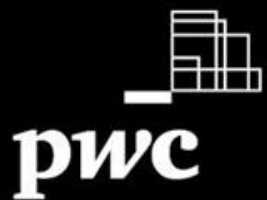


# Welcome to the 26th Investmentforum



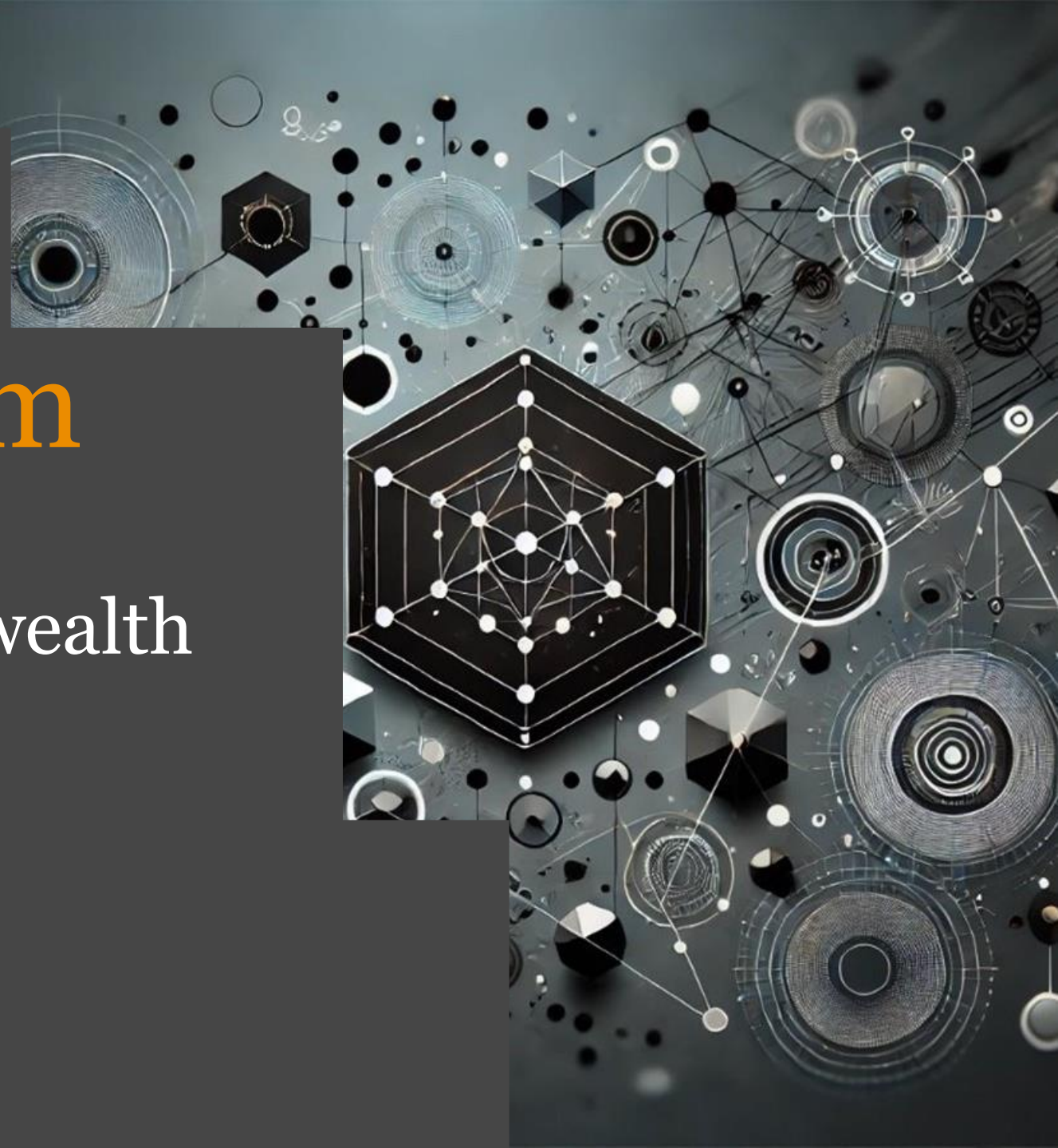
**Frankfurt**

26th September 2024

# Investmentforum

## Breakout-Session: Tokenization in asset and wealth management

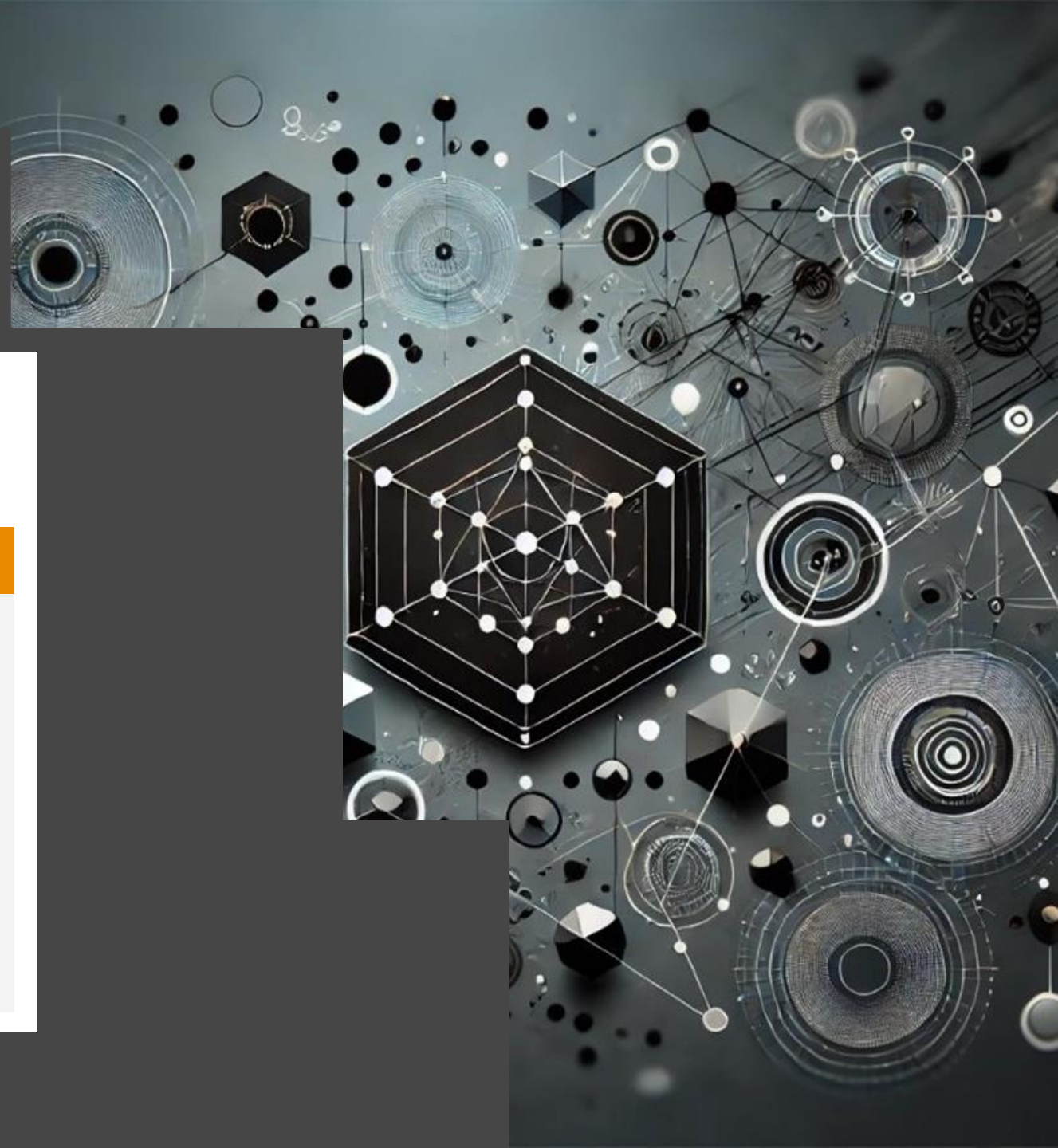
26<sup>th</sup> of September 2024



# Agenda

## Tokenization in asset and wealth management (AWM)

- 01 Introduction
- 02 Understanding Tokenization
- 03 Q&A and Discussion
- 04 Closing Remarks



# Several market trends are shaping the asset management industry, altering economics and driving business model disruption

## Market Forces Shaping Asset Managers

### Margin Compression

Investors are shifting to lower-margin investments, increasing competition, cost transparency, and technology-driven operating costs.

### Shifting investor expectations

Investors seek access to diverse asset classes, personalized digital solutions, and presence on non-traditional channels, with limited access for certain investor segments.

### Technology disruption

There is a push to streamline operations, customize offerings with AI, explore tokenized securities, and outsource non-core functions.

### Globalization

Asset managers are navigating increased global asset flows, market volatility, and distribution challenges amidst geopolitical uncertainties.

### Changing regulation & Trust

Regulatory reforms, the need for new frameworks for technologies like DLT and AI, and rising ESG pressures drive operational and reporting changes.



## Impact on asset managers

### - Challenges

- Margin shrinkage
- Growing competition
- Lower AuM growth






### + Opportunities

- New revenue pools
- Reimagined distribution
- New ways to differentiate

Source: PwC Asset and wealth management revolution 2023: The new context, PwC Next in asset and wealth management 2024

# Tokenization is advancing quickly with many asset managers exploring and deploying tokenized funds

## Recent Fund Tokenization Developments

Company	Type of Asset	Type of Fund	Stage
<b>BlackRock</b>	Private Fund	Money Market	<b>Live (2024)</b>
 FRANKLIN TEMPLETON	Public Fund	Money Market	<b>Live (2023)</b>
 WISDOMTREE®	Public Fund	Various Mutual Funds	<b>Live (2023)</b>
 Hamilton Lane	Private Fund	Private Credit	<b>Live (2023)</b>
<b>KKR</b>	Private Fund	Private Equity	<b>Live (2022)</b>
J.P.Morgan <b>APOLLO</b>	Private Fund	Private Equity	PoC (2024)
 BNY MELLON Goldman Sachs	Public Fund+	Money Market	PoC (2024)
 WISDOMTREE® citi	Private Fund	Private Equity	PoC (2024)
J.P.Morgan <b>BlackRock</b>	Public Fund	Money Market	PoC (2023)

### Current Developments:

- **Money Market Funds:** Tokenized money market funds surpassed \$1 billion in Q1 2024, with demand rising from high-interest environments.
- **Bonds and Repos:** Over \$10 billion in tokenized bonds issued, and tokenized repos are facilitating trillions of dollars in monthly transactions.
- **Private Credit:** Blockchain-enabled lending and securitization are gaining traction, with over \$10 billion in loans issued.
- **Alternative Funds:** Tokenization is simplifying fund management, enabling new capital sources through fractionalization.
- **Regulatory Progress:** Global collaboration is driving regulatory frameworks for tokenization.

### BlackRock's Tokenized Fund Draws \$240 Million Since Debut

- BlackRock's tokenized fund is built on Ethereum blockchain
- Fund tokens can be transferred between approved digital wallets

Source: Bloomberg, 27.03.24

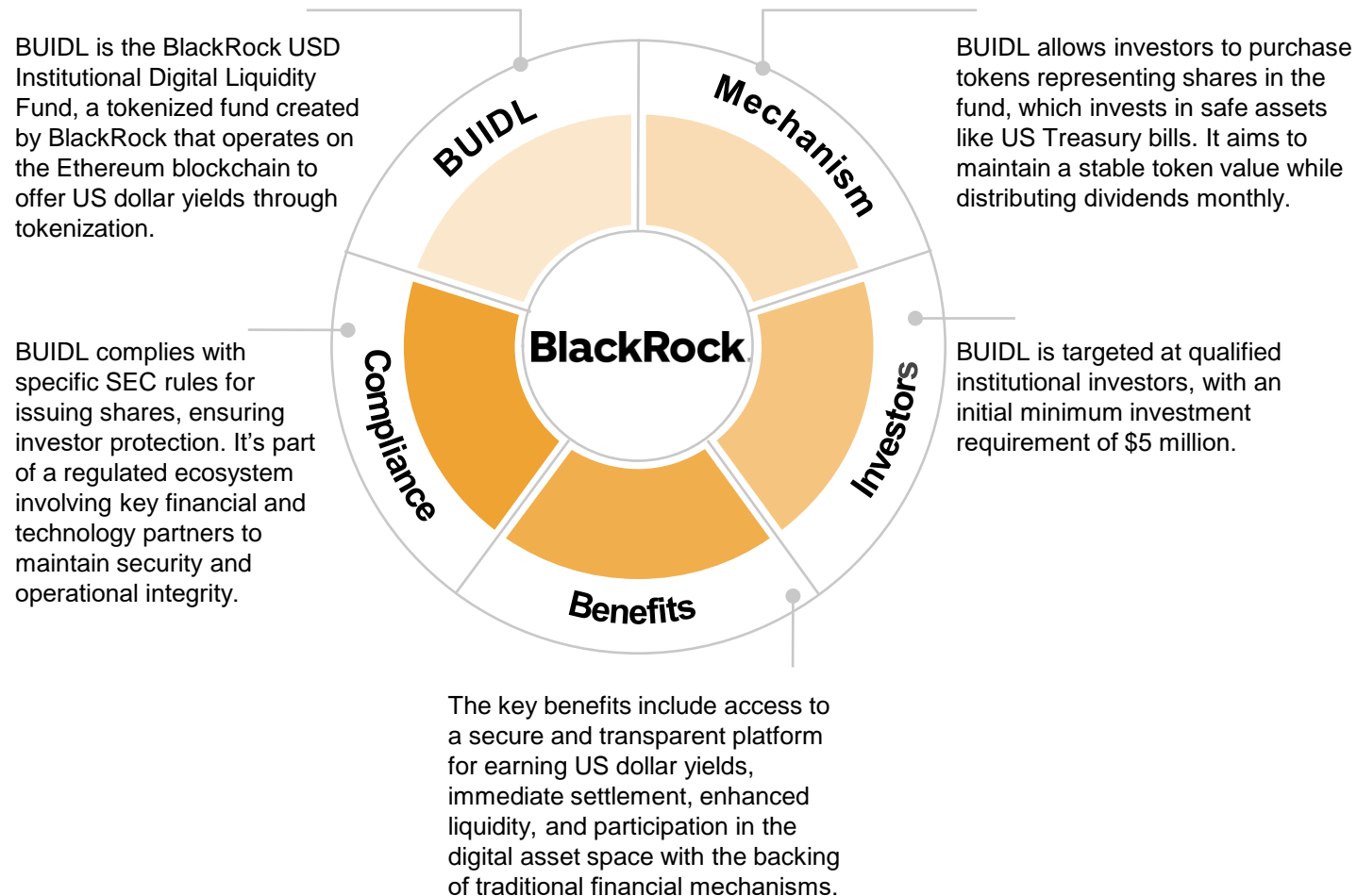


### WisdomTree Launches New Platform - WisdomTree Connect™

*Expands digital assets opportunity  
Enables access to tokenized real world assets (RWA) to broader range of users  
Utilizes proprietary tokenization platform and technology infrastructure*

Source: WisdomTree, 18.09.24

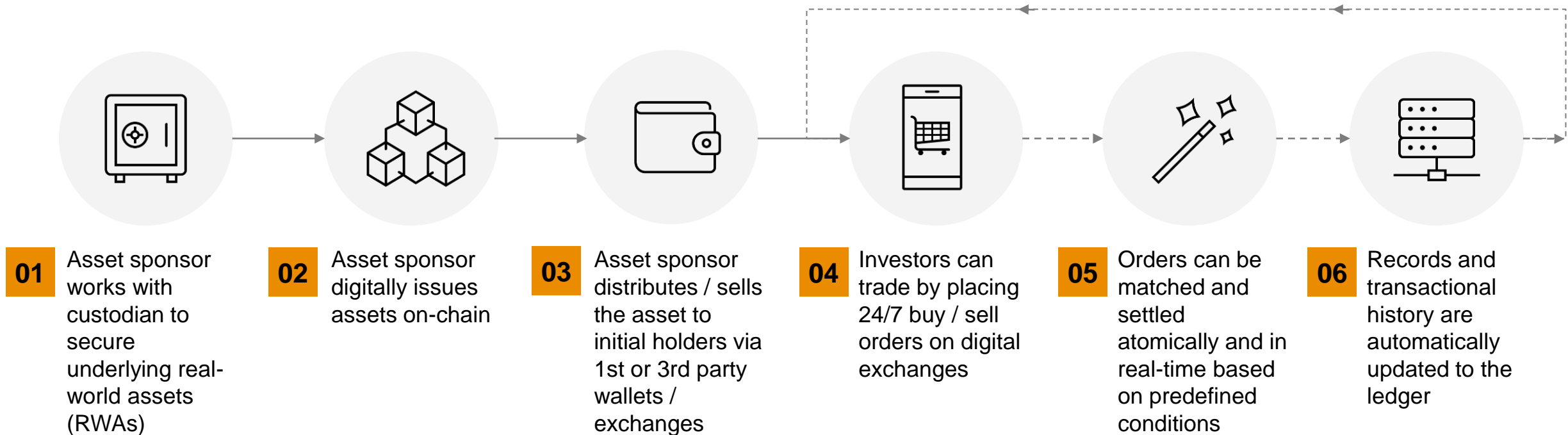
# Blackrock's tokenized treasury fund BUIDL has reached \$500M



Key Facts	
Token Price	\$1.00 USD
Market Cap	\$520,000,000
Management Fees	0.50%
Minimum Investment	\$5,000,000
Blockchain	Ethereum
Token Issuance Platform	Securitize
Fund Administrator / Custodian	Bank of New York Mellon
Accepted Investors	US Accredited
Instrument	Class A Shares
Domicile	British Virgin Islands
Key Infrastructure and Wallet Providers	Anchorage Digital Bank NA, BitGo, Coinbase, and Fireblocks
Token Rights	Daily accrued dividends paid directly to investors' wallets as new tokens each month. Investors can transfer their tokens 24/7/365 to other pre-approved investors.

# Asset tokenization is the process of converting a real-world asset into tokens that are stored and transacted on a blockchain

## How it works



### What can be tokenized?



**Securities**  
e.g., ETFs, treasuries



**Currencies**  
e.g., Fiat, bank notes



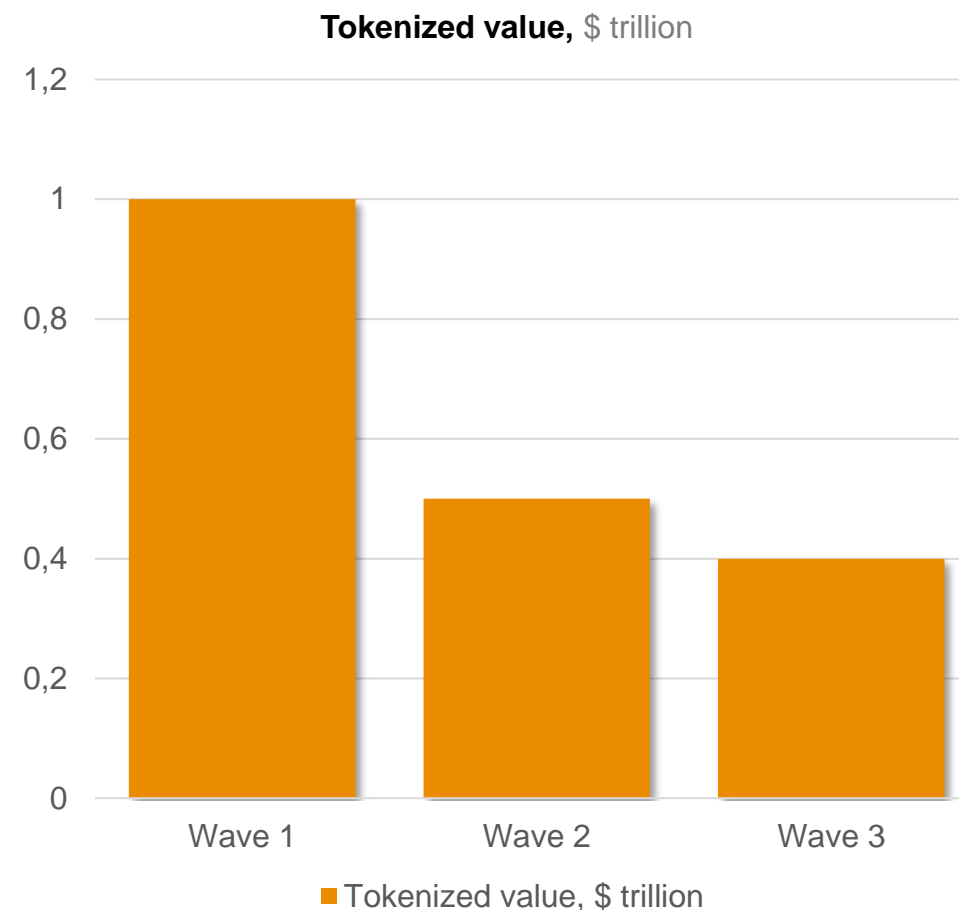
**Commodities**  
e.g., Precious metals, carbon credits



**Alternative assets**  
e.g., Real estate, art work







# The “last great revolution” in asset management: Will you seize the tokenization wave or be left behind?

	Slower adoption	Base scenario	Accelerated adoption
<b>Potential 2030 tokenized market capitalization, \$ trillion</b>	~0.8	~1.9	~3.8
<b>Regulation</b>	Regulatory challenges remain high	Regional disparities exist, but regulatory clarity is increasing	Permissive regulation
<b>Infrastructure and enablers</b>	Inadequate infrastructure to support and lack of enablers	Infrastructure reaches adequate maturity	Infrastructure and enablers reach institutional grade maturity
<b>Market demand</b>	No solution to cold start problem limits demand	Some assets tokenized at scale catalyzed by larger players	Cold start problem is overcome by industry-wide collaboration
<b>Risk and reputation</b>	Systemic risk event occurs and limits or discourages adoption	Limited security issues or systemic risk events	No major security issues or systemic risk events occur





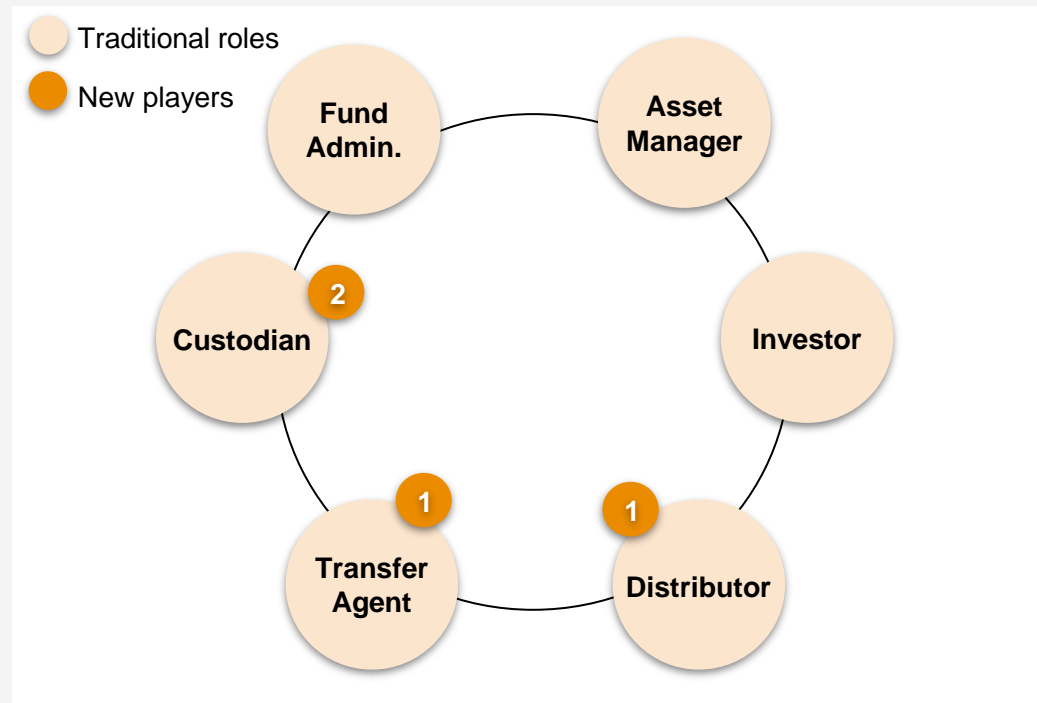
# Fund tokenization can help combat industry headwinds to unlock new revenue and cost takeout opportunities for asset issuers

	LEVERS	DESCRIPTION	REAL WORLD EXAMPLES		
Immediate-term	Attract new customer segments	Tokenization is enabling <b>lower minimums, 24/7/365 liquidity</b> , and a more <b>digital experience</b> that can help attract new classes of investors and grow AUM.	 Tokenized money market fund (BUIDL) amassed <b>\$245M in assets under management (AUM) in one week</b> , now at \$520.00M	 Tokenized money market fund (FOBXX) amassed <b>\$346.24M in AUM</b>	 Tokenized feeder for off-chain Equity Opportunities Fund enabled <b>investment minimum reduction</b> of ~\$5M to \$20K
	Expand distribution channels	Tokenized funds are being transacted through <b>new distribution mechanisms</b> , such as tokenization platforms and issuer-owned apps, that can offer <b>more control over distribution</b> and help issuers reach <b>new audiences</b> .			
Longer-term	Drive operational efficiencies	Tokenization at scale has the potential to remove intermediaries and <b>streamline asset transfer, settlement, and reconciliation processes</b> , while also enabling on-chain programmability, <b>automating processes</b> such as dividend distributions, interest payments, and corporate actions.	 <b>Securitize Markets</b> , which BlackRock is invested in, acts as a placement agent for tokenized funds, including BlackRock's BUIDL, Hamilton Lane's opportunity feeder funds, and KKR's equity feeder fund	 <b>Benji Investments app</b> , by Franklin Templeton (FT), allows token holders to easily see their holdings and execute trades without leaving the FT ecosystem	 <b>WisdomTree Prime app</b> enables investors to save, spend, and invest Crypto, Digital Gold, and Digital Funds (including WT's 9 tokenized mutual funds)
	Enable new products, services & capabilities	As more assets become tokenized, there will be opportunity to <b>create a new ecosystem of products</b> that offer more <b>flexibility, personalization</b> , and <b>access to previously untapped markets and asset classes</b> (e.g., collateralization services, fractionalization of illiquid assets, structured products, private market products, etc.).			

■ Revenue generation    
 ■ Cost takeout

# New market players are working with the existing AWM value chain and absorbing traditional roles for tokenized products

## AWM Value chain disruption



Fund tokenization has started to disrupt the AWM value chain with the emergence of new market players.

*E.g., a tokenization platform can work with an asset manager and fund administrator to take on the role of the transfer agent and distributor*

### 1 Tokenization Platform

- **Supports issuance of security tokens** on a blockchain representative of shares in a fund
- **Enables near-instant settlement** of fund shares
- **Creates new avenues for distribution** by acting as placement agent or supporting direct-to-investor
- **May disrupt transfer agency services** by moving the subscriber register on-chain

#### Market players

SECURITIZE

tokeny

PAXOS

BRICKKEN

### 2 Key Custody Provider

- **Creates digital wallets** on a blockchain platform representing holder accounts
- **Custodies private keys** of the wallets
- **Enables flexibility in custody options** for fund participants to choose how they hold their tokens

#### Market players

coinbase

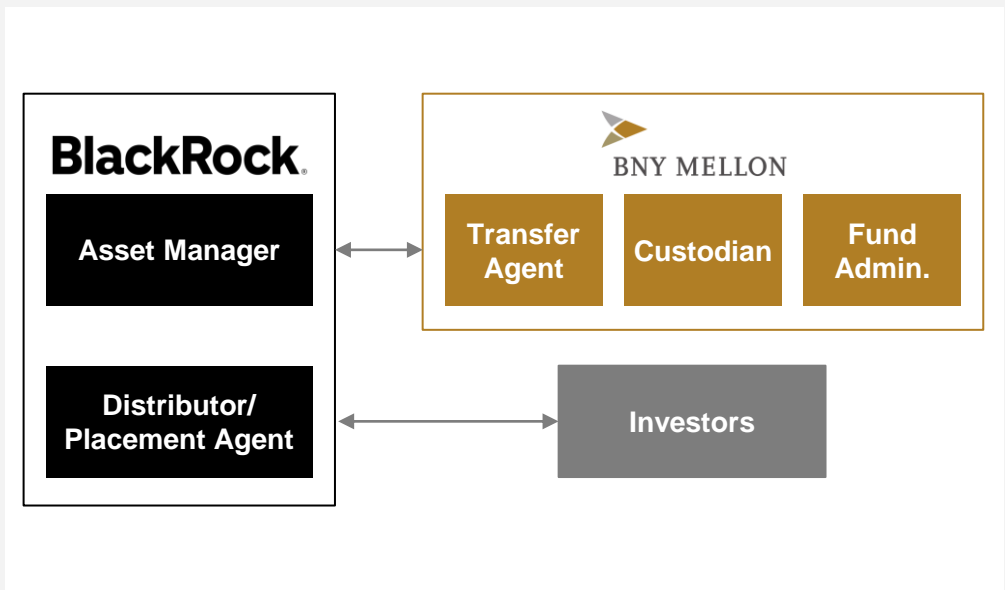
Fireblocks

anchorage digital

BitGo

# BlackRock Example: Tokenized funds transform the typical fund operating model by integrating additional technology players

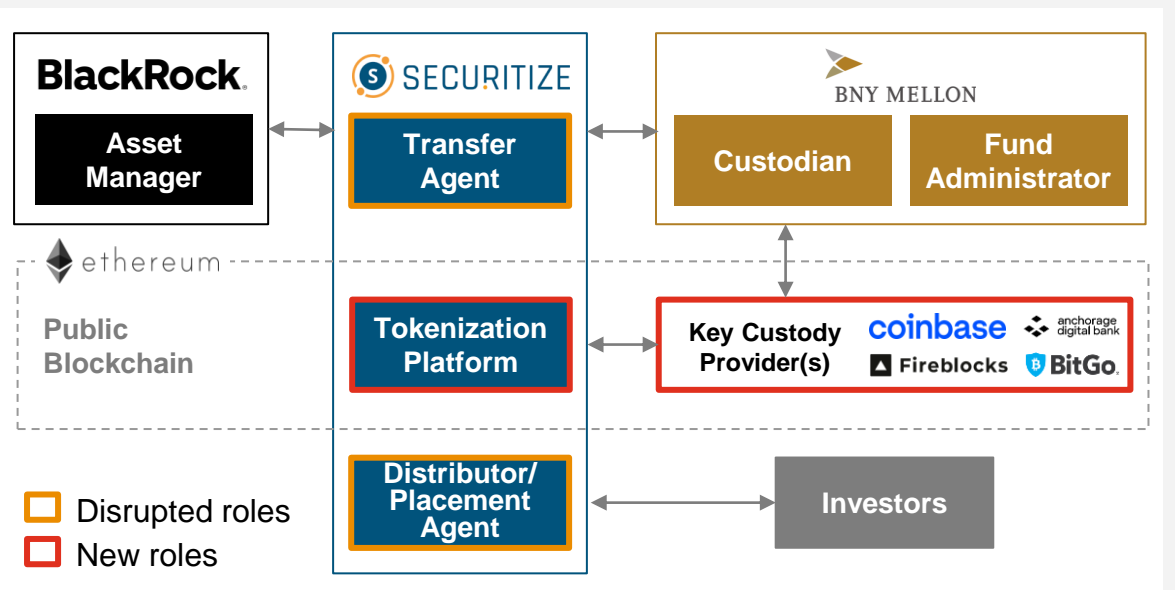
## Traditional Model (BlackRock Money Market Fund)



### Limitations

- **High cost of maintaining shareholder accounts** leading to high minimum balance requirements
- **Heightened operational risk** including in documentation, settlement, systems failures, controls and human error

## Tokenized Model (BlackRock BUIDL)



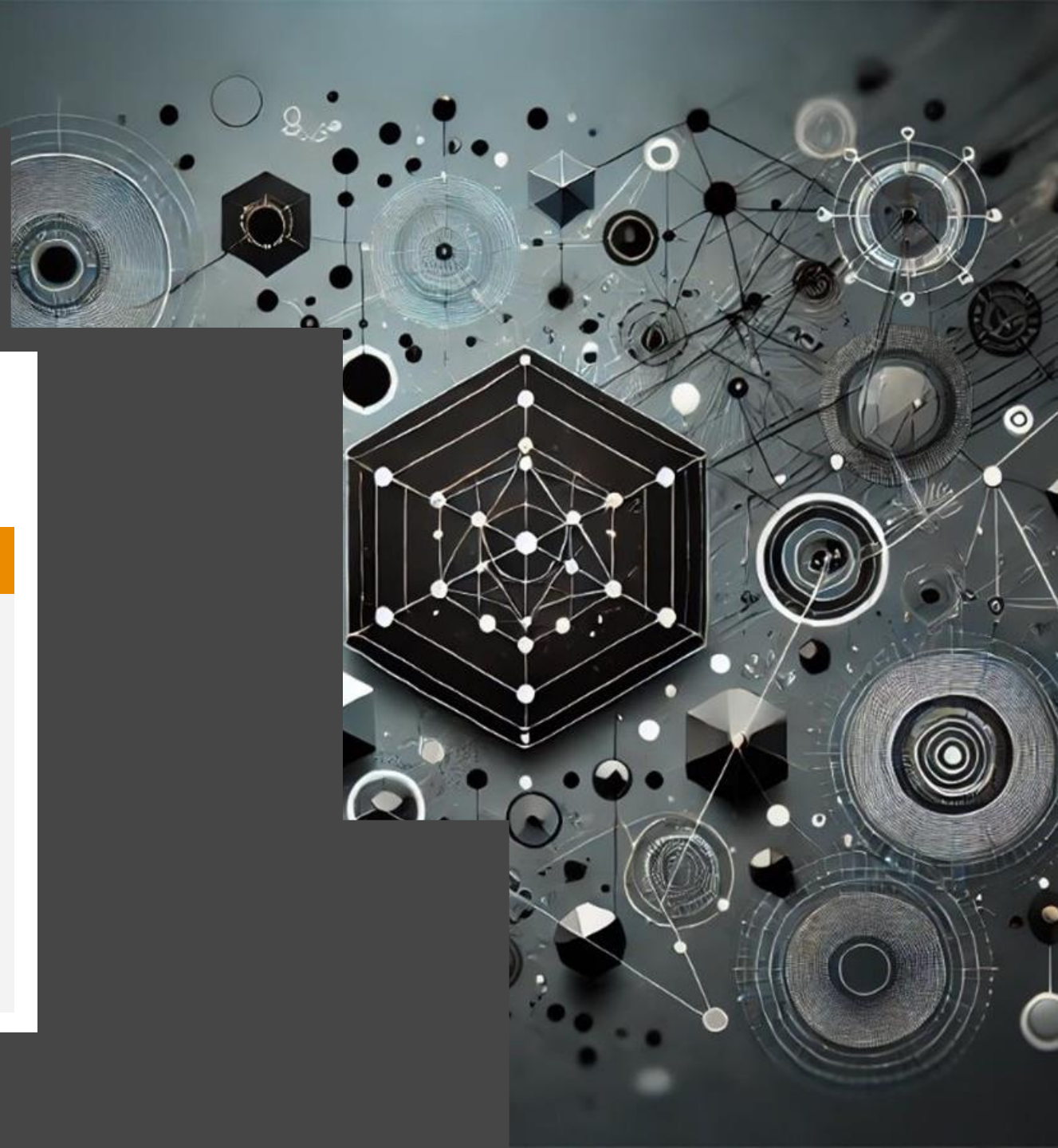
### Key Changes

- **Tokenization provider takes on roles of transfer agent and placement agent**, displacing traditional players
- **Key custody providers are installed to help safeguard customer funds**, providing platform optionality and interoperability

# Agenda

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# There are critical considerations that AWMs should have top of mind as the tokenization market matures

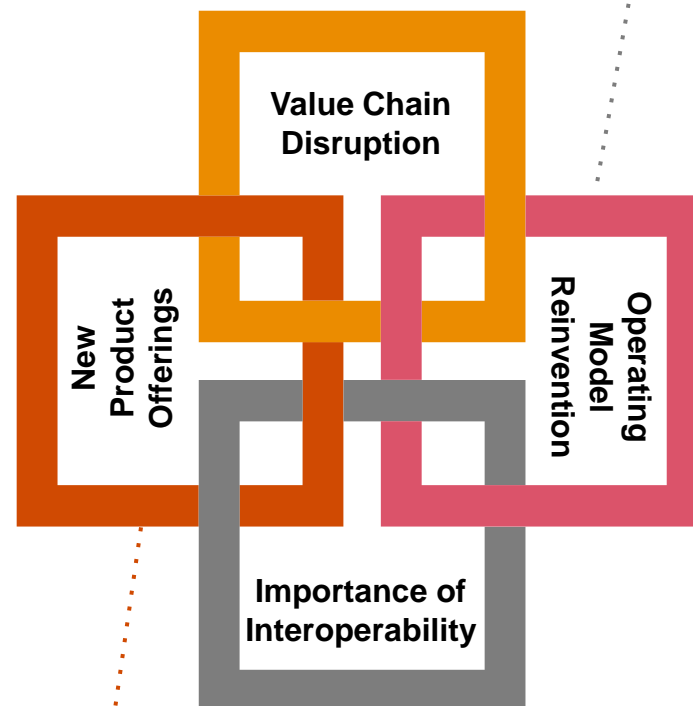
## Maturity Considerations

### VALUE CHAIN DISRUPTION

New entrants are beginning to challenge the existing landscape by offering innovative solutions for asset tokenization, issuance, transfer, and custody. This disruption can reshape the value chain, creating new opportunities and driving the transformation of asset wealth management towards decentralization and digitization.

### NEW PRODUCT OFFERINGS

The more financial assets that become tokenized, the more new product opportunities that will be created in the market. These new products can revolutionize the financial landscape, offering investors greater flexibility, diversification, and access to previously untapped markets and asset classes.



### OPERATING MODEL REINVENTION

Tokenization can offer a more streamlined, transparent and secure way of completing core business processes. As more of the financial world turns to tokenization, AWM players will have the opportunity to redefine how they operate and where they focus resources.

### IMPORTANCE OF INTEROPERABILITY

Interoperability between networks and existing systems will be required to unlock the large-scale benefits of tokenization. Cross-chain communication can drastically increase market liquidity while integrating with off-chain data can bridge the gap between traditional systems and a decentralized infrastructure.

# Thank you.

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