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VOX POP REPORT

THE ROUTE TO CRYPTO ACCEPTANCE

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Zumo Enterprise

THE ROUTE TO CRYPTO ACCEPTANCE

In casting an eye across the technology and innovation landscape, crypto currencies have frequently taken centre stage over the past few years. They have rapidly moved from being the domain of a small group of believers, to increasing prominence in the minds of both consumers and businesses. And, quite rightly, in the strategy of those who provide them financial products and services.

Should financial services providers be thinking about adding crypto to their product roadmaps? There are so many exciting technologies in the here and now, how important is it to be thinking about what may seem to be a complex universe of new currencies? Do financial providers feel the need to wait for regulatory clarity before they move ahead? In a world with Net Zero targets and growing consumer and business awareness, are environmental issues an inhibitor?

We gathered insight directly from those institutions grappling with both the strategic and practical implications of adding crypto currencies to their current portfolio of products and services. In the resulting Vox Pop report, we learn about the business drivers, the opportunities (whether that is investment, operational or transactional) and the barriers to adoption that are foremost in the minds of financial services leaders and innovators. If we can help the industry clear away some of the uncertainty and share common concerns, all the better.

Eddie Robb

Commercial Director, **Zumo Enterprise**

What is your view/interest in the crypto/digital asset space? Is it driven by customer-demand and how is that informing your overall business strategy?

A majority of consumers worldwide would buy crypto through their bank – if their bank offered it.

The next wave of digital asset adoption is likely to be institutionally driven. We believe this provides unique opportunities for financial institutions to leverage their incumbent advantage to integrate digital asset services in a way that serves customers and their own organisations.

Of course, this comes with fiduciary duties, a specific set of requirements, and the need for compliant, sustainable, and operationally robust products that can provide the seamless link between new digital asset offerings and existing financial infrastructure.

As one of the many rapidly evolving pathways into the digital asset space, it's where we see the demand and what we're excited to deliver through our institutionally-focused **Zumo Enterprise** offering.

What would you identify as some of the key opportunities and risks in entering this space? How is that shaping your approach to digital assets?

Between the recent crypto partnership of the world's largest asset manager, BlackRock, and crypto ventures underwritten by the likes of Fidelity, Citadel Securities and Charles Schwab, it seems clear we are in the early days of what will be a huge commercial opportunity for institutional finance.

While digital asset investment leads the way, the opportunity is across the board, with rapidly advancing strands of activity in asset tokenisation, digital asset payments and applied blockchain solutions.

The risk of course is trying to undertake all this activity and support innovation while the regulatory and operating landscape is not always clear, and evolving as we go.

At **Zumo Enterprise**, our time goes into figuring out how to bring together all this activity that is going on in a way that can facilitate solutions for as wide a user base as possible, and provide the much-needed bridge between the crypto space and the sustainable, compliance-ready solutions that can cater to large institutional need.

> ***"Crypto and the climate is a polarised and high-profile topic; we've aimed to do our part in advancing the debate and also in piloting practical mitigation solutions, which is now the subject of an ongoing project funded by the UK's national innovation agency InnovateUK."***

Working with bank/fintech clients, it's about building out the big-picture framework that allows those institutions to add in the digital asset puzzle piece in a way that can integrate seamlessly with operations and cater to their specific requirements.

Looking at the landscape as it is today, what are some of the biggest challenges/barriers that you see with regards to your business offering crypto to retail customers, and what would it take to remove those blockers?

Based on the conversations we're having, there are some quite defined common themes that need to be addressed in a prospective enterprise crypto solution.

These include: tech integration, and the need for ready-out-of-the-box functionality that can plug seamlessly into existing infrastructure without requiring large internal resource; regulation and compliance, and the need for an experienced partner who can advise on obligations, best routes to market and ongoing compliance; sustainability, and the need to be sensitive and responsive to ESG mandates; education, and the requirement to fulfil duties of care and ensure adequate customer information and transparency; and liaison and go-to-market strategy: managing stakeholder conversations internally and finding the pathways that allow for risk-managed, assessable exploration of potential solutions.

At **Zumo**, our goal is to partner with clients to address these wide-ranging considerations and remove the individual barriers to create robust embedded solutions.

Speaking from your perspective, what factors play a role in your decision-making with regards to digital asset integration? How might those elements be incorporated in digital asset solutions?

We want to create solutions built with sustainability in mind – operationally, financially and environmentally.

We believe crypto is here to stay – which is why we are building for the long-term with a view to getting the foundations right. As events of the year have shown, it doesn't pay to rush into things without doing due diligence.

> ***"A majority of consumers worldwide would buy crypto through their bank – if their bank offered it."***

Our goal is to provide thought-out, well-rounded solutions that can cover all the necessary bases and embed seamlessly into integrator infrastructure as opposed to being a piecemeal or isolated offering. Crypto needs fit-for-purpose solutions that can power the next cycle of adoption.

Beyond direct implementation issues (tech integration; compliance; operations), what importance do you attribute to other considerations, such as marketing, environmental sustainability, and customer education?

Customer education and environmental sustainability are two elements we take very seriously.

Crypto and the climate is a polarised and high-profile topic; we've aimed to do our part in advancing the debate and also in piloting practical mitigation solutions, which is now the subject of an ongoing project funded by the UK's national innovation agency InnovateUK.

Equally, this is still such a new technology, misunderstandings abound and there is a real need to make sure that people understand what they are investing in – and their position as investors. Making information available to end customers and being transparent about the realities of the space is an important part of what we do.

We have to remember, this is not just a technical thing, it's also a cultural and adoption issue. As with any early technology, it's our job to take our customers with us on that journey, from the first experimentation and the smallest-scale pilot all the way through to the wide range of use cases and cutting-edge solutions the space has to offer.

Shyam Vadakul

Strategy and Partnerships Lead, **Plum**

What is your view/interest in the crypto/digital asset space? Is it driven by customer-demand and how is that informing your overall business strategy?

Part of **Plum's** goal is to help users grow their wealth. Many levers are available to achieve this of which one is diversification.

Crypto is very quickly becoming its own asset class with distinct risk factors. This allows users to adjust their portfolio in a different way and providing access here is beneficial to certain users. It is also something we are seeing strong demand for from our users. This insight has been gained from various user interviews and customer surveys.

Crypto is taking steps to reduce its environmental impact, which may lead to more ESG conscious investors giving it a second look. Following its successful switch from approving transactions via puzzles to crypto holding, known as "The Merge", Ether transactions will require far less energy.

What would you identify as some of the key opportunities and risks in entering this space? How is this informing the approach you are taking with regards to digital assets?

Key opportunities

Crypto is still very confusing for most users. And many simply conflate crypto and bitcoin. Supporting customers with their journey into this space in a clear and simple way is a very clear opportunity both for Plum and the industry. Education will be critical, and providers have a responsibility to provide this in an engaging way rather than a mere tick box exercise.

The technology is still in its infancy and the full breadth of opportunity and its impact can be a lot higher. Assuming the rate of progress seen in the last few years continues, the possible impact crypto can have is substantially higher.

Key Risks

The industry is still in its infancy and the trust it has built can quickly be lost in a tail risk event.

Clearly there have been a lot of questionable crypto currencies, which in some cases are just scams. **Plum** undertakes considerable analysis before adding any new product or security into its ecosystem. This is only heightened when it comes to any potential crypto currencies that we may want to consider adding in the future.

Volatility – like any early product, price volatility within the crypto market is very high. Ensuring users are aware of this is paramount and should be clearly communicated to them.

However, if crypto is to follow the historic trend of other asset classes, the volatility would be expected to reduce and normalise as adoption increases and the crypto market matures.

Government and regulatory policy are evolving in different directions. Ultimately, the industry needs clarity to protect consumers, develop appropriate offerings, unlock innovation, and maintain market integrity.

> ***"Environmental considerations are clearly an important factor for many users, including Plum's. The Merge opens up new possibilities for ether given the impact it will have on energy usage and carbon emissions."***

Looking at the landscape as it is today, what are some of the biggest challenges/barriers that you see with regards to your business offering crypto to retail customers, and what would it take to remove those blockers?

There is confusion for the user on what crypto actually is. Crypto is still a very new technology and it can get very technical. This is a challenge for most retail users and when someone doesn't understand something they typically do not engage with it. The key solution is education. Breaking topics down into digestible parts and consistently engaging with the user can help with this challenge.

Clarity and consistency on regulation is needed. Crypto's quick ascension in both volume and market cap has been a surprise for most of the industry. As such the regulation is constantly evolving. This is not surprising and can be observed throughout history where new technology arises. Whilst the direction of travel of the regulation looks positive, the quicker the industry gets clarity from various regulators the better.

The user experience is still relatively weak in the crypto market compared to more developed sectors of the fintech market. This further complicates an already complex technology.

Speaking from your perspective, what factors play a role in your decision – making with regards to digital asset integration? How might those elements be incorporated in digital asset solutions?

Strong custody framework to ensure security of digital assets:

- Compliance with relevant regulations
- Best practices to order execution
- Simple and resilient API first integration

Beyond direct implementation issues (tech integration; compliance; operations), what importance do you attribute to other considerations, such as marketing, environmental sustainability and customer education?

As mentioned, custody is an important factor. An extremely strong crypto and physical security of a crypto partner is a key requirement.

Environmental considerations are clearly an important factor for many users, including **Plum's**. The Merge opens up new possibilities for ether given the impact it will have on energy usage and carbon emissions.

Maxson J.Y. Tee

VP Group Strategy & Corporate Development, Digital Strategy, **Barclays**

What is your view/interest in the crypto/digital asset space? Is it driven by customer-demand and how is that informing your overall business strategy?

Speaking from the perspective of **Barclays**, our interest in digital assets really sits on the side of how can you use the technology to improve all kinds of inefficiencies, for example within capital markets, as well as in internal processes.

We don't believe in speculative investments because if you look at how money works, it must be backed by something. If you look to the past with, for example gold, banks had their own and different currencies. What eventually pulled things together was the government's willingness to back the bank's money. Then, to back the government's money, you had gold.

Given our trust in the government, we actually no longer require anything to back it. I wonder if something similar can be done through the internet, where you are taking existing assets and trying to plug them into the system.

From a customer-demand perspective, there seems to be an interest in crypto derivatives or crypto-linked securities. As of now, Barclays has not dealt directly with crypto for reasons that I will go into in the following questions. There isn't a high-level of retail demand to use it for other than speculative reasons. As a bank, we do not participate in speculative investments.

The bank thinking is as follows – using the technology to tokenise many types of assets (real-world e.g. financial assets) and leveraging it to drive more efficient transactions, execution, data, transparency and data access. Ultimately, it is a technology, and it is not going to replace all of the assets and existing infrastructure that has been built over centuries.

What would you identify as some of the key opportunities and risks in entering this space? How is this informing the approach you are taking with regards to digital assets?

There are opportunities to drive greater internal efficiencies. Ultimately, it's just a ledger. If you think about ledgers, they are simply reconciling information from multiple systems. If you spend less time on reconciliation, then you have more time to focus on other areas.

It's also about collaboration. When you make a trade, someone has to settle on the other side. Is there a way to bring that to one place? Where all participants know that every time we trade, we settle.

Looking at the wider thinking around this, how do you then move from one industry to another. Trade finance is not just about the financial assets i.e. the invoice. It's also about the products that are being transported and for which you want to get paid quicker. If you are able to plug this information across and create rules using smart contracts, there are opportunities to automate, as well as reduce the risks. You improve the quality of the asset and knowledge about it because you have more data. It also improves liquidity given the faster settlement time.

In terms of risks, we know regulators are stepping up, but it's still not clear as to their thinking. The approach is fragmented.

We think of digital assets in terms of anything that you tokenise. If you tokenise assets / equities, they are going to the SEC. Whereas if you tokenise money, treatment may vary across jurisdictions. Some regions and jurisdictions are experimenting with CBDCs and others are not.

In terms of risks, the biggest one is regulatory. Another area of risk is geopolitical. If a currency is adopted, how would that be treated in different jurisdictions and countries? A great deal of uncertainty remains.

The market risk also needs to be considered. The market is slowly becoming more mature, but we will never remove the risk entirely. Crypto and everything else is related – some people claim bitcoin is a hedge against inflation, but recent events have shown this is not entirely true. Market risk always exists with interconnected markets.

How is this shaping your approach to digital assets?

We are very much taking a collaborative approach and are very clear on our goals. We want to provide finance and be a capital steward. We also want to progress where society wishes to progress, hence it's why we are big on ESG.

That is also why we believe in collaborating with those in the industry who are the experts. This may be crypto players, understanding their use cases, having conversations to see what is going on in the market and how we could use the technology to solve problems. Collaboration may also refer to inter-bank collaboration. We work closely with Bank of England and Finality, for example. We are not just interested in doing experiments – we want to drive real business use cases.

> ***"We need to have a very good idea of the exact risks a consumer might be taking. Education plays an important role."***

Looking at the landscape as it is today, what are some of the biggest challenges/barriers that you see with regards to your business offering crypto to retail customers, and what would it take to remove those blockers?

The biggest challenge that I see is speculative investment, rather than educated decisions as to how the technology could change the world. One thing I would point to is the helium token. They offer real-world utility by building a distributed telco, which is interesting. The driver is to make the world more productive. The selling point of using technology or code has always been to improve productivity.

We need to explore how tokens can be used to improve productivity, settlement, execution, access etc. so that these are no longer manual processes. I'm not sure that we have fully defined many of those use cases yet, although some are brewing.

We have a duty to protect consumers, as well as to help them understand what exactly they are buying into. We need to be able to lead our customers and be firm in our own understanding first. We need solid risk management practices around crypto. We need a very good idea of the exact risks a consumer might be taking. Education will play an important role.

What would it take to remove those blockers? As an industry, if we can advance and articulate the value of some of those tokens and demonstrate improvements in productivity, that would be an interesting start.

For now, it is important to talk about the high-level vision and have practical use cases for the technology itself. If you can understand how the token is helping and how to accrue value on those tokens, then you will be able to understand the risks involved around investing into that. It can sometimes be hard to change the system from within, hence the need to articulate why a new technology is better.

When Dyson created their vacuum, for example, they went around all other vacuum companies to demonstrate how it was superior. They showed them how it worked.

It is very helpful to have open dialogue with and to work with regulators (as we are).

Speaking from your perspective, what factors play a role in your decision-making with regards to digital asset integration? How might those elements be incorporated in digital asset solutions?

To break this down, I think of the strategy as having three elements:

1. **Vision –** direction of travel and what you're working towards
2. **Principals –** what do you adhere to – what principals guide your vision?
3. **Portfolio activities –** what are the portfolio activities that you're going to undertake to get to your vision?

The factors at play are around the principal itself – don't do evil, ensure that everything that we put together makes sense and has value behind it.

We are also thinking about it from a capability perspective. What allows us to participate in this market? We believe the technology is going to make a difference. Given the vision of where we think the technology will help the market, we will develop capabilities towards that goal.

The key elements are interoperability, customer experience, and customer and client security. That includes an educational standpoint in terms of the customer knowing what they are buying. But also from a technical standpoint. When holding assets, what are the best practices and best technology that should be adopted.

Beyond direct implementation issues (tech integration; compliance; operations), what importance do you attribute to other considerations, such as marketing, environmental sustainability and customer education?

From a crypto and digital assets perspective, education is the most important factor, in my opinion. People need to know what they are buying into and be confident of their decisions. We need to bring them on a journey and make sure they understand the philosophy, the strengths and weaknesses of the technology itself and the role of tokens.

Environmental concerns and sustainability are also very important. Only relatively few people benefit from the mining of crypto. The rise of the energy crisis, however, affects 66m.

Those are two key issues that I see. Marketing is less of an important factor from our perspective. As noted, it's more important to educate customers. If they then feel that there is a place for crypto in their portfolio, then so be it.

We are dealing with money, and money is inherently both emotional and political. It is important to understand the political and emotional standing across the world and understand the readiness and willingness of consumers' across the world to try new things.

Mariana Gomez de la Villa

Global Centre of Expertise Lead – Distributed Ledger Technology, **ING**

What is your view/interest in the crypto/digital asset space? Is it driven by customer-demand and how is that informing your overall business strategy?

The world of digital assets has been developing at an exponential speed. We see an increase in a client demand from both wholesale and retail customers. At the same time, there is increased activity with regards to the technology advancement and regulation.

We consider a clear regulatory framework instrumental in further adoption and allowing TradFi to enter the crypto and DeFi space. Frameworks per jurisdiction are very welcome, and international coordination among regulators would improve knowledge sharing even more.

ING, as an innovation leader on blockchain/ DLT, sees increasing opportunities with regards to digital assets on both asset backed and native digital assets. ING is particularly active in further developing the technology behind digital assets to empower its clients with compliant access to this emerging ecosystem. We recognize the traction and are continuously analysing macrotrends, such as;

> ***The world of digital assets has been developing at an exponential speed. We see an increase in client demand from both wholesale and retail customers. At the same time, there is increased activity with regards to the technology advancement and regulation.***

- **Asset Tokenization**

Asset tokenization refers to the process whereby an issuer creates a digital token (or digital asset) on a blockchain which represents digital or physical assets

  - **Native digital assets** derive their use and value entirely from their representation on a blockchain. E.g. a crypto currency, voting rights token, digital identity etc.
  - **Non-native digital assets** (tokenized assets) derive their use and value from a combination of their blockchain representation and real-world value. E.g. collateralized tokens, fiat-backed tokens, CBDCs etc.

- **Central Bank Digital Currencies (CBDCs)**

Digital money issued by a central bank to the general public

- **Decentralized finance (DeFi)**

DeFi transforms traditional financial products into products that operate without an intermediary via smart contracts

- **Cryptocurrencies**

Digital tokens residing on a blockchain that can be used for payments of goods and services, a store of value or as an investment.

Asset tokenization being the foundation for the acceleration of the CBDCs, DeFi and cryptocurrencies.

What would you identify as some of the key opportunities and risks in entering this space? How is this shaping your approach to digital assets?

The use of DLT has brought us efficiency gains and enhanced security while giving clients more transparency and control. We can't forget that the main aspect that attracted banks into DLT was efficiency gains. Several institutions have deployed use cases looking into the

potential long run cost reductions, such as in issuance and trading costs.

The only caveat is that these efficiencies only come into play when the full ecosystem is on DLT and it takes years for this digital transformation to happen. It's seen more as incremental innovation because you only change bits and pieces of the ecosystem at a time.

While we continue to work hard on deploying DLT solutions towards production, we still see some technological, regulatory and compliance challenges. That means it takes time, and it is important that we get this right.

The first day that an application is in production is just the beginning. We need to make sure we can constantly meet customer demands while being compliant. We strongly believe that as time goes by, more and more assets will be issued and managed fully on DLT. But you actually won't even know it's there. Nowadays, nobody asks you how a payment is being processed.

It is expected that you provide counterparties and clients easier collateralization, near real-time delivery versus payment and that settlement will be automatic. It won't be acceptable to process with delayed settlement (T+1 or T+2), which are some of the standards.

Looking at the landscape as it is today, what are some of the biggest challenges/barriers that you see with regards to your business offering crypto to retail customers, and what would it take to remove those blockers?

At the moment, ING does not trade in cryptocurrency for its customers, and we are not active in this either. We see volatility and liquidity risks in this asset class and therefore have until now refrained from offering services to retail consumers in this space.

Speaking from your perspective, what factors play a role in your decision-making with regards to digital asset integration? How might those elements be incorporated in digital asset solutions?

We have already seen impact in some ecosystems where the expectations of customers have forever changed. Things need to happen in real-time and way more efficiently. We also see that, even on the corporate side, we are expected to combine emerging technologies to enable better and quicker decision-making processes.

Another angle is transparency. We have been longing for this at several levels of financial services. Transparency can give room for better control of data. When that happens, you will see a shift in business models because you will be able to truly track the value chain.

Having fully decentralized economies, will also give us access to clients in a more direct and streamlined way. Some of our products would, therefore, be more fluid (internally and externally). In reality we see technology as a process change enabler to match the expectations of our customers.

Beyond direct implementation issues (tech integration; compliance; operations), what importance do you attribute to other considerations, such as marketing, environmental sustainability, and customer education?

You are totally right to flag risks beyond our usual financial products. Innovative value propositions and business models will continue to emerge, followed by new risks. For example, just look at the metaverse.

We know that regulation is, inevitably, always behind the curve, addressing the previous problem while the next one evolves. In the meantime, you can take a "self-regulation" approach, keeping close to your ethical standards. These act as a framework, helping you determine your social responsibility.

We need to continue learning and experimenting in a prudent way, while keeping an open dialogue with regulators and incumbents. We have a huge responsibility and desire to safeguard our customers, the services we render and the ecosystem in a sustainable way. All we have is the trust that our customers have in us, and we don't take that responsibility lightly.

This is not simply a matter left to public authorities to get involved in first, or to wait until they establish minimum standards. We all play a role in this evolving social (and distributed) economy, so we need to help educate one another and, above all, act with an ethos according to our duty of care.

Specifically for the EU, we note that MiCAR does not regulate e.g. DeFi and NFTs. It is not an omission, but simply because the framework was proposed back in 2020, and DeFi/NFTs mostly developed after. This shows the need to keep developing the regulatory frameworks.

Of course, the above does not apply to DLT, under-the-hood infrastructure-upgrades to existing, regulated products and services. On sustainability, we are obviously following the Ethereum Merge (moving from proof of work to proof of stake) as this might potentially remove sustainability as an obstacle to both acceptability by regulators and adoption by financial institutions.

Naeem Aslam

Chief Market Analyst, **AvaTrade**

What is your view/interest in the crypto/digital asset space? Is it driven by customer-demand and how is that informing your overall business strategy?

There are two parts to this question. Firstly, I want to begin with a disclaimer. And that is that I have heavily invested in crypto markets, so my views could well be skewed to one side or the other.

From my own, personal perspective, I'm an early adopter of any new technology when it comes to the market. I got involved in Bitcoin back in 2014. In fact, we started trading future derivatives back in 2013 and 2014 on Bitcoin. Those were very, very early days and I physically started to invest in Bitcoin in 2016. Even during the COVID crisis, I added to further positions. So far, I have not sold any positions in Bitcoin itself.

That demonstrates two things. Number one – anything that I have invested in doesn't bother me. It doesn't influence my daily life because the capital, which is invested, I am comfortable with the idea that I may lose it altogether. That should be the view of any investor who is going into this market because bitcoin is a completely different sort of a beast.

Given the volatility, the price can fluctuate massively. If you are in this for the long haul, you shouldn't really be worried about price fluctuations because you know that this is a technology which is going to revolutionize the entire space. I have a full confidence in this particular technology, supported by the fact that institutions are coming heavily into this space.

There are conversations taking place at Charles Schwab, Fidelity and Citadel, for example. These are major, major institutions. During the COVID crisis, when people were talking about Bitcoin going to 3700, many wondered if I was still as bullish or if I was disappointed that I didn't take profit off the table. I didn't take profit off the table because that is part of a strategy. Whether that is good or not, depends entirely on an investor's perspective.

> ***"I think customer demand will grow in tandem with greater education in this space. As awareness and education increase and the average person begins to understand what Web3 really represents, demand will grow."***

Looking at the fundamentals, I always use BlackRock as an example. BlackRock played a key role in advising the White House during the very difficult days of the financial crisis in 2007. What do I mean by that? When the financial crisis hit, who was a primary broker? Who was a primary adviser to the White House? It is the role BlackRock played again during the COVID crisis – driving Treasury sales, advising the White House.

So now, when we see BlackRock begin to invest in this, it is a clear indication that the SEC and everyone else will pretty much fall in line. It is a clear indication that the US Government is on board with the technology, and this is the direction of travel.

This will be considered an acceptable store of value and people will use it. We already see pension funds, for example, even in Germany, ready to allow investment levels of more than 10%.

We're going to see a lot of changes in the UK as well. One concern that I want to point out is that London is losing its position as the leading fintech hub. I want to see London come back to its prime as a financial hub. I want to see it remain a leader in the adoption of financial technologies and innovation.

However, I have seen that on a downward trend over the past seven to ten years. Other countries and cities – like the United Arab Emirates and Dubai – have been on the forefront of bringing out supportive regulatory frameworks. As a business, what we really want to see is London surging ahead and supporting innovation.

From a business perspective, we provide contracts for futures derivatives, and this is where the regulation comes into play. We believe that creating regulatory frameworks will open more doors for retail investors.

What would you identify as some of the key opportunities and risks in entering this space? How is this informing the approach you are taking with regards to digital assets?

Clearly with regards to digital assets, the entire space got badly hit. There will always be bad players in any industry. We are all familiar with what happened with Luna.

One thing which made the crypto space very, very popular was staking the interest rates, also known as the yield. Given the hawkish monetary policy stance that most central banks are taking, interest rates are now being set at 6% or above in certain economies. There is a bit of humour around whether you want to use digital assets for that and to take that much of a risk when you can get 5%-6% interest on savings in fiat currencies.

Returning to the main question, the key risk is Luna. You can view it as a Ponzi scheme or a project which was trying to do something innovative. And innovation comes at a cost.

We are still very much in the early days of this technology and it will take time for things to settle. But digital assets are here to stay. They will only continue to grow with the development of Web3.

I think customer demand will grow in tandem with greater education in this space. As awareness and education increase and the average person begins to understand what Web3 really represents, demand will grow. Without sufficient education and understanding of what Web3 really is, the growth of digital assets won't achieve the level of demand that we would like to see.

However, with the right kind of marketing and education, we can reach all types of users. As that understanding grows, the demand for digital assets will really kick in.

Looking at the landscape as it is today, what are some of the biggest challenges/barriers that you see with regards to your business offering crypto to retail customers, and what would it take to remove those blockers?

Regulation is obviously one of the most important issues and is the one which stands out. The industry is moving in the right direction and is improving all the time. As long as customers feel confident that they are trading with the right broker, with the right exchange, which is regulated, and that they are not going to be scammed or anything else untoward, consumer confidence in digital assets will continue to grow.

Speaking from your perspective, what factors play a role in your decision-making with regards to digital asset integration? How might those elements be incorporated in digital asset solutions?

It is all about adoption and the real use cases for digital assets. Let's take the example of Dubai. There was an exchange that collaborated with a company that allowed consumers to use their digital assets to pay for their daily utilities. It is a form of payment and a path to adoption which improves user experience and provides an alternative with lower fees.

And that is what we are focused on from a business perspective. Number one, how are we going to save cost and increase efficiency and which digital asset platform technology is going to help us?

Number two, humans, by nature, want to work less and have a better experience. Our focus is on how we are going to improve the user experience. How are we going to eradicate that extra step, that extra layer of work, that extra layer of cost for our customers.

Ultimately, they want to pay less but get more value. If a technology, an asset or a derivative provides that particular opportunity, we are more than happy to integrate it.

Beyond direct implementation issues (tech integration; compliance; operations), what importance do you attribute to other considerations, such as marketing, environmental sustainability and customer education?

Customer education is hugely important. Web3 is a sexy word that everyone likes to say but no one really understands what Web3 is and what the future holds. Like back in days when we started talking about electric vehicles (EVs). Everyone said, great idea, but how are we going to use them? When lawmakers get behind a technology, like we are seeing in the EV space, adoption accelerates.

Sustainability was very much at the core of crypto assets for a lot of investors (according to their prospectus). So now the fact that we see the second biggest digital asset, Ethereum moving from proof of work to proof of stake, it attracts institutions into the space. It reduces the friction from conversations with potential investors and attracts an inflow of funds.

Look at the consumption of energy for Bitcoin today, in comparison to a few years ago, and how far we have come from fossil fuels to renewable energy. We are moving in the right direction. Sustainability and customer education with the right sort of marketing behind it, is very, very important for us.

Conclusion

Zumo Enterprise

The route to crypto acceptance. It's remarkable to see how much a conversation can change over time. And, as the perspectives in this report go to show, here is one conversation that is most certainly changing.

Today's debate is not if this technology will impact the world - it is how.

For financial institutions, the vector of potential is large: all the way from asset tokenisation; trade finance; and the myriad of untapped efficiency gains in capital market and wholesale applications; to the opportunity to cater to demonstrated retail demand and allow consumers to safely access the potentials and benefits of a newly emerging asset class.

While the opportunities may be many, the strands of an effective approach identified by our contributors are not.

Education is critical – of ourselves, of others, of anyone who wants to participate in this new and evolving space. Risks must be transparently assessed, managed and communicated. Solutions identified that can provide enterprise-grade robustness and a willingness and ability to tackle fundamental issues such as regulatory compliance, energy consumption and the overall customer experience.

There are hurdles to be overcome here: in volatility, in applied utility, in regulatory harmonisation, in plain due diligence. Such things require careful strategic thinking and collaboration with those who appreciate the evolving digital asset landscape.

As partnerships are struck, pilots tested, opportunities quietly explored, it seems clear the next wave of digital asset adoption will be institutional in the interface between financial institutions and retail customers.

Banks now have a large opportunity to tap into the benefits, and answer their retail customers' needs when it comes to digital assets, whilst participating in decarbonising crypto from day one.

We are early, but we are here. How will your business adapt?

fintech talents

VOX POP REPORT

THE ROUTE TO CRYPTO ACCEPTANCE

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