next in capital markets

DIGITAL ASSETS AND THE OPPORTUNITY FOR CAPITAL MARKETS

Accelerating adoption of digital assets within capital markets firms

Infosys®
Navigate your next

Contents

03 **Foreword**
From Nageswar Cherukupalli

04 **Introduction**

05 **Key survey findings**

06 **Research methodology**

07 **Key Finding 1**
Growing institutional appetite for digital assets

08 **Key Finding 2**
Process optimization and competitive pressures are the key drivers behind adoption

10 **Key Finding 3**
The leading barriers of adoption are cost and inadequate infrastructure capabilities

12 **Key Finding 4**
Invest now to see ROI within two years

13 **Conclusion**
Accelerating the move into digital assets

Foreword

As FinTechs continue to expand their market share across the financial services industry, digital assets are becoming an increasingly attractive proposition for established capital markets firms.

Five years ago, digital assets were widely regarded as niche, and speculative. Now, leaders within capital markets firms recognize that digital assets represent arguably the most immediate opportunity for product innovation and growth.

From our latest research, we can see how adoption of digital asset categories is accelerating in all corners of the financial services industry. Firms are prioritizing cryptocurrencies as a way to stave off competitive pressures, optimize their processes and to create new revenue streams.

Navigating the journey to digital assets in your business

For any capital markets firm, and particularly for the most established players, integration of digital assets into their portfolios is an incredibly complex undertaking.

Legacy technologies and processes represent a huge barrier to adoption, as does cultural resistance to change. There is also a huge skills deficit within the digital assets space and very few organizations currently have access to the high-quality talent that are needed to execute on the plans.

At the same time, cybersecurity is becoming an increasing concern, as the scale and sophistication of threats grow exponentially. Very few capital markets firms currently have the right infrastructure and policies in place to safely deliver digital asset service offerings.

At a broader level, capital markets firms also need to ensure that they have the operational agility and financial resilience to withstand the levels of volatility that characterize the digital assets space.

The recent crash in cryptocurrencies is undoubtedly cause for concern and firms need to ensure they mitigate against risk wherever they can.

Despite these challenges our research reveals a great sense of optimism and excitement surrounding digital assets. Already, firms are reporting positive results from their early forays into this new category and continue to be bullish about the prospects that digital assets can deliver moving forward. Indeed, more than 90% of capital markets firms are expecting to be deliver returns on these investments within the next couple of years.

As margins on traditional service offerings are being squeezed, digital assets will become an increasingly significant source of revenue for capital markets firms. As a result, it is time for organizations to expedite their moves into the digital assets space. It would be a competitive differentiator, as firms that get on the digital assets bandwagon will most likely have first mover advantage.

Adopting this paradigm mandates that the leaders within capital markets firms adopt new mindsets and embrace newer approaches to innovation, risk and compliance. They need to work towards bringing cultural and behavioral change across the workforce, and implement new technologies and platforms to accelerate innovation and deliver services in a secure and sustainable way.

Those firms that are able to bring this change in the next few months are set to succeed and be ahead of the rest in what is likely to be the next major battleground in the capital markets industry.

NAGESWAR CHERUKUPALLI

Senior Vice President
Industry Head – Capital Markets
Infosys

Introduction

Over the past two years, there has been a significant uptick in institutional adoption of digital assets. Where once there was resistance and skepticism from established financial services organizations, now there is a real sense of excitement and opportunity around this new asset class.

Capital markets firms of all sizes are recognizing an opportunity to play a pivotal role in the digital assets market, providing the critical and trusted infrastructure for consumers to safely access the whole range of digital assets that are now available, including cryptocurrencies, stablecoins, central bank digital currencies (CBDCs), tokenised securities, and non-fungible tokens (NFTs).

As adoption of both cryptocurrencies and stablecoins continues to become more mainstream, capital markets firms are moving quickly to strengthen their crypto offerings in areas such as wealth management, trading and investment banking.

This research explores the progress that firms are making as they ramp up their digital asset offerings and explores the extent to which their early forays into these new asset classes are delivering value.

Significantly, the research reveals how capital markets firms are approaching the adoption of digital assets as a vehicle to address long-standing operational challenges, such as process speed and transparency, risk and cost. It also details how firms are looking to partner with FinTechs and crypto-native start-ups to expedite their moves into digital asset classes.

Of course, the move into digital assets requires significant change for capital markets firms, from a technological, process and cultural perspective. Business leaders find themselves navigating a wide range of challenges, from concerns around the cost of adoption and the environmental impact of cryptocurrencies such as Bitcoin, to questions around the suitability of current infrastructure, cybersecurity and skills capabilities.

Added to this, the move into new digital asset classes is now happening against a backdrop of extreme volatility in the cryptocurrency sector and huge economic uncertainty more generally.

Leaders within capital markets believe that the integration of digital assets into their organizations' product portfolios will present a sizeable opportunity over the coming years. They expect to achieve rapid returns on their current investments to build new capabilities and they predict that digital assets will become an increasingly significant contributor to their organization's overall revenues over the next five years.

Infosys®
Navigate your next

Key survey findings

Infosys conducted research amongst senior-decision makers within financial services organizations to gauge attitudes and intentions towards digital assets.

1 KEY FINDING 1

Growing institutional appetite for digital assets

Capital markets firms are increasingly looking to integrate digital assets into their portfolios of products and services. Faced with increasing demand from retail and institutional investors, 99% of respondents stated that digital assets are now important to their organization, and 13% reported that they are very important.

Capital markets firms are adopting the full suite of digital asset categories, including cryptocurrencies, central bank digital currencies (CBDCs), tokenized securities and non-fungible tokens (NFTs).

88% of firms have adopted cryptocurrencies and 84% have adopted CBDCs, with adoption levels even higher in organizations with asset sizes of more than $20 billion.

2 KEY FINDING 2

Process optimization and competitive pressures are the key drivers behind adoption

The key drivers for accelerated adoption of digital assets are process optimization, competition (particularly from FinTechs and large technology vendors) and blockchain security.

Other factors behind initiatives to move into digital assets categories inc lude the desire to accelerate innovation and to open up new revenue streams.

3 KEY FINDING 3

The leading barriers of adoption are cost and inadequate infrastructure capabilities

Capital markets firms are facing a broad range of challenges in their efforts to integrate digital assets into their product and service offerings.

98% of respondents point to cost of adoption as a barrier to adoption of digital assets, and 96% cite cybersecurity threats as a challenge. Less than half of respondents are fully confident that their organization has the right cybersecurity infrastructure in place to safely deliver and hold digital asset service offerings.

Other concerns include inadequate infrastructure capabilities and a lack of skills and knowledge to support digital assets. As you would expect, the volatility of many digital asset categories is also a worry for leaders within capital markets firms, exacerbated by the severe problems currently affecting the cryptocurrency market in particular.

4 KEY FINDING 4

Invest now to see ROI within two years

There is an overriding feeling of positivity surrounding digital assets within capital markets firms. 5% of leaders report that their organization is already seeing a return on its investment in digital assets, 33% expect to achieve a positive ROI in the next 12 months, and 56% predict that they will see returns within two years. Therefore, more than 90% of capital markets firms expect to be generating profits from digital assets by the end of 2024.

Looking further ahead, leaders predict that digital asset products and services will become an increasingly significant stream of revenue. 35% forecast that digital assets will contribute more than 10% of their organization's overall revenues within the next five years, and 52% expect digital assets to account for between 5% and 10% of total revenues.

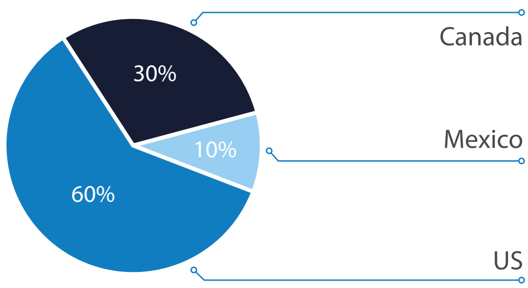
Infosys®
Navigate your next

Research methodology

The research consisted of:

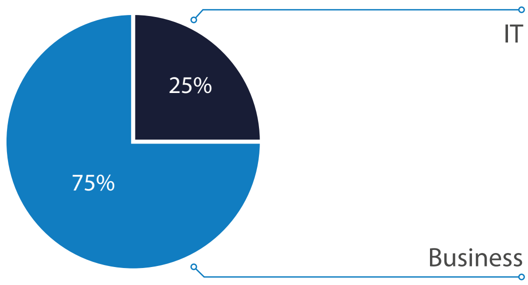
CONSUMER/SOCIAL

Online interviews with 110 senior decision-makers across the United States (60% of respondents), Canada (30%) and Mexico (10%)



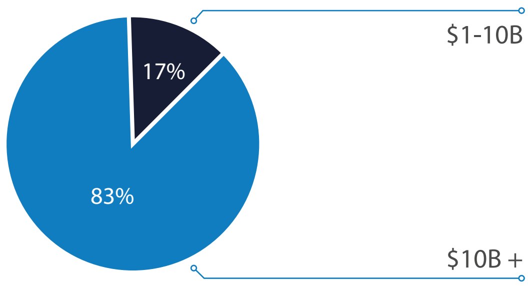
INTERVIEWEE FUNCTION

Respondents operated at a very senior level within their organization – as a CXO, Senior VP or Senior Director; 75% of respondents worked within a business function; 25% worked within an IT function



ASSET SIZE

All of these organizations had total assets of more than $1 billion; 83% of the organizations had assets of more than $10 billion



SUB-SECTORS

Respondents worked for organizations within a range of sub-sectors including:

- Wealth management
- Investment banking
- Clearing/ settlement banking
- Asset management
- Custodian

Figure 1 | Research methodology

KEY FINDING 1

Growing institutional appetite for digital assets

Across the financial services industry, there is a belief that digital assets are becoming increasingly significant. 99% of respondents stated that digital assets are now important to their organization, and 13% reported that they are very important.

The research shows that adoption of digital assets is now standard across all sub-sectors of the financial services industry. The majority of organizations are adopting digital assets including cryptocurrencies, central bank digital currencies (CBDCs), tokenized securities and non-fungible tokens (NFTs).

When it comes to cryptocurrencies and CBDCs, adoption rates have climbed as high as 88% and 84% respectively. And levels of adoption are even higher in organizations with asset sizes of more than $20 billion, rising to more than 90%.

Capital markets firms are also understanding that the concept of a product will undergo a change with the introduction of digital assets. Real Estate Investment Trusts (REITs) and bonds are already being issued via the tokenization route. There will now be far more products introduced this way. Digital asset adoption will also cause individual ticket size to decrease, paving the way for more participants in what was essentially a large stakes market reserved for the top players.

Overall, capital markets leaders are relatively pleased with the early results of their organization's adoption of digital assets. 8% of respondents claim that they are extremely satisfied with the initial results of their digital assets adoption, and 65% report that they are satisfied. The rest have a neutral opinion of their efforts to date.

Significantly, however, the research shows that at the most senior level in firms, the reaction to the early adoption of digital assets isn't quite so positive. Only 4% of CXO-level respondents claim to be extremely satisfied with the initial results from their digital assets adoption programs, and more than a third (37%) express a neutral opinion, neither satisfied nor dissatisfied.

This suggests that there is a feeling within senior leadership teams that their organizations are yet to fully exploit the opportunities presented by the adoption of digital assets, and that there is room for improvement in the coming years.

Q. WHAT TYPE OF DIGITAL ASSETS ARE YOU ADOPTING?

		Country			Asset size					
		US	Canada	Mexico	$1-5Bn	$6-10Bn	$11-15Bn	$16-20Bn	$21-25Bn	>$25Bn
		66	33	11	10	9	15	19	26	31
Cryptocurrencies	88%	88%	85%	100%	80%	67%	93%	79%	92%	97%
Central Bank Digital Currencies (CBDC)	84%	83%	82%	91%	70%	67%	73%	74%	96%	94%
Tokenized Securities	65%	64%	76%	45%	70%	78%	53%	74%	65%	61%
Non-fungible Tokens	58%	64%	58%	27%	30%	56%	47%	68%	58%	68%

Figure 2 | Type of digital assets adopted

Q. HOW SATISFIED ARE YOU BY THE INITIAL RESULTS YOU'VE SEEN FROM DIGITAL ASSET ADOPTION?

	Overall	Level			Country		
		CXO	Sr VP	Sr Director	US	Canada	Mexico
Base	110	27	33	50	66	33	11
Extremely satisfied	8%	4%	18%	4%	9%	6%	9%
Satisfied	65%	59%	67%	66%	64%	67%	64%
Neither satisfied nor dissatisfied	27%	37%	15%	30%	27%	27%	27%

Figure 3 | Satisfaction from digital assets adoption

Infosys® Navigate your next

KEY FINDING 2

Process optimization and competitive pressures are the key drivers behind adoption

The three biggest drivers of adoption of digital assets are process optimization, competition (particularly from FinTechs and large technology vendors) and blockchain security.

One of the main drivers of digital asset adoption is competitive pressure. The global cryptocurrency asset management market was valued at USD 455.3 million in 2021 and projected to reach USD 1807.9 million by 2028 with a CAGR of 21.8% during the forecast period, 2021–2028. This has especially spurred FinTechs to adopt digital assets to gain competitive advantage over BigTechs and other firms.

Additionally, FinTechs have realized the benefits of distributed ledger technology (DLT) by issuing new form of values and tokenizing digital assets with enhanced settlement speed and access to new clients and markets. The usage of DLT has optimized the process and brought a new level of blockchain security.

Respondents also pointed to a number of other factors that are driving adoption of digital assets within their organization. These include the need to accelerate innovation in new products and services, to create new revenue streams and to expand into new geographic markets.

The research also highlights how capital markets firms are approaching the adoption of digital assets as an opportunity to address major operational challenges.

"DLT-backed digital assets have a wide-ranging impact beyond capital markets. The most significant benefits of digital assets are increased liquidity, faster settlement and greater transparency. By providing more regulatory oversight, intervention and encouragement, central banks worldwide can be instrumental in greater implementation of digital assets that deliver these benefits to more people."

ROHINI TREHAN

AVP, Practice Manager
Blockchain and Web3 Practice
Infosys

Q. HOW IMPORTANT WERE EACH OF THE FOLLOWING DRIVERS IN YOUR FIRM'S DECISION TO ADOPT DIGITAL ASSETS?

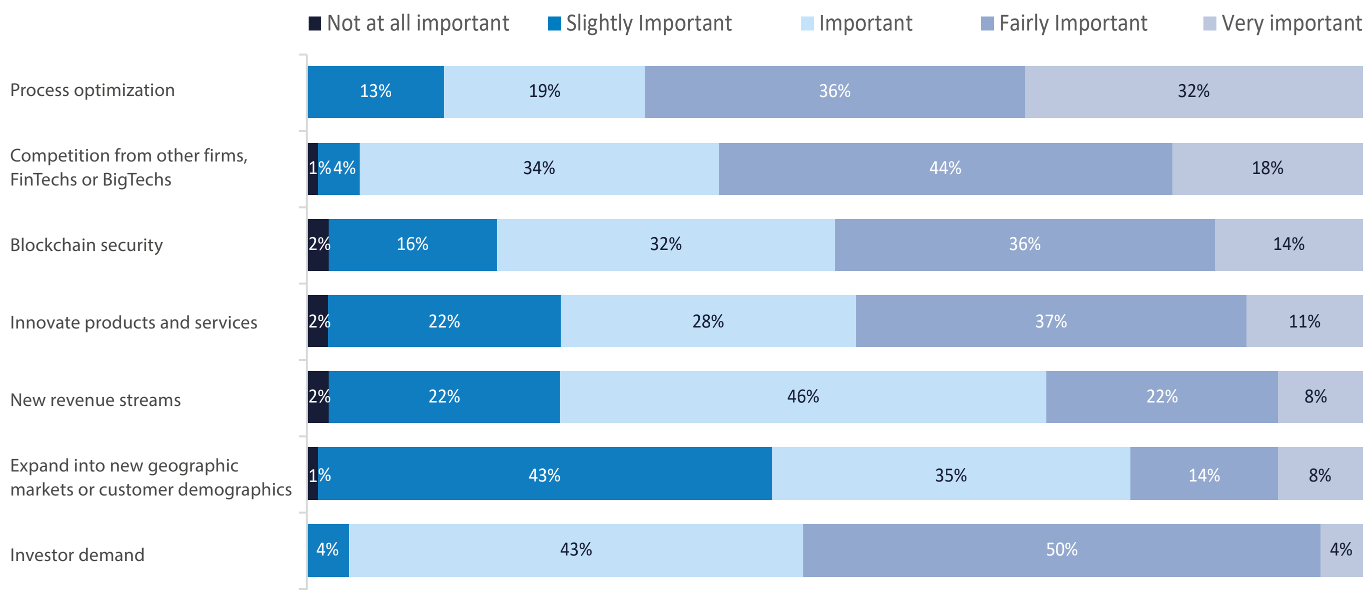


Figure 4 | Drivers for adoption of digital assets

Infosys®
Navigate your next

83% of respondents state that they are looking to accelerate turnaround times for processes through the adoption of digital assets, while 79% point to a desire to create more transparency within their organization's processes as a driver for adoption.

71% of respondents point to reduced risk while 44% say lower costs for processes as issues that their organization is trying to resolve with the adoption of digital assets. Most respondents are reasonably confident that their organization is currently ahead of its peers in its adoption and use of digital assets. Respondents from larger organizations, with asset sizes of more than $15 billion, are particularly optimistic, with almost 70% claiming that they are ahead of their peers. However, there is a widespread awareness of the potential implications for firms that fall behind competitors in their adoption of digital assets.

71% of financial services leaders fear that their organization will lose customers and market share if it starts to lag behind its competitors in adoption of digital assets, while 66% report that it will suffer reputational damage. Other consequences of slipping behind competitors include an inability to compete in the market, loss of revenue and difficulties attracting high quality talent.

Q. WHERE DO YOU CONSIDER YOUR ORGANIZATION TO BE, COMPARED TO COMPETITORS, WHEN IT COMES TO DIGITAL ASSETS?

	Overall	Country			Asset size					
		US	Canada	Mexico	$1-5Bn	$6-10Bn	$11-15Bn	$16-20Bn	$21-25Bn	>$25Bn
Base	**110**	**66**	**33**	**11**	**10**	**9**	**15**	**19**	**26**	**31**
Significantly ahead	7%	6%	9%	9%	–	–	–	–	15%	13%
Ahead	47%	58%	39%	9%	10%	33%	33%	63%	54%	55%
On par	45%	35%	52%	82%	90%	67%	67%	37%	31%	29%
Behind	1%	2%	–	–	–	–	–	–	–	3%

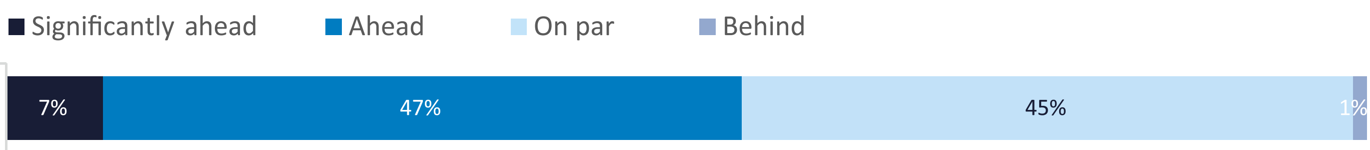


Figure 5 | Current status of digital assets adoption vs. competitors

Infosys® Navigate your next

KEY FINDING 3

The leading barriers of adoption are cost and inadequate infrastructure capabilities

While the research reveals a general sense of optimism and confidence towards digital assets amongst senior leaders, it also uncovers the challenges that organizations are facing as they incorporate digital assets into their product portfolios.

"One of the industry imperatives is not only to coexist with traditional market structures but also to provide a bridging vehicle to emerging asset classes and create a modern financial market structure – essentially a chain of interconnected market participants that aid in accumulating capital and forming investment resources. To enable this, firms will continue to drive investment into IT modernization in an effort to transform our aging financial markets infrastructure."

NITIN GAUR

Global Head
Digital Assets and Technology Design,
State Street Digital

Respondents point to a wide range of financial, cultural and regulatory factors that are causing them concern as they look to accelerate their move into digital assets. Cost of adoption is regarded as the biggest concern for financial services leaders, followed closely by inadequate infrastructure capabilities to support digital assets and cybersecurity risks.

There is also a widespread recognition that assets such as cryptocurrencies are, and will continue to be, incredibly volatile. The market has always been unpredictable since its inception, with boom-and-bust cycles, but its current trajectory is undoubtedly concerning. Bitcoin, the most popular cryptocurrency, has fallen below $20,000, down from a record high of $69,000 in November 2021, a reduction of more than 70%.

Of course, cryptocurrencies are strongly influenced by the traditional stock markets which have also been plummeting due to the war in Ukraine, inflationary pressures and rising interest rates. But crypto has seen a particularly sharp decline on the back of recent negative stories of exchanges freezing withdrawals and transfers, as well as predictions of tighter regulations coming into force. Investor speculation is bringing unprecedented levels of uncertainty to the market.

Another area of worry for leaders in capital markets firms is the lack of skills and knowledge within their current workforces to implement and deliver digital assets in an effective and sustainable way. Three quarters of respondents cite this as a concern. Linked to this, there are also fears about the scale of change management involved in integrating digital assets and doubts about the ability and appetite of teams to keep up with the speed of innovation within the space.

Also, more than 90% of respondents are concerned about the environmental impact of digital assets. Cryptocurrency mining under proof-of-work (PoW) consensus mechanism is highly energy-intensive and is currently used by the two largest cryptocurrencies, Bitcoin and Ethereum. This is highly relevant because many portfolio and asset managers are now actively looking to invest in green assets.

However, new initiatives such as The Merge, which will shift

Q. BY ADOPTING DIGITAL ASSETS ARE YOU CONCERNED WITH ANY OF THE FOLLOWING FACTORS?

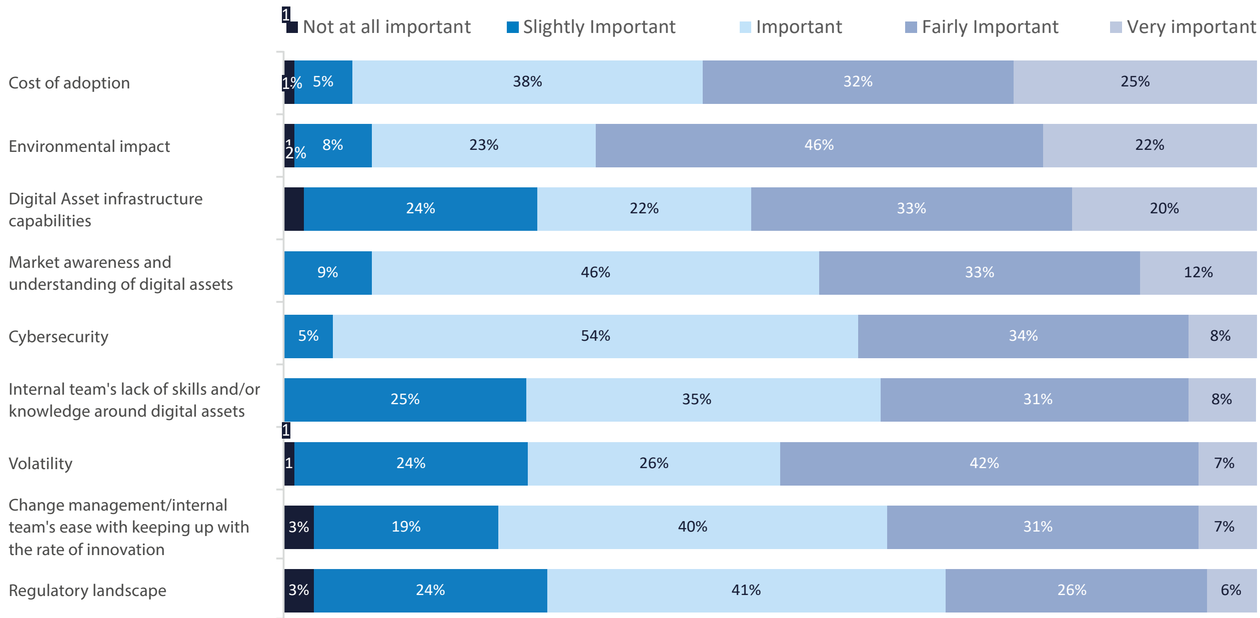


Figure 6 | Concerns around the adoption of digital assets

Infosys® Navigate your next

Q. IN TERMS OF CYBERSECURITY, HOW CONFIDENT ARE YOU IN SAFELY DELIVERING/HOLDING DIGITAL ASSET SERVICE OFFERINGS WITH YOUR CURRENT INFRASTRUCTURE SECURITY?

	Overall	Country			Asset size					
		US	Canada	Mexico	$1-5Bn	$6-10Bn	$11-15Bn	$16-20Bn	$21-25Bn	>$25Bn
Base	**110**	**66**	**33**	**11**	**10**	**9**	**15**	**19**	**26**	**31**
Very confident	47%	50%	48%	27%	20%	22%	47%	42%	62%	55%
Somewhat Confident	53%	50%	52%	73%	80%	78%	53%	58%	38%	45%
Not confident	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

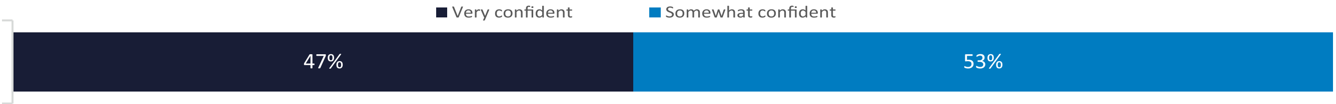


Figure 7 | Confidence levels around adequacy of cybersecurity infrastructure to deliver digital asset services

Ethereum's existing proof-of-stake (PoS) model, should significantly cut carbon footprint over the coming years. US Securities and Exchange Commission chairman Gary Gensler said in a statement on September 15, 2022 that PoW assets such as BTC are commodities and not securities. He further stated that staking-based cryptocurrencies are securities and should be regulated by the agency. The White House has officially released a fact sheet on the comprehensive framework for responsible development of digital assets. This will make Ethereum a more attractive proposition for fund managers and will likely lead to increased demand amongst investors.

Interestingly, whereas two or three years ago regulation was often cited as a major barrier to digital asset adoption, very few leaders now regard it as a major concern. This is partly because leaders now have more clarity around their compliance obligations in relation to digital assets, but also the fact that they regard the potential benefits and returns as so compelling that they are prepared to take whatever steps are necessary to comply with relevant legislation.

With the scale and sophistication of cybersecurity threats growing exponentially over the past two years, and consumer trust in cryptocurrencies eroding as a result of recent high profile collapses of stablecoins such as Luna and TerraUSD, leaders within capital markets firms recognize the critical importance of cybersecurity within their digital asset adoption plans.

Currently less than half of respondents are fully confident that their organization has the right cybersecurity infrastructure in place to safely deliver and hold digital asset service offerings.

The majority (53%) are somewhat confident but evidently feel that there is significant room for improvement in their cybersecurity capabilities in relation to digital assets.

Confidence levels around digital asset custody are notably higher amongst respondents in larger financial services firms, with assets totaling more than $20 billion, suggesting that these organizations have already invested in initiatives to bolster their cybersecurity defenses around digital assets.

Amongst respondents who recognize a need to improve their infrastructure facility to support and protect digital assets, there is a split in how best to tackle this issue.

A third (33%) of capital markets firms are planning to upgrade their current cybersecurity infrastructure to deliver digital asset services, whereas two thirds (67%) are instead looking to work with products that utilize traditional financial market infrastructure, such as regulated cryptocurrency.

Firms with assets under $10 billion are more likely to focus on upgrading their current infrastructure, while those with assets over $10 billion are more likely to look for existing products based on traditional financial market infrastructure.

Q. IF YOU ARE "SOMEWHAT CONFIDENT" OR "NOT CONFIDENT", RATHER THAN DIGITAL ASSETS, WILL YOUR FIRM INSTEAD WORK WITH PRODUCTS THAT UTILIZE TRADITIONAL FINANCIAL MARKET INFRASTRUCTURE LIKE REGULATED CRYPTOCURRENCY?

	Overall	Country			Stages of journey	
		US	Canada	Mexico	Ahead	On par
Base	**58**	**33**	**17**	**8**	**27**	**31**
Yes	67%	70%	59%	75%	78%	58%
Will be upgrading current infrastructure to improve security	33%	30%	41%	25%	22%	42%

	Overall	Asset size					
		$1-5Bn	$6-10Bn	$11-15Bn	$16-20Bn	$21-25Bn	>$25Bn
Base	**58**	**8**	**7**	**8**	**11**	**10**	**14**
Yes	67%	50%	43%	63%	73%	80%	79%
Will be upgrading current infrastructure to improve security	53%	50%	57%	38%	27%	20%	21%

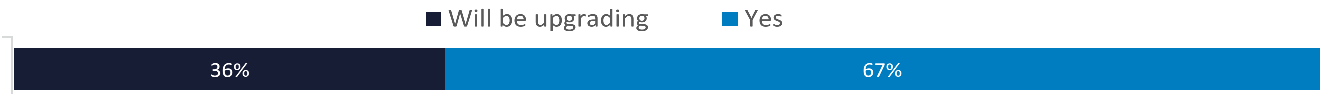


Figure 8 | Intentions towards upgrading existing security infrastructure or working with products that utilize traditional financial market infrastructure

KEY FINDING 4

Invest now to see ROI within two years

Despite the numerous challenges they need to overcome, the research shows that leaders within capital markets firms are hugely optimistic about the financial returns that digital assets can deliver to their organizations in the short to medium term.

5% of respondents report that their organization is already seeing a return on its investment in digital assets, 33% expect to achieve a positive ROI in the next 12 months, and 56% predict that they will see returns within two years. That means that as many of 94% of capital markets firms will be generating profits from digital assets by the end of 2024.

Interestingly, larger firms with assets under management of more than $10 billion are even more bullish about their prospects of delivering rapid ROI. While banks don't pay interest on digital assets, mechanisms such as staking (where crypto assets are locked in for a set period of time) offer potentially attractive returns. This is one reason why larger banks are now seeing greater value in digital assets.

Leaders within capital markets firms expect digital assets to become an increasingly important contributor to their organization's revenues over the next five years. The research indicates that organizations will see an incremental growth in the proportion of revenue generated through digital assets in the short to medium term.

Looking ahead two years, only 2% of respondents expect revenues from digital assets to represent more than 10% of their organization's revenues. Most expect digital assets to contribute between 2% and 10% of overall revenues.

However, the picture changes significantly over a five-year period. As many as 35% of respondents predict that digital assets will contribute more than 10% of their organization's overall revenues within the next five years, and 52% expect digital assets to account for between 5% and 10% of total revenues.

Q. WHAT PERCENTAGE OF YOUR ORGANIZATION'S REVENUE IS GENERATED FROM DIGITAL ASSETS NOW, AND WHAT DO YOU EXPECT IT TO BE IN FIVE YEARS?

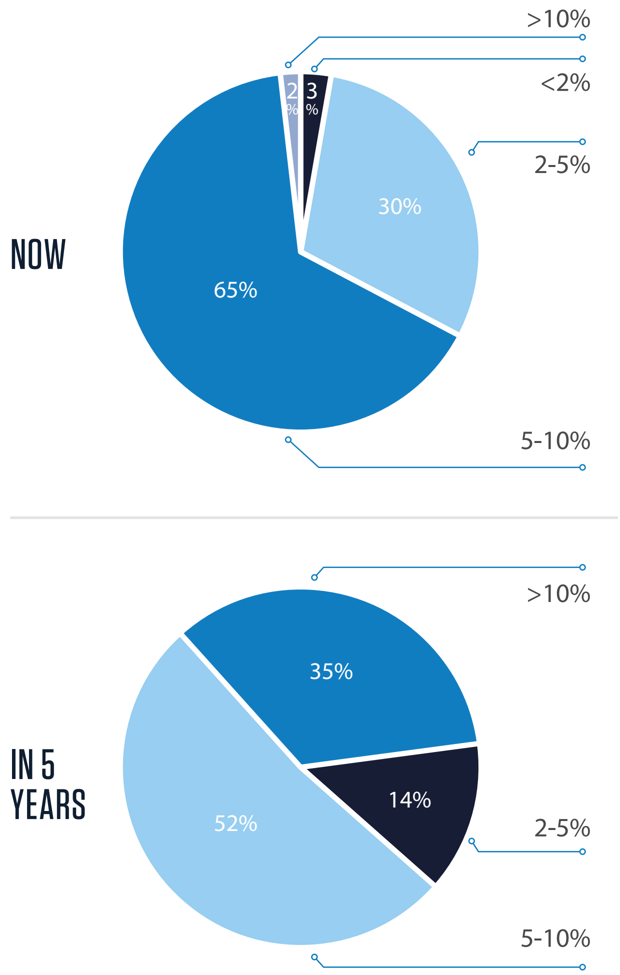


Figure 10 | Predictions for digital assets as proportion of organization's total revenues

Interestingly, leaders within capital markets firms see a need to partner with specialist third party organizations in order to accelerate their moves into digital assets and achieve success in this space. 60% of respondents believe that it will be crucial to partner with FinTechs or crypto-native companies as part of their digital assets strategy, and 40% view it as important.

Q. WHEN DO YOU THINK YOU WILL ACHIEVE A RETURN ON INVESTMENT?

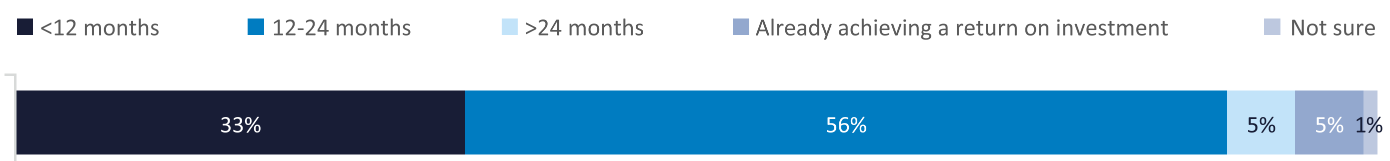


Figure 9 | Projected return on investment for digital assets

Infosys® Navigate your next

This suggests that capital markets firms will increasingly look to partner with vendors who can provide access to innovative crypto-native companies that are offering proven institutional products and services. By doing so, these organizations can navigate around many of the current challenges they are facing in their adoption of digital assets.

In addition to FinTechs, capital markets firms can partner and benefit from the consulting and technology expertise of niche IT organizations for process optimization. Consulting expertise can be provided to answers questions such as what standards are needed for digital asset adoption, what products can be tokenized, and how foundational concepts such as decentralized finance can be applied.

"With all the turmoil in crypto markets, the trust in the digital asset class has evaporated, but at the same time, many institutions and investors still want to get exposure at these levels. In the recent digital asset survey after October 2022, institutional investors (existing holders) are more likely to increase their allocation to crypto. In addition, most respondents believe that crypto valuation will increase over the long term. As a result, large financial institutions closely watch this space while modernizing and digitizing their existing infrastructure to introduce new products (multi-asset classes) with the desired flexibility.

The evolution of digital assets has brought a new paradigm, a business opportunity and the programmability of financial controls through smart contracts. The new paradigm not only accelerates the digitization of capital market firms but also brings digital transformation to the product side of the house. The new products and services need to be conceived by considering new ways of value transfer through NFTs, tokenized securities, stablecoins, and virtual currencies. In addition, adopting digital assets will result in capital being accessed by a larger pool of retail investors and issuance of newer types of securities through digitally enforceable rights, obligations and real-time end-to-end processing.

Leveraging this adaptation of a new value transfer in payments, banking and asset management, financial and non-financial services players are poised at the right juncture to embrace this transition."

BHARAT M. GUPTA

Senior Principal, Financial Services
Crypto Advisory Services
Infosys Consulting

Conclusion

Without doubt, digital assets will become an increasingly important area of focus for capital markets firms. And this will lead to a convergence of traditional financial services products and services, and those based on new digital asset classes.

In order to accelerate their moves into digital assets, firms need to ensure that they get the right infrastructure, compliance and security capabilities in place. For some firms, this will mean upgrading and modernizing current systems and processes, for others it will mean favoring more regulated assets such as CBDCs in order to minimize exposure to risk.

Across the board there is a recognition amongst leaders of the need to partner with specialist FinTechs to deliver on their digital assets strategy.They need to tap into crypto-native platforms in order to move at speed, working with trusted advisors to access FinTechs that can provide best-in-class institutional solutions and services.

Alongside this, leaders within capital markets firms need support to instigate the cultural and structural changes that are required to facilitate the move into digital assets, and to identify the skills requirements that are so crucial to long-term success.

This research shows that capital markets firms are already making good progress on their journeys into the digital assets market, but this really is only the beginning.

Over the next two years, we will see wholesale changes within the financial services markets, as digital assets enter the mainstream and demand soars for new products and services. Those firms that can move quickly now, working with innovative partners and putting in place robust infrastructure, can steal first-mover advantage and position themselves to reap the rewards.

ABOUT INFOSYS KNOWLEDGE INSTITUTE

The Infosys Knowledge Institute helps industry leaders develop a deeper understanding of business and technology trends through compelling thought leadership. Our researchers and subject matter experts provide a fact base that aids decision making on critical business and technology issues.

To view our research, visit Infosys Knowledge Institute at **infosys.com/IKI**

For more information, contact askus@infosys.com

Infosys®
Navigate your next