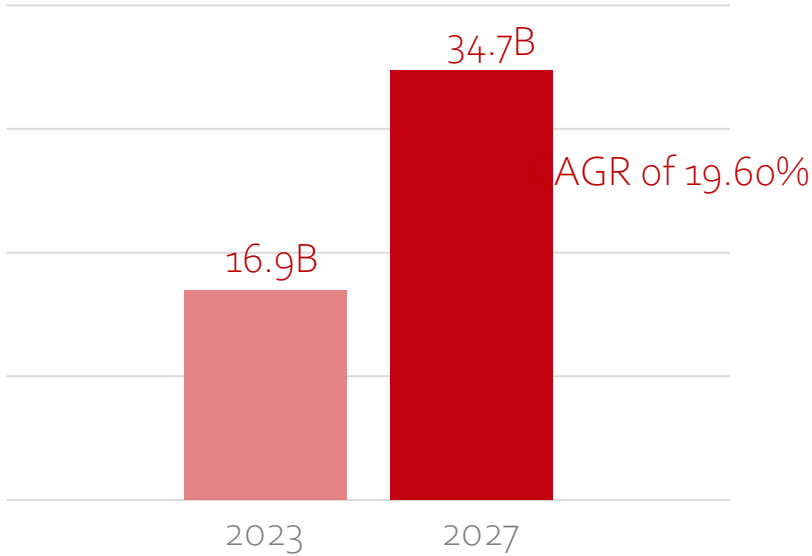
ESG Investing is expected to continue its growth trajectory as more investors seek to **align their values** with their investments.

AI & Automation

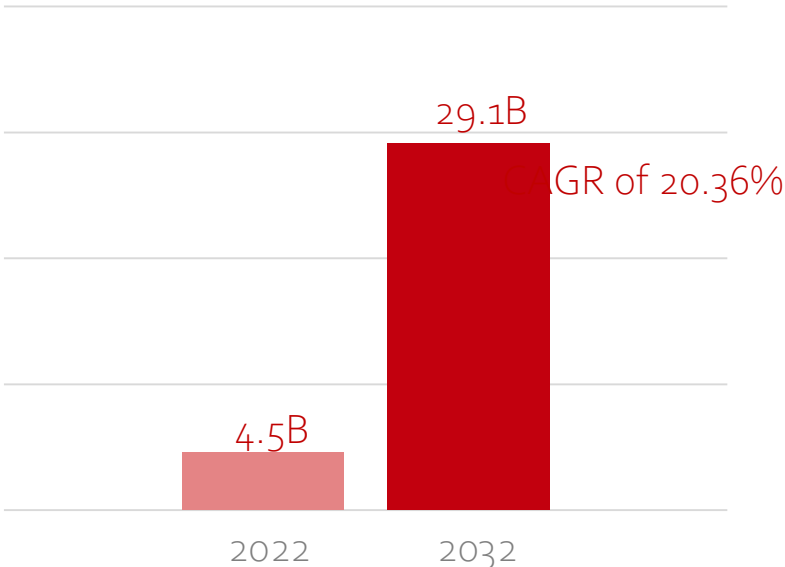


Through the use and application of AI and Automation, users leverage data analysis to make **better informed decisions**

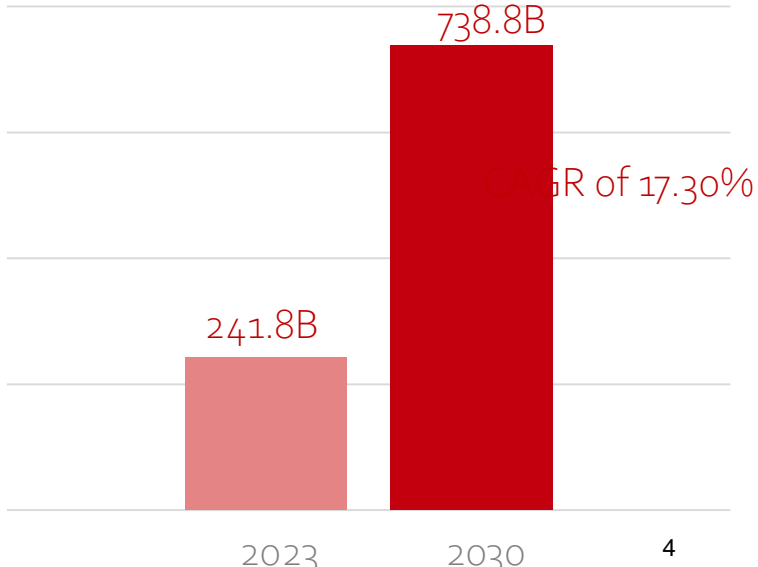
DeFi Market Value (USD)



Sustainable Finance Market Value (USD)

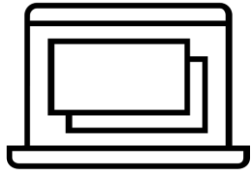


Artificial Intelligence Market Value (USD)



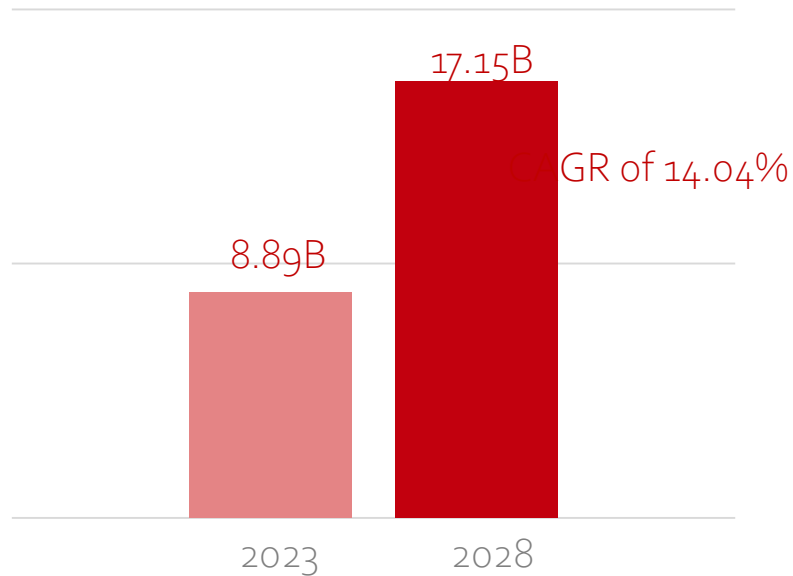
Market Infrastructure Trends

Platform Solution Model



The development of platform solution model has seen recent growth with various benefit offered, such as reduced IT costs, **quicker time to market** and **microservice architecture**

Digital Banking Platform Market Value (USD)



Fractionalization



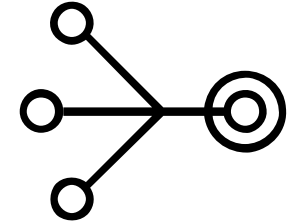
Fractionalization provides **greater liquidity** to the market and enables the capability to deliver **high volume, low value trades**.

70%

of retail clients prefer investing in fractional shares compared to full shares.

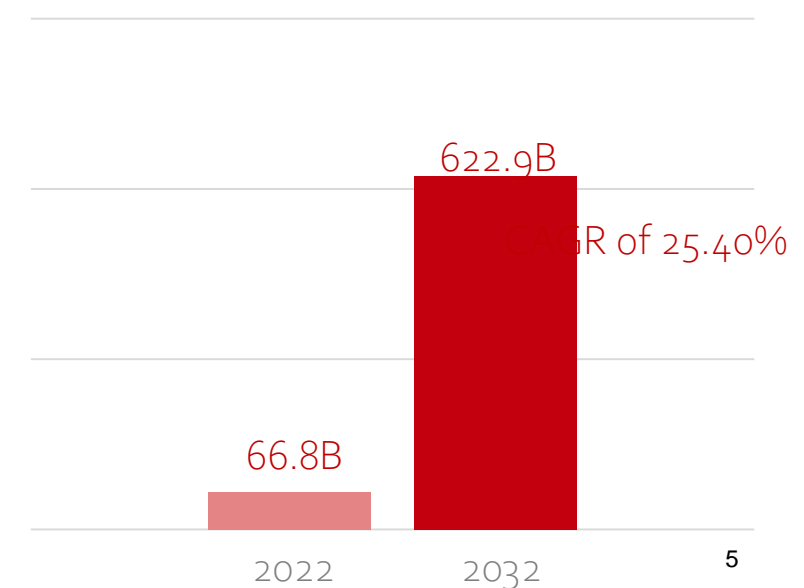


Embedded Finance



With the acceleration of digitization, market participants can **scale faster**, increasing their **digital experiences** as a composition of modules built.

Embedded Finance Market Value (USD)



Financial institutions embedding themselves in the asset ecosystem



Digital Assets: Next Generation of Asset Representation

Asset representation has always transformed over the past half a century



¹ <https://www.dtcc.com/-/media/Files/PDFs/DTCC-Dematerialization-Whitepaper-092020.pdf>

² <https://data.worldbank.org/indicator/CM.MKT.LCAP.CD?end=2020&start=1975>

³ https://www.cboe.com/us/equities/market_share/

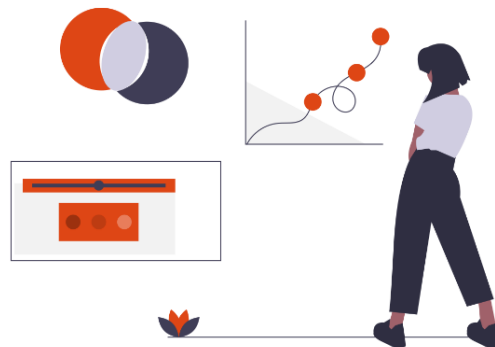
Why Digital Assets?

Key benefits for market participants



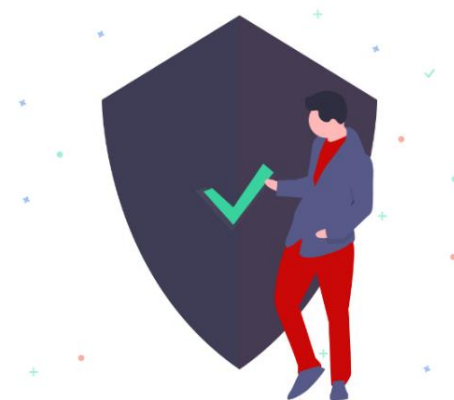
Shorter settlement cycles

Smart contracts enable automated execution, making T+0 settlement possible



Improved transparency across asset lifecycle

Market participants will have access to real time updates on bond details and status changes throughout asset lifecycle



Lower percentage of failed trades

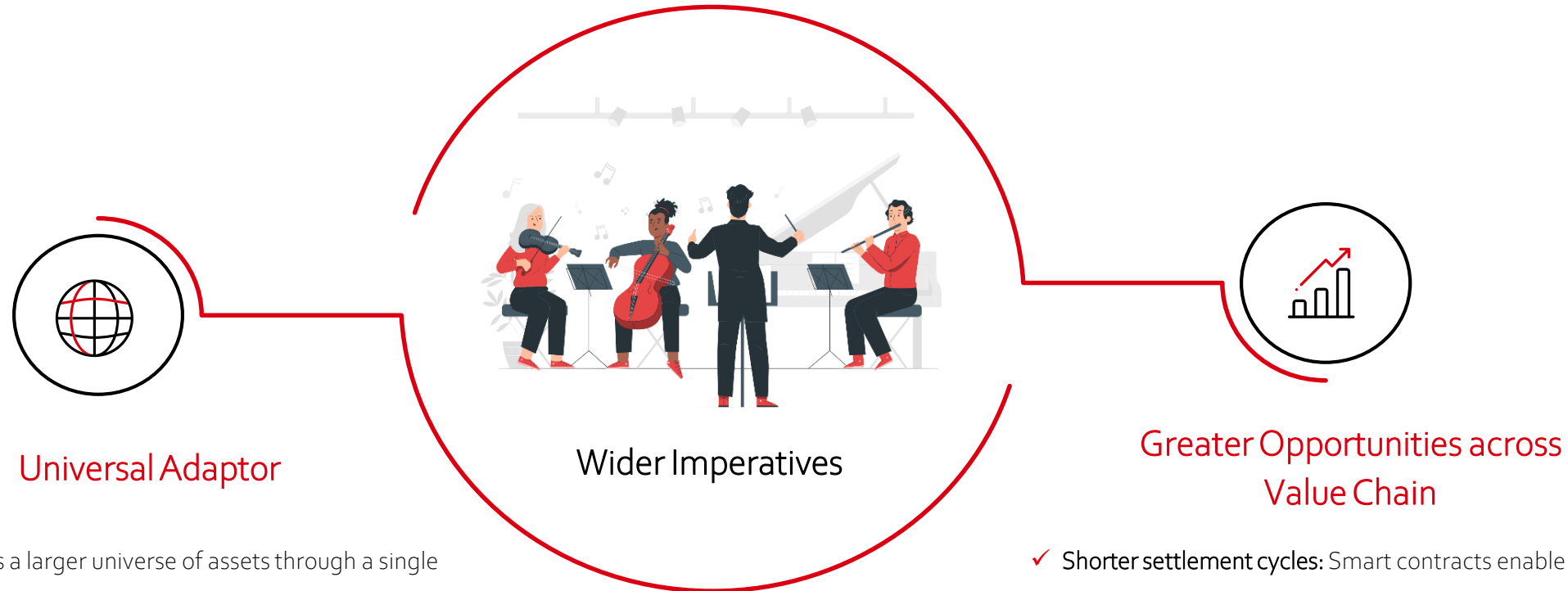
Smart contracts execute DvP cash and securities exchange once relevant parties have provided approval



Interoperability between digital & dematerialised assets

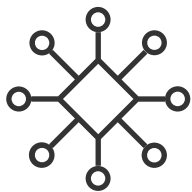
Bridges between tokenised and dematerialised assets will be developed to avoid any liquidity risk for participants

The bigger play is to continue strengthening the vast network: Being the Universal Adapter



- ✓ **Enables** buyers to access a larger universe of assets through a single platform
- ✓ A **high degree** of automation, removing the need for registrars and nominees
- ✓ **No need for reconciliation** between network participants as they share the same record of ownership

- ✓ **Shorter settlement cycles:** Smart contracts enable automated execution
- ✓ **Improved transparency across asset lifecycle:** Access to real time updates of asset details and status changes
- ✓ **Unified data sources:** Using good data quality to make better informed decisions through AI

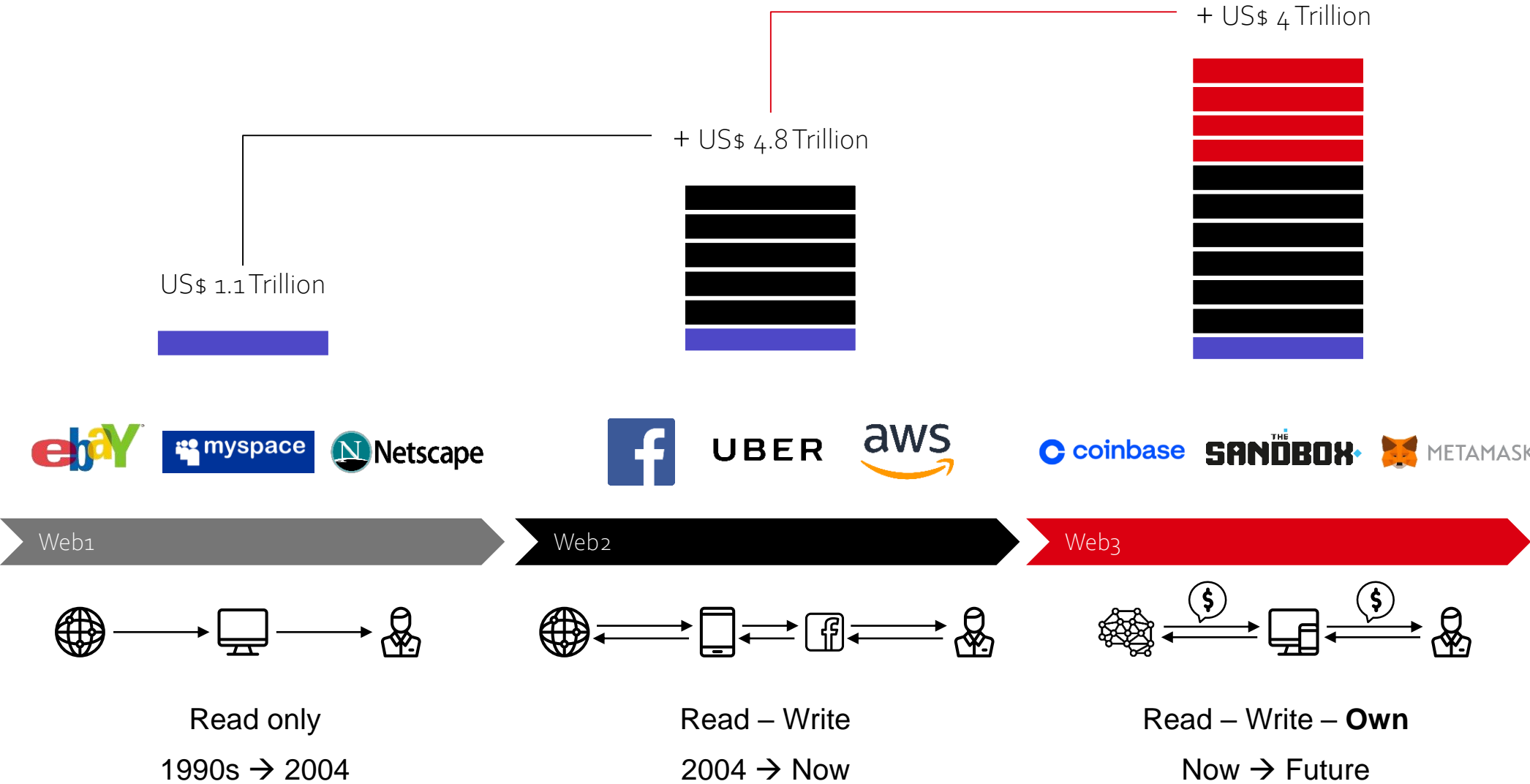


Digitalisation has pushed the production and provision of value ever closer to the **moment of demand**. We need to be able to support the pursuit of **proximity**.



Scalability at lower marginal cost, and ability to **streamline multiparty workflows** through a single source of truth

Progression to Web3 is increasing value creation while decentralizing ownership



[What Is Web 3.0 & Why It Matters. Written by Max Mersch and Richard... | by Fabric Ventures | Fabric Ventures | Medium](#)
[Is the U.S. Losing the Race for Web 3.0? | by ConsenSys | ConsenSys Media](#)

Opportunities for Financial Services in Web3

Digitization of traditional products and new revenue streams of digital products



Origination, access and servicing of investable assets (NFTs, crypto assets)



Data as Tokens



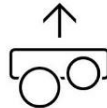
Digital Identity



Reimagined Business Models



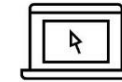
Digital Registrar/
Custodian



Digital Money
and Payments



Decentralised
Finance (DeFi)



Creator
Economy



Virtual Branches and
Advisory



Virtual
Real Estate



Virtual
Commerce



Virtual
Workspace

Programmability, Composability and Customisation

Tokenisation can dramatically reduce the costs involved in structuring and administering financial products through **automation** and the **use of 'smart contracts'** to model rights and obligations of the assets.

Layered tokenised products

Example: Net-zero tokenised gold product



Customised traditional products

Example:

- ◆ Creation of thematic investment options catering to niche themes as smaller portfolio sizes become commercially viable
- ◆ More flexibility to customize features of traditional assets e.g. weekly or daily coupons for bonds

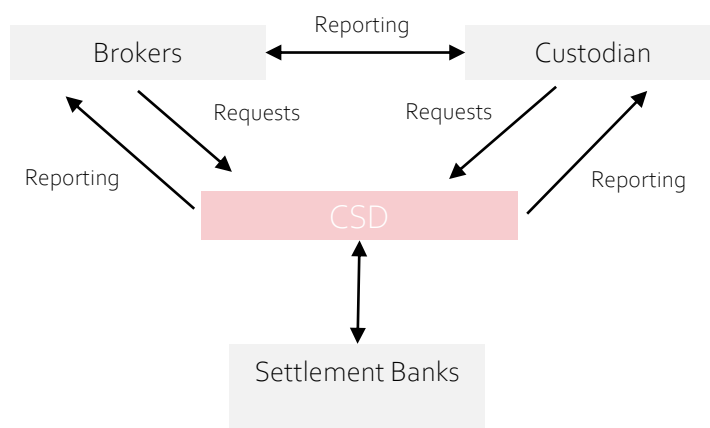


Current and Future State

CSD will have a greater role to play, transitioning and transforming the market close to the moment of demand

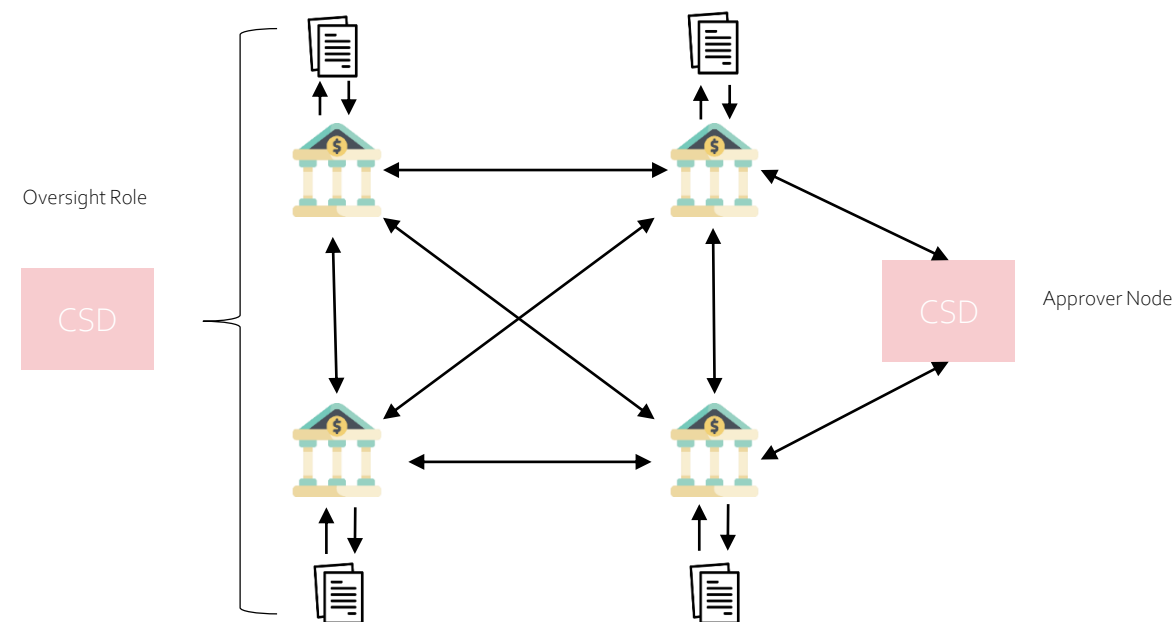
Current State

Share ownership is recorded with the CSD



Future State

Share ownership is recorded on the blockchain



Blockchain would **automate many parts of the trade and asset servicing lifecycle** – facilitating clearing and settlement, managing issuance, coupon payments, trading, redemptions and recording of ownership.



CSDs would continue to have a **supervisory role** – providing oversight and risk management.

*20 years later and all
these things fit in your pocket*



Closer Knit, Software
Defined Ecosystems



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