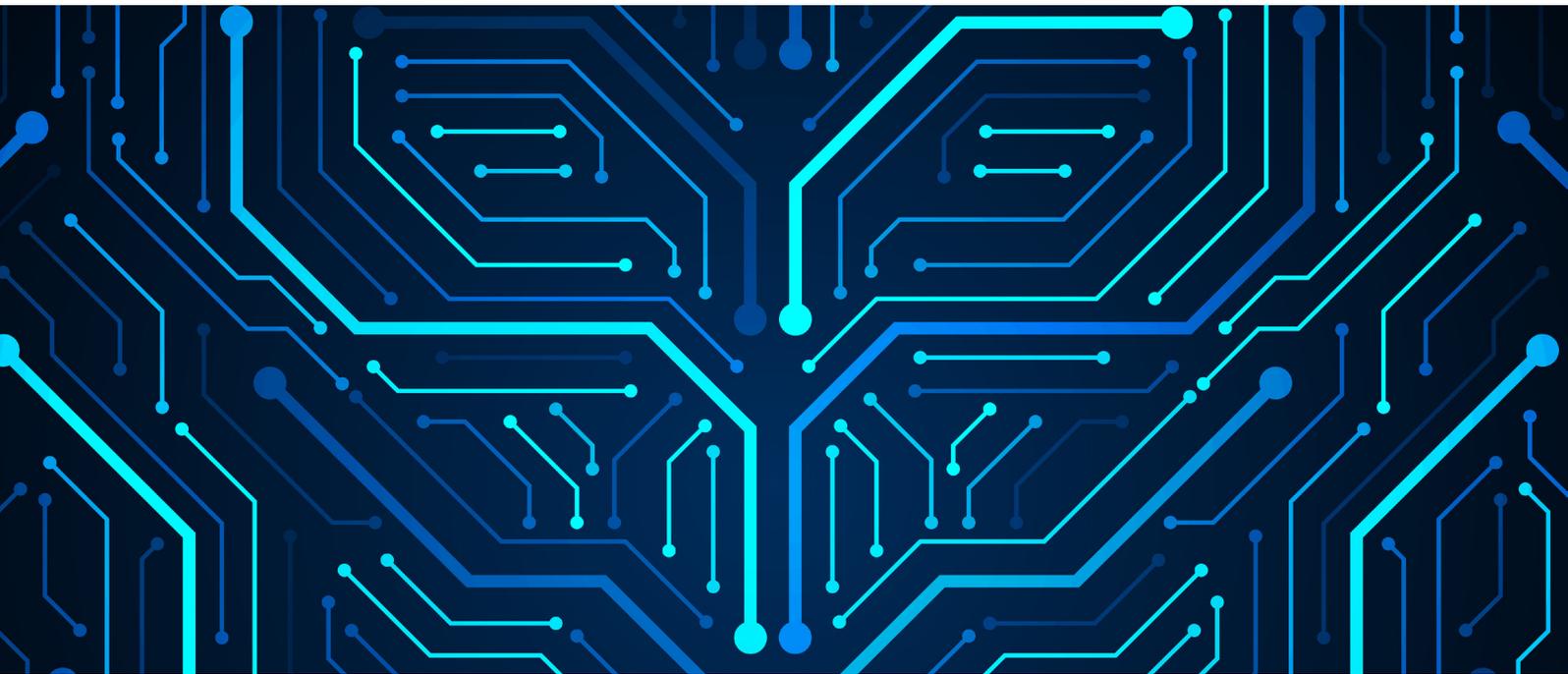


Real-world asset tokenisation: How FIs can propel this USD30 trillion opportunity



Tokenising real-world assets (RWAs) converts tangible, often illiquid, assets into digital tokens that reside on a blockchain, fractionalising them into smaller units, and making them more accessible, efficient, and secure as investments. Financial institutions have a crucial role to play in advancing and scaling tokenisation to harness its full transformative power— and, with demand for tokenised RWAs estimated to reach USD30.1 trn in a decade¹ according to Standard Chartered, the time to act is now.

Investor demand for tokenised RWAs has the potential to soar: 69% of buy-side firms plan to invest in tokenised assets this year, up from 10% in 2023. Investors aim to allocate up to 6% of their portfolios to tokenised assets this year; that will rise to [9% by 2027](#)². But despite growing demand, the tokenised assets ecosystem remains nascent and is at risk of stalling unless financial institutions take steps to scale up the adoption of this opportunity.

¹ “Real-world asset tokenisation: A game changer for global trade” by Standard Chartered and Synpulse

² EY-Parthenon: How tokenisation in asset management is driving meaningful opportunity

How is the tokenisation ecosystem evolving to meet the growing demand?

Multiple factors lie behind this strong demand for tokenised assets: the ability tokenisation brings to fractionalise assets into bite-sized pieces for ownership is a game changer for numerous illiquid asset classes. It also unlocks new wealth opportunities for a younger generation of investors who are already interested in digital assets.

On the supply side, tokenisation offers numerous operational efficiencies to participating financial institutions, not least in terms of tracking ownership, custody, transactions and settlement. Moreover, the diversification of distribution that it offers frees up more credit for banks to meet the financing needs of the new economy.

Yet despite momentum accelerating over the past year, the adoption of tokenised RWAs remains limited. The current value of tokenised RWAs (excluding stablecoins) is around [USD13bn](#), mostly issued by fintechs as early adopters. However, the perceived barriers to growth are slowly being removed as demand-side and supply-side constraints get resolved, and as the tokenisation ecosystem matures.

For example, tokenisation platforms, which support the issuance of tokenised assets, are starting to converge in terms of the technology they use, says Dr Steven Hu, Head of Digital Assets, Trade & Working Capital at Standard Chartered.



Until now, some financial institutions took the approach of waiting for the convergence of platforms before they would enter the space. Now, that time has come – and more and more financial institutions and banks will step into the tokenisation of assets. 

Dr Steven Hu

Head of Digital Assets, Trade & Working Capital,
Standard Chartered

Another factor has been the global, coordinated effort around establishing the financial infrastructure for digital assets, involving regulators, central banks and financial institutions. Efforts such as the [Global Layer 1 \(GL1\) initiative](#) to explore the development of a multi-purpose, shared ledger that strikes a balance between security and accessibility, or Hong Kong's [recent circulars](#) on SFC-authorized tokenised investment products, show a concerted attempt to provide regulatory clarity.

Moreover, global connectivity is set to improve once SWIFT completes its [live trial for a single window](#) that provides access to digital assets and digital currencies, with further improvements as numerous countries launch central bank digital currencies. Meanwhile, the Bank for International Settlements Innovation Hub, together with the Institute of International Finance and 40 private-sector financial firms, are participating in [Project Agorá](#), which explores how tokenisation can enhance wholesale cross-border payments. In addition, Standard Chartered has been a front runner in the Guardian Wholesale Network (GWN) industry group that aims to deepen the liquidity across primary and secondary markets for tokenised assets in a coordinated and networked manner.

With platforms and regulatory efforts converging, one major final outstanding issue – the lack of supply of quality assets – is also ready to be resolved.

There is a massive opportunity for financial institutions to meet the soaring demand for tokenised across a range of asset classes, particularly those for which access and liquidity have been restricted – including debt, securities financing and collateral, real estate, alternatives, and trade finance assets. The last alone could be worth up to [USD5 trillion by 2034](#) and is a major and untapped prospect for driving growth in the adoption of tokenised RWAs.

Creating a new asset class: tokenising trade finance assets

Trade finance assets remain underappreciated yet are highly attractive. The overall asset class is sizeable and growing, with global trade expected to reach [USD32.6 trn by 2030](#). The short-term tenor of trade finance assets makes them relatively low-risk and offers investors the opportunity to diversify, since the range of trade finance assets is wide and grants access to trade across the globe, including in frontier and emerging markets. Additionally, trade assets typically enjoy low default rates and high recovery rates. Despite the advantages inherent to trade finance assets, there are several reasons

why institutional investors underappreciate them. Some are unfamiliar with this asset class and lack sufficient understanding of its characteristics. Trade finance assets also suffer from operational intensity, pricing inconsistency and a lack of transparency.

Nevertheless, for banks, trade finance constitutes a sound place to start with tokenised RWAs, since it is already part of their financial universe. Trade is at the heart of the global economy and will remain there, while tokenisation is seen as an opportunity to tackle the growing trade finance gap.

Combating this gap – channelling liquidity to where it is needed to propel economic growth – is a fundamental part of banks’ missions, and tokenisation represents a significant advance on the current approach to trade finance. And there is no doubt that advances in the field are increasingly necessary, given the evolving cross-border complexity of supply chains in all manner of new economy goods, from electric vehicles to the batteries and computer chips they depend on. To support growth in the real economy, trade in all such goods needs access to credit. And tokenisation is a new distribution channel of funding with greater origination efficiency, constituting a viable, brand-new and universally accessible asset class with stable returns.

Tokenisation offers advantages in four important ways:

- It **improves access to new, fast-growing, emerging markets**. Banks that distribute trade assets using digital tokens can boost their net interest income and optimise their capital structure. Investors get access to a range of low-risk assets.
- It **simplifies trade complexity** in an asset class that is often deemed inaccessible, and can help to provide finance further down the supply chain tier (as shown by [Project Dynamo](#), a collaboration

between Standard Chartered, BIS Innovation Hub Hong Kong, Hong Kong Monetary Authority and technology companies).

- By **digitalising structured finance solutions**, tokenisation greatly expands the set of investible trade finance assets. Programmability ensures flows are automated, which makes data management easier, with each token traceable and linked to an underlying asset. Additionally, programmability simplifies ownership transfer and enables composable finance.
- It **reduces information asymmetry** between issuers and investors, boosting investor confidence.

Indeed, as Standard Chartered showed with the Monetary Authority of Singapore’s Project Guardian, it is possible to simulate the placement of [USD500 million in asset-backed security tokens](#) backed by trade finance assets – from tokenisation to distribution and secondary trading. Our efforts showed significant investor demand for tokenised trade finance as a new asset class, while also demonstrating the viability of tokenisation to the industry as a whole – as an innovative means for banks to power growth in national economies.



What the tokenisation market needs – and what financial institutions can do

While much has been done to advance the tokenised RWA market, there is much more to do – and when it comes to bringing tokenisation to scale, the community of financial institutions across the value chain, from originators to custodians to infrastructure providers and investors, each have a crucial role to play across six key areas.

1 Preparing a global strategy:

All financial institutions need to educate stakeholders and management about this opportunity. From informing the board, executives, and employees about the benefits and risks; to defining a global strategy for tokenisation, strategic preparation is a key starting point. This also includes identifying target markets and potential partnerships, monitoring regulations, and staying updated on the rapidly evolving frameworks and guidelines.

More specifically, for **asset originators** including trade banks, balance sheets are a key consideration, since they represent a core strength that they can leverage to advance adoption. With tokenisation quality supply set to become a challenge in the near-term, banks can use tokenisation as a bridge to distribute RWAs to investors, which can improve their capital efficiency and help to optimise shareholder returns. A likely driver is Basel IV, which will see changes in the way that banks calculate risk-weighted assets. Banks will need to consider new ways to utilise capital to support economic growth, including innovative ways to originate and distribute lending assets. Tokenisation can allow them to derecognise those assets from their balance sheets, which makes asset origination more efficient by cutting the amount of regulatory capital needed to cover risk.

Custodians, on the other hand, face additional strategic preparation responsibilities, particularly in reinforcing their role as **trust anchors** in the tokenisation ecosystem – providing an uninterrupted, direct connection between tokens and the underlying RWAs. This trust role is crucial because – unlike cryptocurrencies – tokenisation requires a smooth, instant connection to the RWAs. Custodians will need to reassure investors that the underlying asset is real, unique and not double-collateralised. In practical terms, this calls for banks to develop expanded custodian capabilities to reinforce their roles as anchors of trust, including investigating capabilities like wallet infrastructures and seamless end-to-end transaction processes.

2 Developing the infrastructure,

through experimenting with blockchain platforms and different tokenisation structures, while focusing on the long-term potential and technology maturity assessment, as well as integration and interoperability. Financial institutions also need to embrace public-private partnerships to build a network infrastructure that works for them.

3 Ensuring operational readiness,

by adapting risk management frameworks for tokenised assets; ensuring AML and KYC compliance are incorporated into key operational processes; and setting up Centres of Excellence to guide the business.



4 Partnering and collaborating:

Boosting cooperation with clients, regulators, fintechs and other industry players is crucial to develop the broader tokenisation ecosystem. This should include collaborating to understand the complex and evolving regulatory landscape, particularly in cross-border initiatives; and working to establish a unified commercial frameworks and rulebook to support the new tokenised economy, avoiding siloed approaches and duplicated investments.

5 Building talent and organisational readiness:

Acquiring, upskilling or reskilling talent is a must, to ensure they have sufficient capabilities in tokenisation, cryptoassets, and blockchain in general. This requires building a community, organisational structure and strategic sponsorship to build the support system and empowering culture to seize the tokenisation opportunity.

6 Advocating and promoting:

This includes a combination of promotion and education among clients and employees, as well as the broader financial ecosystem. Education and advocacy should extend to employees who may not have been exposed to the asset class, as well as industry counterparts, regulators and clients. By participating in proofs of concept (PoC) trials and experiments, institutions also have the chance to raise awareness among all stakeholders, as well as deliver more customised and personalised financial products and services to their existing client base. In doing so, the utility value of RWA tokens will develop further, which will drive awareness and adoption.

The journey to the future of finance

Progress in the tokenisation of RWAs is well underway. Collaboration is increasing, and participants are deploying technology to overcome key challenges. Others are sharing knowledge and educating the market about the regulatory, legal and risk characteristics of tokenised RWAs. The potential to catapult tokenisation to the next level lies with financial institutions.

Standard Chartered has been leading several initiatives to build a global community of regulated financial institutions, non-bank financial institutions, regulators and interested investors to turn the concept of tokenised RWAs into a deliverable investment choice.



Given the scale of the opportunity, we see the undoubted power of joining forces with all stakeholders in an inclusive financial ecosystem that can effectively scale and realise tokenised RWAs' potential.

Dr Steven Hu

Head of Digital Assets, Trade & Working Capital,
Standard Chartered

Are you ready to seize the RWA tokenisation opportunity? If you want to join Standard Chartered in scaling real-world asset tokenisation and shaping the next chapter of finance, please get in touch.

For more information, contact us at Transaction.Banking@sc.com.

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