



THE REPORT 2025





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CfC St.MORITZ CEO'S LETTER

Dear Reader

I am delighted to present the inaugural edition of The CfC St. Moritz Report. This report reflects the insights, expectations, and perspectives of top decision-makers and thought leaders in the digital asset space who have gathered at The CfC St. Moritz 2025. Our aim with CfC St. Moritz Report is to provide a comprehensive view of the industry's outlook over the next 12 months.

The Pulse Sentiment Survey is a cornerstone of this report. Its purpose is straightforward yet impactful: to capture the expectations of participants regarding investment, spending, and general developments in the digital asset industry. These insights are distilled into a single numerical indicator, the Pulse Score, which is explained in the Key Findings section of this report. This score reflects the collective sentiment and appetite for opportunity according to top thinkers in the space – be it industry leaders, regulators or key TradFi participants

However, the Pulse Score is not designed

to function as a tradable index or a reflection of speculative sentiment. Instead, it provides a directional understanding of the scale of opportunities the industry foresees in the coming year.

The CfC St. Moritz Report also dives deeper. In addition to the Pulse Score, we have segmented the findings into specific areas of focus, supplemented by keynote interviews with esteemed speakers and analyses of on-stage discussions at CfC St. Moritz 2025. This approach ensures a nuanced perspective that goes beyond the surface, offering a balanced snapshot of the current state of our rapidly evolving industry.

It's important to note that this report is a descriptive analysis of practice based on the knowledge and views of our participants. Its objective is to present their perspectives and provide a platform for reflection, rather than to produce a detailed academic or scientific study.

With my team at the CfC St. Moritz, it has been

our mission to foster dialogue, share knowledge, and elevate the discourse surrounding digital assets. This report is a continuation of that mission, providing a tool to better understand where the industry is headed – driven by the opinions of those shaping its future.

I hope you find The CfC St. Moritz Report to be both informative and thought-provoking, and I look forward to your feedback as we continue to refine and expand this initiative in the years to come.

Warm regards,



Nicolo Stöhr

EDITOR'S NOTE

Throughout the years I've been lucky enough to attend the CfC St. Moritz conference, I found that the standout characteristic of this event is the incredible quality of the people who gather in the Swiss mountains.

As a seasoned conference attendee with 15 years of panels behind me, I was used to hotels in the centre of large metropolitan cities or near their airports, with success and quality being measured in quantity. The first time I made the day-long trek to St. Moritz, a glamorous but rather remote location, I was surprised to find just 250, many of whom I'd never heard of and some whom I'd never dreamed of meeting in person.

It's not an exaggeration that Nicolo and the CfC St. Moritz board gathers the top 1% of people who drive the evolution of the digital industry, each and every year. (It's also not a coincidence that a large group of the attendees head straight to Davos.) The make-up of the group reflects current trends but it stays true to its origins: people representing the cutting edge of crypto find themselves mixing with those at the top of the TradFi tree to create an unbeatable melee of creativity, a meeting of minds with polar opposite views and an invigorating

intellectual trip. (I haven't even mentioned the social and networking activities!)

It is this tour de force of brain power that sparked the idea of creating The CfC St. Moritz Report, as a way of pulling together three days of amazing content and conversations with the inaugural Pulse Sentiment Survey to give a comprehensive view of the year ahead. I'm delighted to say that your contributions to the survey and the conference translate beautifully into a collection of interviews, articles and findings that paint a detailed and optimistic picture of 2025.

One of the many nuggets that have come out from our Pulse Sentiment Survey is the change of tone; crypto, or digital assets, have grown up. We asked conference participants to fill in a 16 question survey through October to early January, capturing 231 responses during a period of time that included the US Presidential election and the resulting shift in the industry's mood. We derived a sentiment score from your replies, which will form the basis of comparison in the coming years when taking the temperature of the industry each January.

You can read the survey's key findings as well as the detailed results in the first part of The

CfC St. Moritz Report, which we've peppered with five interviews with eminent speakers to bring extra colour and nuance to the overall outlook. In the second part you will find write-ups from the 2025 CfC St. Moritz event.

As many of you know, the theme of this year's conference was speaking the same language, highlighting the need to learn from each other and to listen to the views and opinions of those around us. In this same spirit, I hope that you find that The CfC St. Moritz Report speaks your language and that it not only proves to be a valuable resource for the year ahead but also, an enjoyable read.

Until next year, Viva la Grischia!



Eva Szalay

COULD THIS BE CRYPTO'S "I TOLD YOU SO" MOMENT?

Less-than a week after his inauguration, President Donald Trump doubled down on his pledge to turn America into the "world capital of artificial intelligence and crypto," bolstering the already bullish mood in the digital asset space. He also signed an executive order that put a working group in charge of advising the White House on digital asset policy, including the creation of a national stockpile from seized assets.

And so, after a decade and a half of hard graft the industry is on the brink yet again - except this time, it's a tipping point into the mainstream.

The appointment of the most pro-crypto government US has ever seen tilted the axis of the digital asset world as the world's largest market pivoted from having a "\$100 trillion knee on the neck of the crypto industry". **This is clearly born out in the results: while the US is perceived as the least crypto-friendly jurisdiction, it's also the region where scale of opportunities is the largest.**

Hopes are high about the implications, the most immediate of which is reputational. Crypto has gone from a dirty word to one that has seen over 700,000 people flock to buy TRUMP coin, which has gone from zero to \$15 billion in a matter of days. The now third-largest memecoin has largely attracted new buyers, illustrating the power of the space's new-found legitimacy. Dr. Nagendra Bharatula was right on trend on his panel, when he said **altcoins shouldn't be dismissed just because they started out as a joke; from**

a trading perspective it's a field full of opportunities. He isn't alone in thinking that.

ETFs, Bitcoin reserves and a role as a new emergency currency?

In another sign of exuberance, within a week of the inauguration the SEC was reviewing 33 crypto ETF applications, including wrappers for TRUMP coin and DOGE. This is in line with the findings of our survey where **the majority of respondents viewed ETFs as a large part of the ecosystem, expecting wrappers around the top 20 coins in the future** or as the primary investment channel into crypto.

Blakcrock's Joseph Chalom noted on a panel that his firm went from managing zero digital assets to having over \$60 billion of Bitcoin and Ether under their management, on behalf of 681 institutions including both hedge funds and pension funds. This is **why rather than the arrival of Wall Street players centralizing the space, he and his fellow panelists noted that we are seeing a completely new cohort of investors embracing digital assets** as a result of these passive vehicles. Tom Jessop from Fidelity added that as the more conservative investors get exposure, digital assets will ultimately be added to major benchmarks, while Sandy Kaul from Franklin Templeton went as far as to say that amid rising geopolitical tensions, **Bitcoin could play a role as an emergency currency "that people will keep reserves of to make sure that they can handle all the trade**



operations they need to handle during periods of high political consequence.”

And ETFs have already had a huge impact, not just on perception but also liquidity conditions. In response to the questions of whether retail investors are still in the driving seat in digital asset markets, **65% said that traditional financial institutions are either in charge or at least have a 50-50 share.** This is a major change from just a couple of years ago, when retail customers were a comfortable majority. The impact of this redistribution shows up in trading conditions, a shift that several panels highlighted, including B2C2 CEO Thomas Restout, who noted that there is much more absorption capacity in the market today than previously, resulting in **fewer flash crash-type price moves at times when large scale liquidations are taking place.** This is a virtuous cycle: the better conditions are, the more conservative investors will feel comfortable with Bitcon as an asset class.

Of course, the more grown-up tone is a departure from crypto’s roots. However, those that feel that the space is becoming just a bit too institutional, can find their homes in DeFi and memecoins, both of which are markets where the ethos of crypto is still thriving. The question is, for how long?

Stablecoins, tokenized assets and yields

There is no doubt that stablecoins have found traction in 2024, becoming crypto’s first killer app due to their role in payments, cross-border transfers and other functions such as corporate treasury. Fox News recently reported that Bank of America now relies on Ripple for its internal transfers, marking a

turning point for these fiat-pegged coins that are collectively worth \$215 billion.

The market cap of stablecoins has grown 34% since the US elections and its expanding role in real-life use cases put this space on track to continue on this rapid growth trajectory. **Half of survey respondents thought that stablecoins will expand their role and market cap substantially this year, and 81% expect to see ongoing growth and in both breadth and overall size. Emerging markets stablecoins are also gaining rapid traction.**

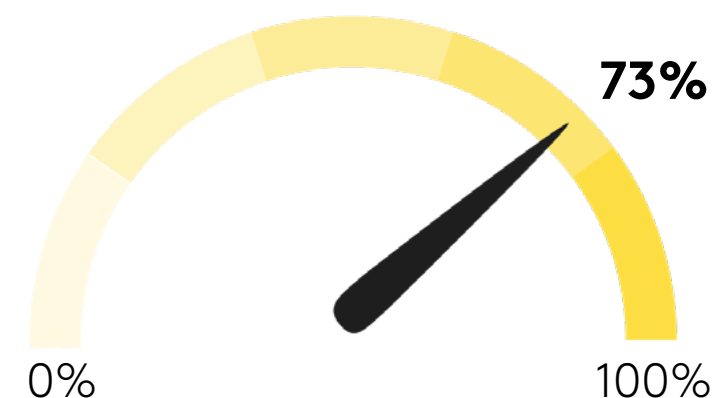
However, there are two sides to this story: as Nick Ducoff from the Solana Foundation pointed out, **the collective stablecoin space looks like a new sovereign state that’s buying US government debt**, which currently sits at 16th place on the list of the world’s largest Treasury owners.

This won’t go unnoticed by regulators such as the Federal Reserve and the Officer for the Comptroller for the Currency, both of whom could enter the race to have a share of the crypto regulatory pie. **Respondents felt ambiguous about regulatory risks,** reflecting the fact that despite evidence that Gary Gensler’s knee has been removed from the industry’s neck, the picture is far from clear and it’s likely to remain so for a while.

Tokenized money market funds, yield-bearing assets and digital assets as collateral are also hot topics which will dominate 2025.

While stablecoins might become victims of their own success to a degree, **web3 has a long way to go in terms of use cases,** with Theodore Agranat from Gunzilla Games highlighting that the space is struggling to

CfC St. Moritz Pulse Sentiment Final Score:
400 / 550 = 73%



FULL STEAM AHEAD

The 73% Pulse Sentiment Score was derived by scoring survey responses on a scale from -50 to +50, capturing the range of sentiment from highly negative to highly positive. The total of these responses was expressed as a percentage, producing a final score within the 0-100% range to reflect overall sentiment. While the sentiment is predominantly positive, it also acknowledges some cautious perspectives, highlighting both excitement and areas for careful consideration.

attract “normal people” as it searches for these. This was reflected in our survey, which showed limited enthusiasm for web3 as an investment opportunity. Respondents were equally lukewarm about AI unlocking this sphere for mainstream adoption, despite the technology receiving a lot of attention during conference panels.

Staking and the clash between private and public blockchains are also expected to be prominent topics while tensions between centralized and decentralized entities will continue to divide proponents.

Full steam ahead

Despite these hurdles, **the industry’s future looks bright for the months ahead, with 90% of respondents expecting either steady**

or substantial growth and 86% planning on headcount increases.

Throughout 2024 the digital asset industry has expanded and gained a foothold on Wall Street. In 2025, the relationship between the two worlds will become even more intertwined, bringing new competitors and redrawing the parameters of the crypto ecosystem. And while US regulators will undoubtedly take a friendlier approach towards digital assets, there is a long way to go before rules are clear, especially as new trends emerge.

It’s almost guaranteed that the road will be bumpy, because it always is. But one thing is for certain: **the digital asset industry is growing fast and doubts about its survival and viability have vanished.** One should never gloat, but it looks like WAGMI after all.

A man with glasses and a dark suit over a white shirt is speaking at a podium. He has a small yellow microphone clipped to his lapel. The background is dark and out of focus.

INTERVIEW WITH FABIAN SCHÄR, PROFESSOR AT THE UNIVERSITY OF BASEL

Can a President with protectionist tendencies be a catalyst for more open networks and public permissionless technology? The answer to this question is going to play a significant role in shaping the future of the digital asset industry, as it comes with implications that reverberate far beyond the US and even just the blockchain industry.

In 2025, public permissionless blockchains are shaping up to be a hot topic as banks, financial institutions and perhaps ultimately even central banks move towards the technology and away from private networks. This seemingly technical development has some very real consequences and it throws up important issues for both regulators and market participants. **"I think the reason why there will be a move towards these open networks is because if everybody has their own blockchain, we might as well just use an Excel spreadsheet. The advantages of blockchain technology, like true atomicity and composability, are simply not feasible on segregated databases,"** says Fabian Schär, a Professor of Distributed Ledger Technology (Blockchain) and Fintech at the Faculty of Business and Economics at the University of Basel.

This is a big shift from five years ago, when banks and Wall Street players preferred their own permissioned environments for digital asset projects. In 2024, Societe Generale's Forge unit was one of the financial heavyweights that launched a project on an open network signalling that the sector's love affair with private networks is waning. While this development might cheer blockchain purists, it also poses serious challenges.



“There is a desperate need for privacy enhancing protocols on public permissionless blockchains,” Schär says. He adds that there is a general misconception about public permissionless blockchains that goes to the heart of the issue: they are much more transparent than people think.

“When you do something on a public, permissionless blockchain, it is stored immutably for everyone to see. This is true for all asset transfers, balances and any kind of smart contract interactions. Pseudonymity is an insufficient protection. It’s all public and very problematic in terms of privacy,” he says. **This poses a challenge for blockchain users and financial intermediaries, who often have a legal obligation to protect their customers’ data. A motivated third-party observer could potentially infer information about a digital asset bank’s customer base simply by analyzing blockchain data.** Furthermore, the blockchain may reveal that multiple addresses belong to the same individual, thereby expanding the available information set.

“It also raises numerous liability questions. What happens if the customer engages in illegal activities after withdrawing funds from a bank? When someone withdraws money from a cash machine and subsequently uses it for illegal purposes, the bank is not associated with that transaction. However, if the withdrawal and subsequent transaction are immutably recorded on a public ledger, it could pose a reputational and liability risk for the bank,” Schär says.

The growth of open networks could put

regulators into a tight spot as they will ultimately be forced to draw the line between transparency and privacy considerations. This is a hugely challenging task. Having a system where every transaction is visible is not a better alternative than the current setup.

“There are many technical solutions to this problem, capable of achieving partial or, in some cases, even perfect privacy. Therefore, it is not necessarily a technical issue but rather a question of societal preferences: where along the spectrum between complete anonymity and complete transparency we ultimately end up. Neither extreme appears to be optimal,” Schär notes. “However, it is crucial to recognize that systems reliant on trusted gatekeepers and institutions with unrestricted data access are problematic and do not address privacy concerns. Instead, I hope policymakers will explore technological solutions and promote interdisciplinary exchanges of ideas. I anticipate this will be a key topic in future policy debates.” he adds.

The other related issue is maximal extractable value, an area where there are currently large amounts of profits being harvested by a small number of specialist players. Some of the strategies involved in extracting MEV are questionable and akin to front-running in traditional markets. **Schär says that it’s key that regulators understand and differentiate between problematic sources of MEV and the ones that are beneficial to market efficiency.** “I believe this is a significant issue from a regulatory perspective, and I expect regulators to intervene at some point and publish guidelines clarifying what is permissible and what is not. However, these questions are not new and certainly not

“

IF EVERYONE HAS THEIR OWN BLOCKCHAIN, WE MIGHT AS WELL JUST USE AN EXCEL SPREADSHEET.

exclusive to the blockchain space,” he says.

These questions will become even more pressing due to the change of administration in the US. Schär says that judging by the way political parties positioned themselves in the run-up to the election, he expects the Trump administration to take steps towards open and public permissionless networks, walking away from the CBDC mindset. This is going to be a huge change, especially if supra-national bodies such as the BIS decide to follow suit.

And as the US changes its stance towards digital assets, the global competitive landscape is also likely to change. Schär says that in the past, heavy regulatory requirements in the US pushed a lot of crypto companies into Switzerland. Once the SEC and US regulators

become more open to digital assets and remove some of the uncertainty, this trend could reverse.

“From a Swiss perspective, it is unclear whether increased US activity should be viewed as a complement or a substitute. This will depend on whether US activity expands the overall pie or merely claims a larger share of the existing one,” he adds.

We’ll have to wait and see.

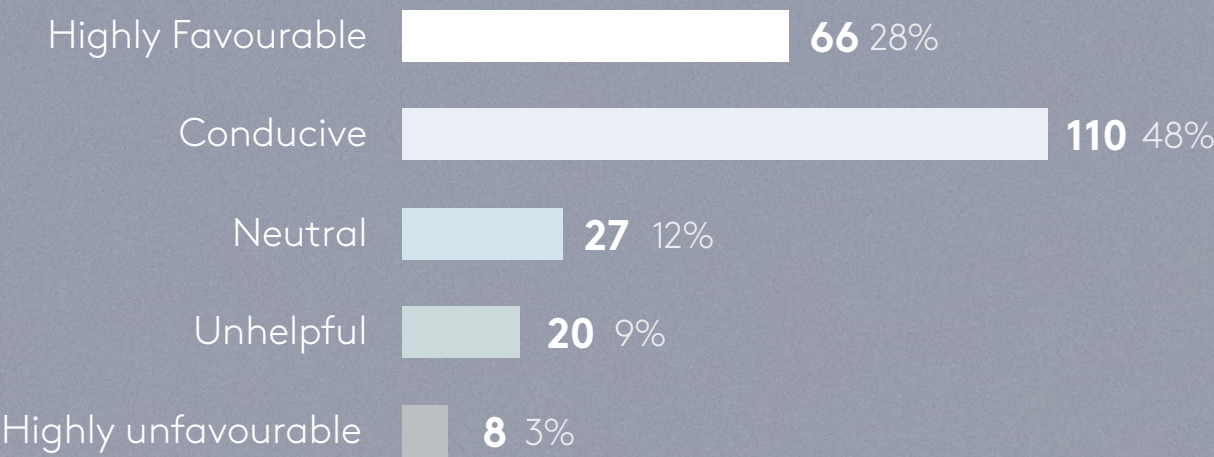
PULSE SENTIMENT SURVEY

DETAILED RESULTS



THE GLOBAL MACROECONOMIC BACKDROP IS CONDUCTIVE FOR THE GROWTH OF THE DIGITAL ASSET INDUSTRY

Sentiment score: +25



As one respondent put it: monetary policy matters a lot for crypto's outlook. Despite soaring bond yields in January, economists expect rate cuts in all major economies in the next 12 months, following a year during which policymakers began loosening monetary conditions in response to slowing inflation. Consensus views are for the ECB to bring down its key rate to 2% by June, while the Fed is expecting to cut twice in 2025, bringing its headline rate to between 3.75% - 4% by the end of December.

This is a positive backdrop for digital assets because liquidity conditions loosen as the price of borrowing is gradually lowered, fuelling rallies in markets that investors deem riskier. Throughout 2022, when rates were rising in major economies, Bitcoin prices fell sharply and this negative correlation also held in 2020 when central banks rushed to ease policy conditions, sparking a bull run in crypto assets.

Crypto markets often follow the direction of US stock markets, which provided a tailwind to prices in 2024. The S&P 500 climbed 25% last year, led by tech stocks, hitting a series

of record highs in the process. Bitcoin fared even better, with a 113% yearly gain that saw the largest cryptocurrency smash through \$100k and become the seventh-largest asset by market capitalization, overtaking Saudi Aramco and silver.

Looser monetary conditions, together with expectations for a soft landing (in other words, no recession) paint a macroeconomic backdrop that's conducive for digital assets. Of course, there are risks and exceptions. Many large economies outside the EU and the US are facing headwinds around growth and inflation. Brazil, for example, has failed to curb runaway price growth and its currency, the real, slipped some 20% in 2024, forcing policymakers to push rates to 12.25% and to pencil in further hikes for the year ahead with 14.25% being in sight by March. This is arguably positive for digital assets, however, as retail demand for crypto remains strong in such economies.

RANK JURISDICTIONS FROM MOST FAVOURABLE TO LEAST FAVOURABLE FOR DIGITAL ASSETS UNDER CURRENT LEGISLATION

Sentiment score: N/A

Could this be a case of the last will be first? This is a result that on its own, seems intuitive. However, it's probably the question in our survey that has the biggest scope for a reshuffle in 2025 if currency expectations for the US administration come true. Since the re-election of Donald Trump, the US has its most pro-crypto government in place ever. Key regulatory bodies are no longer helmed by anti-crypto leaders, instead the SEC looks set for becoming the best friend of the digital asset industry in a complete pivot from previous years under Gary Gensler. And the SEC is far from the only body where the leadership has drastically changed, giving rise to views that the US could leapfrog all other jurisdictions with an innovation-friendly regulatory framework that promotes DeFi and web3 and allows these industries to flourish more than elsewhere.

The US, currently occupying the last place, is expected to shake-up the global competitive landscape for digital assets, with lasting implications for the sector. But instead of a threat, current leaders view this 180 degree change in tone from America's government as a blessing. The heavily anti-crypto stance of previous US governments and regulators tainted the global view of digital assets, holding back the creation of rules and regulations simply because the space carried a slightly unsavoury air.

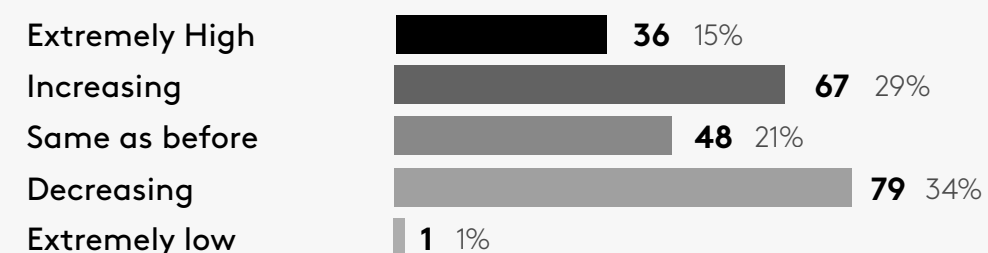
1. UAE
2. Singapore
3. Switzerland
4. HK
5. EU
6. UK
7. US

Bill Tai, a legendary investor, told The CfC St. Mortiz Report that the outcome of the election sets the tone for the digital asset industry for the next 3–4 years, noting that Trump's victory might result in an environment that resembles a "free for all", and while it could be positive for the short-term growth of the space, it could be "chaotically uncomfortable overall."

The UAE, Singapore and Switzerland have done well to take a forward-looking regulatory view, but Europe's fifth ranking suggests that the market doesn't reward regulation for regulation's sake. **Watch this space!**

REGULATORY AND SUPERVISORY RISKS IN THE DIGITAL ASSET INDUSTRY SPACE ARE DECREASING BUT REMAIN HIGH

Sentiment score: 0



Regulatory risks are perceived to be falling but our results show that there is still a significant amount of concern about what authorities might do next. Despite a majority voting for risks decreasing, some 70% believe that supervisory scrutiny remains at the same intensity or that risks could even increase. The findings indicate the double-edged sword of regulatory clarity: does more regulation increase risks or decrease it? In the case of crypto, the latter is probably true but as the industry prepares for new rules in the US and adapts to regulatory changes elsewhere, it'd be perhaps naive to say that there is nothing to worry about from here.

Still, it's fair to say that 2024 will go down in the annals of history as a watershed year for crypto markets. The swashbuckling, move fast and break things attitude that prevailed before 2022, crypto's annus horribilis, resulted in not one but two of the previously largest exchanges imprisoned and icy regulatory winds stirring up in the US. Last year, however, the warm-up began with the arrival of ETFs that brought with it some of the largest players on Wall Street. The resulting shift in attitudes is noticeable: **digital**

assets have largely moved on from their Wild West days, entering an era of previously unseen maturity. Some regulators, such as the Monetary Authority of Singapore, are actively working to commercialise tokenization, while others, like Japan and Dubai, have made web3 a cornerstone of their future economies.

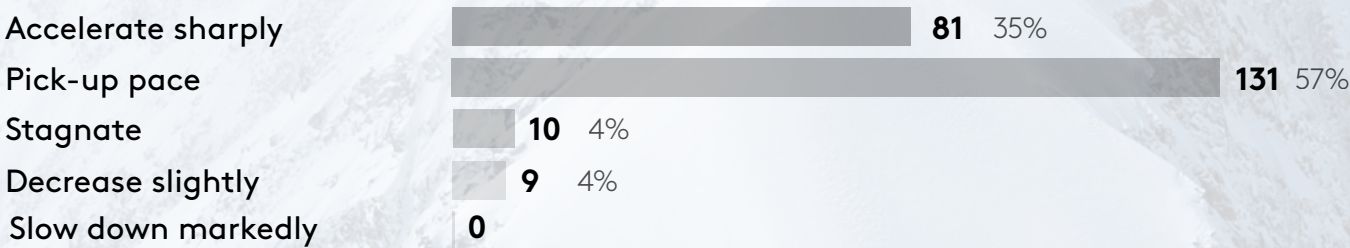
While regulation is changing, so is the industry. One interesting part of this result is that, if anything, regulatory hurdles got higher, not lower in the past 12 months. The perception that risks are set to be lower in 2025 could reflect views about the change of tone from US regulators that's expected to happen. But since the survey was open prior to the election results, the outcome of this question also reflects a deeper shift that took place in the industry.

"Reducing excessive speculation and dopamine-driven hype, while focusing on genuine progress from founders and developers, should form the foundation of this innovation," **Ryan Kim, Co-Founder and Partner at Hashed told The CfC St. Moritz Report.**

QUESTION 4

INNOVATION IN THE DIGITAL ASSET INDUSTRY WILL PICK UP PACE

Sentiment score: +25



The results of this question speak of a highly optimistic tone in the digital asset industry, as 91% of respondents think that innovation will either pick-up pace or accelerate sharply. This view perhaps reflects that the digital asset industry is now much more mature than in the first decade of the technology’s history, much more embedded in financial and other industries, with use cases moving well beyond the experimentation phase.

As use cases become clear, so do opportunities. And as the industry becomes more focused, so is innovation in the space. In other words, as the space matures, projects with weak tech and questionable fundamentals will see a washout, according to Pierre Samaties, Chief Business Officer of DFINITY, who added: “we will not need 75+ Layer 2s in the future.”

In contrast, stablecoins and tokenization will be among the fields where established use cases are posing new questions and demanding new solutions. As these areas scale, compliance, more defined regulatory requirements and infrastructure-level changes are likely to be areas of focus for founders. New risks are also emerging and they need to

be managed: one example is the [warning](#) from the Financial Stability Board about the potential vulnerabilities the scaling-up of tokenization could pose to systemic stability, which without appropriate oversight and management could lead to “unpredictable outcomes.”

As one investor said: “the intersection of regulation, innovation, and real-world applications is creating both exciting opportunities and complex challenges. Personally, I believe the focus should be on building trust through compliance and security while fostering innovation in areas like DeFi and tokenization.”

The other aspect of innovation is geographical. The US has historically been the leader in innovation, but its anti-crypto stance until November cramped this reputation. Under the new administration, this could change dramatically, spurring a new wave of innovation globally.

And of course, the impact of AI, quantum computing and the emergence of infrastructure-level changes such as distributed cloud computing will drive paradigm shifts as the march of digitalization continues.

QUESTION 5

THE BIGGEST OPPORTUNITIES FROM A GEOGRAPHICAL PERSPECTIVE ARE GOING TO BE IN THE USA

Sentiment score: N/A

- 1. The USA
- 2. APAC
- 3. Middle East & Asia
- 4. Europe
- 5. Latin America

ETFs and their popularity in the US are possibly a large factor in this outcome. **What turned out to be the most successful ETF launch in the history of passive investing, opened the doors for the world’s largest asset managers to dip their toes into the space** without the complex legal and operations wrangle that would have been previously required for getting exposure.

In December, the collective AUM of spot Bitcoin ETFs shot past \$120bn, while the initially lacklustre inflows into Ethereum vehicles showed signs of picking up towards the end of 2024. The impressive debut demonstrates demand and appetite for digital assets in the US unmatched anywhere else in the world. With the new administration, expectations are high for the US to become a fertile ground for digital asset startups and from a capital markets perspective, IPOs look set to be back on the agenda after the shadowban on digital assets going public in the previous four years.

The Asia Pacific region, with several financial hubs and 60% of the world’s population is also a major region for businesses, particularly as crypto adoption in some of the largest

countries, such as [India](#) and Indonesia, is already high. Despite Brazil being a fast-growing market for digital assets, investors remain cautious of Latin America’s prospects in 2025.

One respondent, who wished to remain anonymous, highlighted a crucial but often-neglected driver of this question: the location of developers. According to a 2024 [report](#) from Developer Nation, Western Europe and Israel lead the way as regions where software developers are based, closely followed by the US and with roughly 13% of the total each, South Asia, Greater China and finally the Middle East and Africa.

“Where developers are located will help drive each region because they will develop some applications with high geographic fit,” said the anonymous respondent. “Countries will need to compete for developers to locate there if they want to compete in the global crypto ecosystem.”

OPPORTUNITIES WILL BE THE MOST INTERESTING IN

Sentiment score: N/A

1. Fintech, payments, trading technology
2. Tokenization (incl. RWAs) and stablecoins
3. Web3 consumer apps (gaming, social media, fashion)
4. Privacy, security, custody solutions
5. DeFi protocols & products
6. DePin

Bloomberg described tokenization as the latest buzzword that Wall Street is enthralled with in a late December [article](#) that pointed to BlackRock’s BUIDL fund as a leading example of the trend. **While tokenization has undeniably become a popular pitch, there is no denying that it’s more than just a hype:** since their launch in March 2024, tokenized money market funds collectively manage more than \$2bn, leading the Boston Consulting Group to [predict](#) that they could see their AUM grow to \$600 billion by 2030. This is equivalent to 1% of global mutual funds as well as ETFs.

Recent developments in the US paved the way for the tokens of such funds to be used as collateral, opening the door for further rapid growth in the space, especially as the practice is gaining traction with regulators around the world. **Singapore’s Monetary Authority said in November that it supports the commercialization of tokenization and it would encourage the build-out of an infrastructure that enables this.**

While only ranking it in second place, tokenization is very much at the forefront of

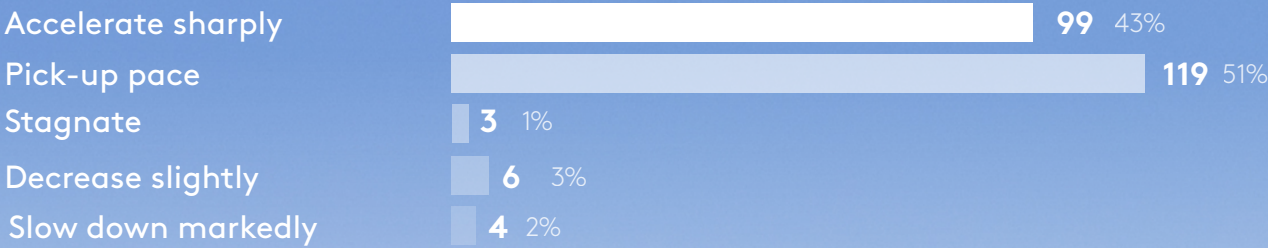
survey participants. A regulator and public body participants who wished to remain anonymous said that “tokenized deposits issued by banks will become more important” while **Federico Demicheli, Director of Financial Services Business Development at the Algorand Foundation**, thinks that the tokenization of traditional financial assets such as bonds, will gain greater adoption.

Stablecoins are also thriving and their future is evidenced by payments giant Stripe’s \$1bn acquisition of Bridge in October, as well as the strong regulatory focus on these coins.

But **it’s fintech, payments and trading technology where participants see the most exciting opportunities in 2025.** This has echoes from 2024, when in the third-quarter companies and projects focused on the “Trading / Exchange / Investing / Lending” category attracted the largest share of crypto VC capital, totaling \$462.3m, [according](#) to Galaxy.

THE DIGITAL ASSET INDUSTRY WILL SEE A PICK-UP IN MOMENTUM IN THE NEXT 12 MONTHS

Sentiment score: +25



Jerome Powell, the chair of the US Federal Reserve [compared](#) Bitcoin to gold in December, cementing the growing legitimacy of digital assets in global finance.

There is a huge amount of optimism about 2025 as the digital industry gears up for taking on a bigger-than-ever role in global financial markets, in business and across industries. This is also true across geographies (for example, web3 becoming part of Japan’s national growth strategy). **A pick-up in momentum is almost inevitable but a more than 30% expansion is possible**, as the scale of the opportunity remains huge. The market capitalization of the cryptocurrency ecosystem stands at \$3.4tn at the end of 2024. Consultant McKinsey [calculates](#) that in 2023, the global financial system intermediated \$410tn of assets, generating about \$7tn of revenues.

And this is just finance. Potential applications around decentralised physical infrastructure networks, the prospects of AI and use cases ranging from fashion to digital watermarking broaden the array of applications for the future. **The tone of restraint is a departure from the historical boom and bust cycles,**

signaling a new-found maturity to the 15-year old market.

This might usher in some structural changes to the industry. **Long-time investor Fred Thiel told The CfC St. Moritz Report that a key trend in 2025 could be that altcoin markets decline in market cap compared with Bitcoin and Ethereum.** This is perfectly feasible considering that there is a possibility that Bitcoin becomes part of national central bank reserves in the US and elsewhere.

Meanwhile, activity on Ethereum rose to a two-year high in December as TVL hit \$80bn, entrenching its lead in DeFi. Solana, on the other hand, [contributed](#) to crypto activity and usage hitting all-time highs in 2024, with about 100mn of the 220mn of active addresses registered on the newer blockchain.

“The rise of utility-driven applications and network uses will drive a gradual increase of user base/revenue that can sustain itself even in bear markets. This is where compounding value accrues over 5-10 years, and generates strong returns,” said Yoseph Ayele, LAVA.

COMPANIES ACTIVE IN DIGITAL ASSETS SPACE WILL EXPERIENCE **MORE IPOS AND INCREASE IN VC ACTIVITY**

Sentiment score: +50

Business as usual

24 10%

M&A frenzy as the industry thrives

54 23%

More public listings and an increase in VC activity

118 51%

A pick-up in bankruptcies and defaults

11 5%

Consolidation due to a slow down in the industry

22 10%

A barbell effect, where the top companies improve their trajectory dramatically, while the industry overall matures and weeds out those not providing value.

2 1%

Few will mourn the end of 2024 from a fundraising perspective. After hitting a peak in 2022, VC investment dropped off the cliff and only slightly improved in the past 12 months, particularly as the SEC under Gary Gensler loomed large over the space. But following the re-election of Donald Trump, the green shoots of recovery are everywhere.

Digital assets have transformed from investor-repellent to honey again, as the reputational cloud clears. And the base from which this recovery starts is higher than in the previous cycle.

In the first half of 2024 geopolitical concerns and high interest rates contributed to a decline in overall fintech funding, with total global investment falling to the lowest since 2020 at \$52bn, KPMG [calculated](#). Blockchain as a sector received \$3.2bn in the first six months of last year, staging a cautious recovery from the same period in 2023, helped by the \$100mn investment round into staking platform EigenLayer, led by Andreessen Horowitz. This fuelled momentum for deals into the second half of the year alongside Paradigm's announcement of its third, \$850mn dedicated crypto fund. By the end of the third quarter, VC investment into crypto startups stood at \$8bn, Galaxy [said](#), despite a 20% YoY decline between July and September.

In 2025, digital assets could witness a flywheel effect that could fuel the recovery of funding faster than other technology sectors, according to [analysts](#) at SVB. This is because of the continued inflow of institutional liquidity into the space, adding to the total capital on-chain and funding innovation and growth. The virtuous cycle could materialise even if interest rates are falling at a slower pace than previously thought.

Crypto's IPO prospects have also brightened, with a number of companies [considering](#) public listings for the first time in four years. The end of the shadow ban on listings must come as welcome relief for companies like Circle, whose executives can now stop playing 100 Questions with the SEC and maybe actually get somewhere.

KEY INVESTMENT AREAS IN THE NEXT 12 MONTHS WILL BE

Sentiment score: N/A

- 1 Infrastructure
- 2 Compliance and regulation
- 3 DeFi and Dexes
- 4 Cybersecurity and operations
- 5 UX improvements

Continued institutional adoption is clear in its influence in these results. Since 2022, the infrastructure upgrades necessary for the largest institutional players to get involved have been clear for all to see, or, to service. These include a myriad of processes and frameworks, both operational and legal, that can determine whether an asset is investable or not. Project Guardian, the public-private undertaking coordinated by the Monetary Authority of Singapore that includes industry groups such as the International Swaps and Derivatives Association, is doing vital work around how DLT might fit into its legal definitions.

This is crucial for a scaled roll-out of DLT across finance, even if it's not exactly headline-grabbing. But when one considers that ISDA legal agreements govern \$717tn of transactions, the behind-the-scenes work becomes a lot more interesting.

Infrastructure and compliance are where the rubber hits the road as far as regulators and oversight is concerned. In November 2024, the Federal Reserve Bank of New York [said](#) that if the digital ecosystem becomes more systemic, it could destabilise the broader

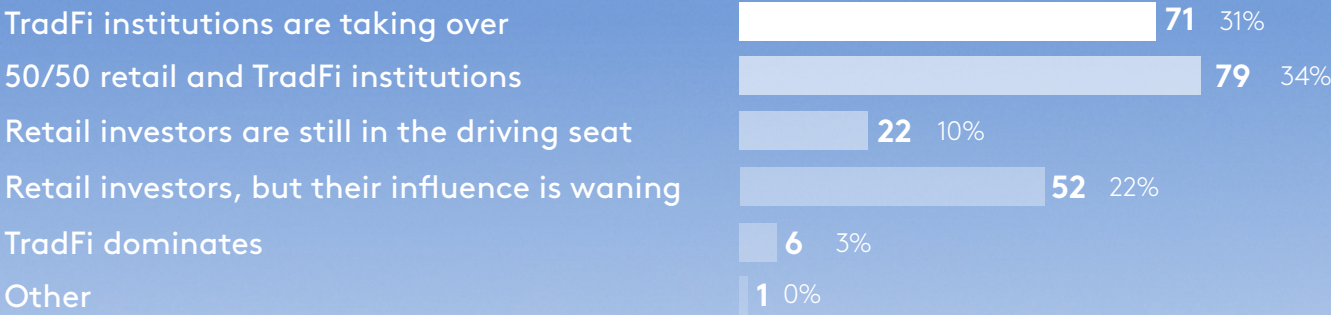
financial system due to its vulnerabilities. **Ensuring that this doesn't happen will be a priority for regulators and therefore offer a rich seam of demand for companies that service infrastructure and compliance-related fields.**

"We expect increasing institutional engagement with digital assets as a viable asset class, subject to traditional asset allocation frameworks. As such, we see opportunities in offering a compliant set of products and services to facilitate institutional adoption," Cactus Razi, the US CEO of market maker B2C2 told The CfC St. Moritz Report.

But there is also a potentially deeper shift at work: the need to demonstrate a viable business. One respondent to the survey who wished to remain anonymous said that as **the industry is "on the verge of a more-controlled growth market, organizations that cannot showcase material cash-flows will be overtaken by those who can.** It is time for the application layer of the digital asset industry to shine, as the infrastructure is now "good enough" for consumer and enterprise-level applications to be built atop."

TRADITIONALLY A RETAIL-DRIVEN MARKET, DIGITAL ASSETS ARE INCREASINGLY DOMINATED BY

Sentiment score: +50



A retail-driven market, crypto is no more. Certainly, not in the sense that it was once the case. Latest estimates from research and data analytics companies [put](#) the share of small retail holders at around 9.5% of total Bitcoin holdings, off the December 2023 peak when this cohort commanded 10%. But it was never the share of holdings that determined market trends, crypto traditionally thrived on FOMO-driven hype cycles in a series of boom and bust events fuelled by the sudden flocking and fleeing of retail traders. These cycles perpetuated high-volatility and that earned crypto its reputation.

By 2024, however, there were signs that the ups and downs are becoming less extraordinary compared with other asset classes. Fidelity Digital Assets [observed](#) that in the four years to 2024, Bitcoin's volatility was 3–4 times higher than indices in other asset classes. However, in the last two years many individual stocks have proved to be more prone to price fluctuations than the largest digital asset, with realized volatility for Netflix clocking in at 53% over a 90-day period, compared with 46% for Bitcoin.

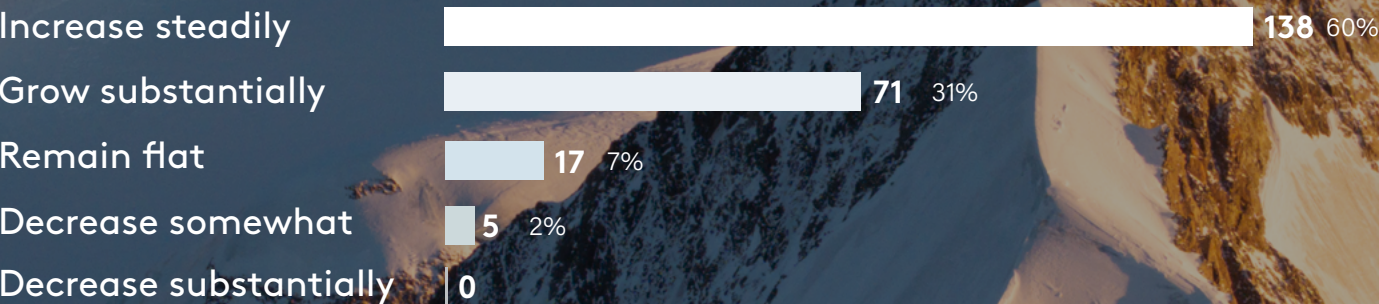
Institutional traders change the profile of liquidity and markets because they trade

in larger sizes, run risk management programmes that have pre-defined tolerance parameters and they pursue more sophisticated strategies than their retail peers. This smooths out the extreme ups and downs and makes for a deeper, less manipulable market. Their presence is now quantifiable: the latest quarterly [report](#) from Coinbase shows that **in the nine months to the end of September 2024, 82% of the \$723bn dollars of volume traded came from institutional investors. This is up from 62% in the same period in 2020.**

As Bitcoin first powered through the \$100k mark late last year, analytics firm Kaiko [observed](#) that trade sizes increased, suggesting participation from institutional traders. Since November 2024, daily volumes have [shown](#) a marked growth on institutional-only exchange LMAX Digital, again, hinting at more activity from professional traders in the overall market. Retail investors have also upped their volumes year-on-year, trading 176% more on Coinbase in 2024, however activity from this cohort is 65% down from record highs in 2021.

IN THE NEXT 12 MONTHS, REVENUES ACROSS THE DIGITAL ASSET INDUSTRY ARE EXPECTED TO INCREASE STEADILY

Sentiment score: +50



The rollercoaster ride of crypto naturally extends to revenues as prices whipsaw and demand for crypto assets and related services fluctuate correspondingly. The bullish tone from respondents is clear as the results reveal an overwhelmingly positive tone, with few expectations for the industry to shrink in 2025. **Yet again, the optimism is tempered, showing the new-found maturity that our survey reveals as a strong theme.** While a steady increase sounds less forceful than substantial growth, it hints at a **more measured and sustainable expansion than the alternative, signalling the industry’s inching away from boom-and-bust cycles.**

Figures for the overall industry revenues are difficult to come by as there are only a handful of public companies in the space, a situation that might change in 2025 as more firms prepare to IPO. Coinbase, the largest publicly-listed company has had an encouraging 2024 as it turned profitable early in the year for the first time in two years and it doubled its total revenue in the nine months to the end of September 2024 year-on-year to hit \$4.3bn. The top end of analyst [estimates](#) for 2025 comes in at just shy of \$8bn, with average expectations clocking in at \$6.12bn.

Signs from private companies are also encouraging, with Tether becoming one of the most profitable companies in the world making \$10bn in [profit](#) 2024. Meanwhile, as Circle and others line-up to list clues about industry revenue, trends will become clearer. For now, indications are pointing to an upbeat time ahead: Pitchbook analysts [forecast](#) that VC investment could punch through the \$18bn mark and expectations for Bitcoin prices are riding high, with the \$200k level in sight for the year ahead.

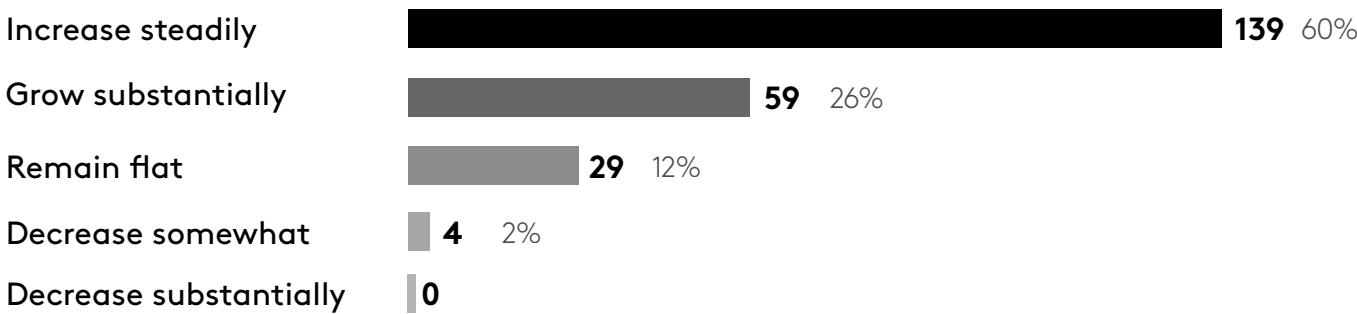
Valuations are also bouncing back from their lows. The median 12-months enterprise value to revenue multiple more than [doubled](#) by the end of 2023 to stand at 5.3x from 1.9x at the end of 2022. As IPOs and appetite for fundraising return in 2025, these multiples could return to their 2021 peaks.

Overall, it feels like the market is entering a phase of relative maturity, but adrenalin-seekers needn’t worry: we are still a long way from boring.

QUESTION 12

IN THE NEXT 12 MONTHS,
HEADCOUNT IS EXPECTED TO
INCREASE STEADILY

Sentiment score: +50



The market capitalization of the digital asset industry at slightly over \$3tn is roughly [comparable](#) to the global inflation-linked bond market, which in other words means vanishingly small compared with the overall [value](#) of listed companies at \$117tn or fixed income [markets](#) at \$141tn. Employment figures paint a similar picture: while 4.9 million people are [employed](#) in financial and insurance jobs in the EU, the latest available estimate [puts](#) the number of people working in the digital asset sector to be at 190,000. **To put it another way, the potential for growth remains huge.** Just a few short years ago, it was [considered](#) barmy to leave well-paid jobs in the financial services industry for high-risk employment in the crypto world, but early movers were proved to be right as the industry continues to grow. Of course, just like revenues and Bitcoin’s price, fluctuations are par for the course, although the current uptrend comes from low levels due to the cull following 2022.

Growth potential is reflected in salary levels too. A recent [study](#) calculated that **jobs related to crypto pay 153% more than**

other industries with New York offering the highest comp at around \$1mn a year. Working in digital assets is worth it even when measured against technology sector employment, with crypto earnings outpacing tech by 46% and AI-related roles by 16%.

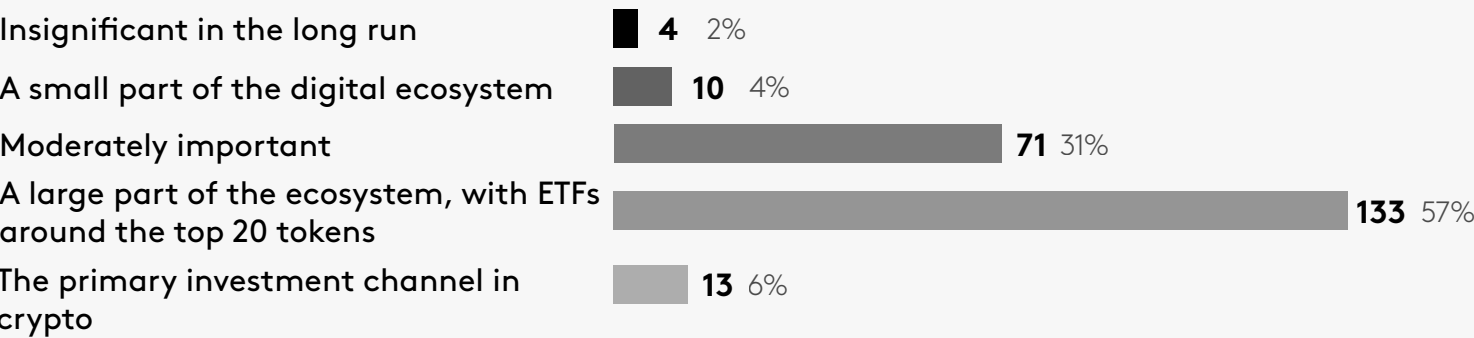
As the industry enters its latest growth phase, propelled by stablecoins, tokenization and related applications in finance, the sweet spot at the intersection of TradFi, crypto and technology will no doubt expand further too, especially as banks and other Wall Street giants dip their toes into the space. Compliance and regulatory-related roles are likely to be a hotspot in 2025 as the US creates a framework of rules for digital assets and companies rush to adapt to the new landscape.

Staking, web3 and decentralised finance are also likely to be popular hiring areas, with currently more than 63,000 roles [listed](#) on web3 Jobs. But **as companies balance the tightrope of growth and profitability, headcount is likely to chart a steady uptrend rather than an explosive surge.**

QUESTION 13

ETFS WILL BE A LARGE PART
OF THE ECOSYSTEM WITH ETFS
AROUND THE TOP 20 TOKENS

Sentiment score: +25



Passive investing is overtaking the world, the crypto is far from immune from the trend. The launch and subsequent popularity of spot BTC and ETH ETFs in 2024 have opened the floodgates to other coins lining up to be next. By December, the SEC was reviewing five fillings for launching Solana ETFs, and four for Ripple as asset managers like 21Shares and WisdomTree scrambled to line up at the start gates.

Eric Balchunas, an ETF analyst at Bloomberg Intelligence, [said](#) that he expects four ETF launches in 2025, including spot Ripple and Solana, but also Litecoin and Hedera and the first cross-crypto pair in Bitcoin-Ethereum.

The appeal of ETFs is easy to see. In less than a year, the total assets under management for Bitcoin ETFs overtook gold, with \$129bn of AUM in mid-December, led by BlackRock’s flagship fund. The launch of Bitcoin ETFs ranks as the most successful of all time. In comparison, ETH had a somewhat slow start, but funds have seen a meaningful uptick in inflows since November, pushing the total AUM to a [peak](#) of \$12.3bn.

In very easy terms, ETFs enable the largest US asset managers to access digital assets without the complexities of handling underlying Bitcoin while these vehicles track gains and losses for a minimum fee. Inflows of course translate into upward price pressure for the underlying, turning the fund managers into some of the largest holders of digital assets ETFs are a game changer for access, the cost of investing and the development of the underlying market structure. In January 2024, assets under passive investment overtook the collective AUM of active managers across asset classes, proving the success of low cost index following as a formula.

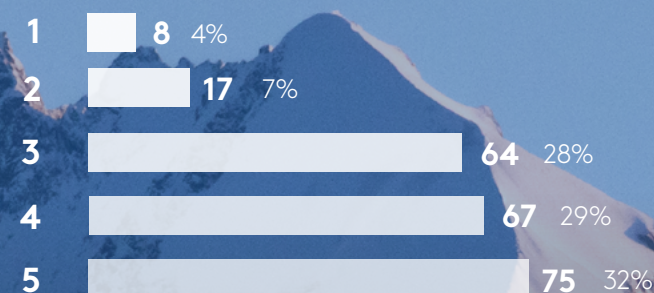
As the SEC turns more favourable towards crypto assets, opening up ETH ETFs to adding a staking element could be on the cards, while survey participants think that the universe could broaden to the top 20 tokens in the future.

There is just one slight ideological issue: ETFs are completely the opposite of crypto’s original promise. Still, they do say that when it comes to taste, the customer is always right.

QUESTION 14

STAKING WILL BECOME PART OF THE TRADFI INVESTMENT UNIVERSE VERY MUCH SO

Sentiment score: +50



1 = Strongly Disagree, 5 = Strongly Agree

A bit over a year before Ethereum's transition to the current proof-of-stake mechanism, JP Morgan analysts [said](#) that staking could grow into a \$40bn industry by 2025. **These estimates are proving to be on the conservative side and according to our survey there is strong agreement around staking's future within institutional portfolios.**

At the end of 2024 [around](#) 29% of ETH's total supply was locked up in staking, amounting to a dollar equivalent of \$115bn and earning around 3% on average. On Solana, a much larger, 66% is estimated to be staked for double the rewards than ETH. And the most recent arrival, Bitcoin staking, is a developing area but currently just a small fraction of the market.

In the past 12 months, the number of validators also mushroomed, growing to more than a million from 450,000 at the start of 2023. This is driven by the opportunity to earn a yield on the growing base of digital asset holdings. The space got a boost from the launch of ETH ETFs, which in their current form don't allow holders to reap staking

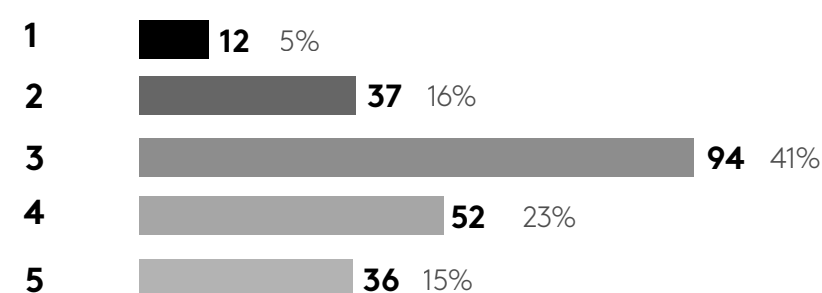
rewards, but they are expanding ETH's reach and in turn, interest in staking. In October, a survey of institutional investors found that 70% is engaged in staking ETH and more than half of respondents held liquid staking tokens. Staking is an area that's evolving at a rapid pace, as the push to juice every possible cent out of capital gives rise to new ideas and solutions. Liquid staking and restaking are both fast-growing areas as they allow locked up capital to be used for secondary purposes or even further re-staking. Protocols such as the Liquid Collective are some of the fastest growing segments on Ethereum, setting-up a robust 2025.

But despite the strong conviction in our survey about staking becoming part of institutional portfolios, hurdles to adoption and risks associated with fast-moving innovation persist. There is still regulatory uncertainty about classifying staking in many jurisdictions and the lack of a staking element in the ETH ETFs continues to thwart institutional interest in the practice. As clarity arrives, yield will triumph and attract a growing number of investors.

QUESTION 15

AI WILL BE THE KILLER APP FOR WEB3 - MAYBE

Sentiment score: N/A



1 = Strongly Disagree, 5 = Strongly Agree

There is a distinct lack of conviction about AI unlocking the key to web3 mass adoption. This is despite AI's pivotal role in driving stocks higher in the US last year and the sector absorbing more than \$22bn of venture capital funding in the past year, according to [S&P Global](#).

These findings also go against global consulting firm Ernst & Young's [opinion](#) which is that the two industries could be mutually beneficial to each other: "web3 could help AI tackle its trust issues, and AI could help overcome web3's adoption challenges."

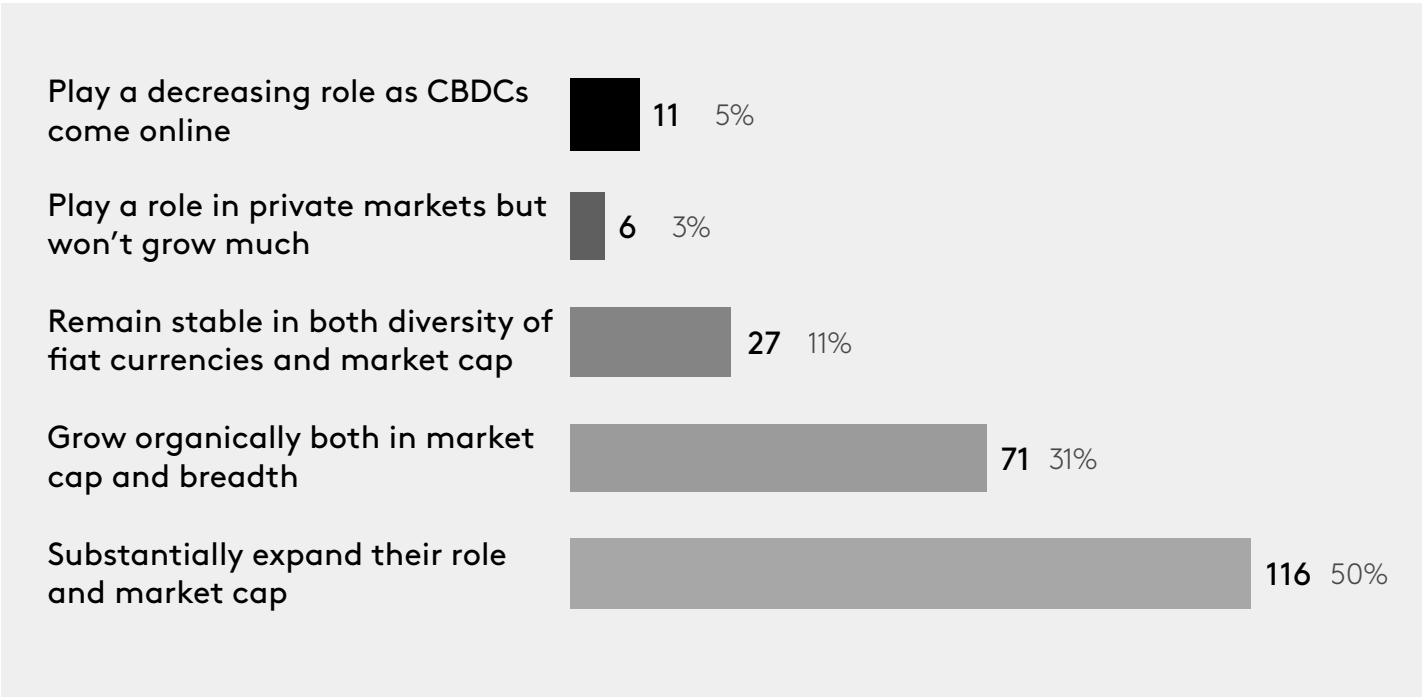
David Johnston, an investor and early pioneer in the web3 space, told The CfC St. Moritz Report that "decentralized AI is the path to mass market adoption for crypto." Despite strong arguments from proponents about the promise of AI agents and their transformative powers of replacing web2 search functions with a more proactive and action-driven ecosystem, **the majority of respondents to our survey disagree that AI will be the key for web3 mass adoption.**

Much of this might be simply a sign of fatigue. The AI hype has been blowing strong in the past 12 months and while few doubt the potentially transformative effect that generative models could have on the world, many argue that the proof is in the pudding and 2025 might be the time when the technology has to make good on its promises.

For many investors, the question is whether the stellar performance of AI stocks is a bubble about to burst or a sustainable long-term trend. According to Goldman Sachs chief global equity strategist, Peter Openheimer, generative AI's rise is not a bubble, [noting](#) that the technology sector has generated 32% of global equity returns and 40% of the US equity market returns since 2010. But this doesn't mean that sharp shake-outs are not on the cards: after the technology's meteoric rise in recent years, bumps might be ahead. It will also be crucial to untangle the tension between AI's highly-centralised nature currently and web3's heavy emphasis on decentralization. **Something to look forward to in 2025!**

STABLECOINS WILL...

Sentiment score: +50



Stablecoins are going to take centre stage in 2025. They had a blockbuster year in 2024 and the next 12 months are set to be equally, if not more, fascinating as innovation and the race for scaling use cases around payments and collateral accelerates. **Stablecoins have expanded their overall market cap by 71% last year to burst through the \$200bn mark last year, led by Tether’s USDT that continues to dominate the space.** While originally used for storing and transferring value in trading and as a bridge between fiat and digital currencies, stablecoins have seen their **use cases expand in areas such as payments, settlement, remittances and corporate treasury functions among other areas.**

In the US, there is bipartisan support for the so-called Stablecoin Bill, which is set to provide much-needed regulatory clarity around the issuance and usage of this rapidly-growing segment.

“It is abundantly clear that stablecoins have evolved from mere trading collateral to a general-purpose digital dollar instrument,” says a [report](#) from Standard Chartered and Zodia, entitled Stablecoins: the first killer app.

The success of stablecoins is down to many factors but ultimately their success is down to the fact that they work 24/7 in a faster and cheaper way than current infrastructures. Cross-border payments have been long identified as one of the areas of global financial markets that needed fixing: the G20 made it a priority to cut costs and improve efficiency by 2027. These efforts are [slow going](#) and stablecoins increasingly look like a potential solution.

Stablecoins themselves are evolving, with yield-bearing alternatives emerging to challenge the first generation of leaders. **While the majority of stablecoins are currently pegged to the US dollar, demand is growing for other versions as these coins play a growing role as collateral as well.** In late 2024, the CFTC’s Global Markets Advisory Committee laid the ground for using DLT assets as collateral, setting the scene for a [race](#) between tokenized money market funds and stablecoins.



INTERVIEW WITH SANDY KAUL, HEAD OF DIGITAL ASSETS AND INDUSTRY ADVISORY SERVICES AT FRANKLIN TEMPLETON

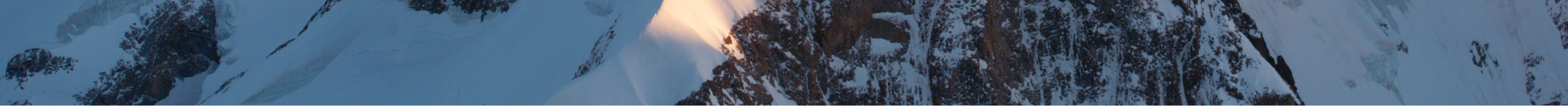
Crypto's initial promise of doing away with intermediaries in financial markets is surprisingly, very much on track – except, it's not asset managers and banks that are facing the chop but post-trade settlement market structure, such as central clearing counterparties, payment processors and credit card issuers.

This is according to Sandy Kaul, the head of digital assets and industry advisory services at Franklin Templeton, a global investment management organization with \$1.4 trillion under management. Kaul told The CfC St. Moritz Report that there is a foundational shift happening in markets, which is set to undo the protocols finance followed in the past 50 or so years.

"We are still in a world where you do a transaction and there's all sorts of processing that needs to occur before that transaction is finished. This is changing," she said, noting that technology now allows us to process transactions one by one and settle them on an individual basis, something that wasn't possible decades ago due to the rising volumes of trades.

"I call it the unwinding of 1972. That's when we moved from one trade at a time to this new kind of netted trading book entry approach, and now we're completely unwinding that," Kaul said.

The post-trade processing business is worth somewhere between \$20 billion and \$40 billion a year, according to [estimates](#) from Ernst & Young, a significant chunk of change that a small number of providers pocket annually. With blockchain technology helping the move to atomic settlement, shift will have a significant impact on businesses in space, some of whom will have to reinvent



themselves.

“There’s been a lot of people who have built their business model around facilitating the activities that have been required to settle a transaction and if those activities are no longer occurring, what becomes the role of those intermediaries? And I think that, you know, that’s a very much TBD question, because I don’t know what their role should be and I don’t know if we need the abilities that they currently offer,” Kaul added.

Crypto is also adapting

In many ways, 2024 was crypto’s coming of age party. The arrival of ETFs, the emergence of stablecoins as the first “killer app” and the launch of the first tokenized money-market fund (MMF) were all significant milestones. These trends are now undoubtedly accelerating as stablecoins grow their role in cross-border payments, corporate treasury functions and as collateral. Meanwhile, tokenized MMFs and other real-world assets are also vying for a bigger role on Wall Street and in everyday life.

“The biggest changes we will see is the transformation of cross border activities: payments, financing, remittances, supply chain management and so on,” Kaul said, adding that this transformation will happen very quickly, within the next 2–5 years. Post-trade intermediaries are facing changes on a longer, up to ten-year horizon, in Kaul’s view.

“I think that collateral use cases and the need to be able to seamlessly exchange tokenized yield-bearing instruments and stable coins is going to accelerate sharply. 2024 was the year of the stable coin. 2025 is going to be the year of the stablecoin swap,” she predicted, explaining that interconnectivity and instant redeemability between stablecoins and tokenized MMFs is going to be the next killer app, which will unlock use cases in areas that no one would expect.

Still, it’s not going to be all good news

for crypto-native firms. Despite a pivot in regulatory attitudes in the US, a lot will change, including an influx of banks, whose arrival will bring unprecedented pools of capital to the digital asset ecosystem. This will grow the overall pie but also increase competition.

“I think, just like we saw with the ETF issuance, a winner in the crypto space isn’t necessarily a winner in the broader economy, when you think about the resources some of these firms can bring to bear,” Kaul said.

“You’re going to increasingly see crypto wanting to affiliate with tradfi, because that’s going to be where the real pools of capital sit. So I think you might also see some real changes in leadership,” she added.

Other changes will mean that some areas will have to face regulatory boundaries and the rapid growth of stablecoins will attract an increasing number of authorities, with new arrivals to include the Federal Reserve and the Office of the Comptroller of the Currency (OCC). One of the changes Kaul would like to see is a decision about what counts as a commodity and what should be registered as a security, a distinction that’s currently very much missing.

“The biggest issue I think people outside the US fail to appreciate is that the regulation of commodities and the regulation of securities are done through different channels in the US,” she noted.

Kaul thinks that the industry is overly optimistic about the timeline for regulatory clarity, noting that having grown up in Washington DC, she is conscious that legislation takes time, even with the best of intentions. She also expects the picture to become temporarily “messy” as the Fed and the OCC are added to the mix. But in the meantime, the industry will be going at full-speed, as engagement will be rewarded this time.

“I think part of regulation might be that you

need to register as securities if you want to offer a flow through of investment returns and rewards. The days of calling investment returns, which is what they are, rewards will be over. That was very much playing on, if not outside the line, and that will end,” Kaul predicted.

Memecoins: from joke to an asset class

As the digital asset industry continues to get more intertwined with TradFi, it won’t lose all its previous flair. Somewhat surprisingly, Franklin Templeton has a constructive view on memecoins as an investable space and Kaul is confident that memecoins will become their own new asset class over time. She explained that these coins are about the changing perception of value: just because it’s not a metric that Wall Street tracks, it doesn’t mean it’s worthless.

In fact, they’ve evolved from a digital picture of a dog into a \$112 billion asset class. In Kaul’s view, their success is down to acting as a type of cultural barometer, very much in line with crypto’s original ethos that eventually attracted a whole new type of investor to markets. As memecoins go viral or represent some kind of online trend that millions get behind, investors will make money from being in line with the unfolding hype. And just because time horizons are measured in hours not days and months, ultimately memecoins will be modelled by quant funds, included in portfolios and traded as any other market, Kaul said.

“I think those that push back on it [memecoins] really are not understanding societal changes and how investing is increasingly tied to social identity for younger investors. There is a pivot happening in what the perception of value is,” she said, noting that today’s idea of long-term investing is very much an institutional view.

“Individuals have a very different view of value, and that can be much more linked to, you know, trends of the moment. And I think you’re

going to see that become a very viable style of investing,” she added.

The Black Swan prediction

Kaul is very much from a TradFi background with her resume crammed with prestigious Wall Street firms including Goldman Sachs, JP Morgan and Citi. But her view of security is firmly opposed to the currently prevailing wisdom at many of these companies. For Kaul, security means public blockchains, calling the idea of equating private chains with safety “old-fashioned.”

“I think that’s the biggest risk in the system. And the truth is, private chains are inevitably less secure than public chains,” she said. Her reasoning is that public blockchains are constantly tested and under attack, while private chains are the babies of a small number of developers, reluctant to search for bugs. On top of that, it’s simply a numbers game, that more people equal more security. Kaul worries that this message might only get through when it’s too late.

“My biggest fear is that a lot of the central banks that are considering digital currencies, and a lot of the biggest [Wall Street] players who are doing their own stablecoin issuances are still working on private chains,” she said.

Her black swan event would be a private network containing central bank digital currencies getting hacked and a “tremendous amount of money” taken. Her worry is that such an event would be wrongly interpreted that blockchain technology is not safe, setting back the industry by years.

“It took the financial industry 10 years to get their head around the idea that cloud technologies were actually secure, right? We can’t afford to spend 10 years building infrastructure on private networks that are insecure,” she cautioned.

CfC ST. MORITZ LIVE WRITE-UPS



I'M COMING HOME

- Hayes is not increasing his fund's exposure to crypto in this part of the cycle
- Restrictions on capital movements and central bank money printing are risks
- The Maelstrom fund is going more into cash, as Hayes sees headwinds

While everyone has their eyes on the US and what president-elect Donald Trump does in his first 100 days in office, Arthur Hayes, Chief Investment Officer of Maelstrom, warned of the financial repression happening in Europe and the US, and what that means for crypto investors and savers.

During his keynote address, Hayes was bearish on the state of the markets in the coming cycle, putting his outlook into direct opposition with the prevailing wave of optimism in crypto markets.

"I am not very constructive on many markets right now," Hayes said in his keynote address. "As a fund, we are going more into cash. **We are not increasing crypto risk going into this part of the cycle.**"

Hayes pointed to restrictions that limit the flow of capital, for example from Europe to the US, and predilection of many central banks to print money to get out of an economic slump. As such, he is focused on how banks are upping their balance sheets versus central banks and where that money is flowing.

In his view, the European Central Bank "hides" bonds on banks' balance sheets, who are forced to buy the avalanche of debt that



finances the central bank. He also predicted the end of the Euro and Basel III (sets minimums for bank capital requirements), which in his mind means infinite leverage.

"This is the next phase of financial repression," he said.

He believes that Trump has his work cut out for him, particularly since the debt ceiling fiasco, when the president-elect couldn't get that passed to be able to borrow money to "make America great again".

"[The Republicans] are going to have to be a little bit more drastic," he said. "There are no cosmetic [fixes] available to them to really get the markets going, because they have so many structural problems, [as does] the global economy."

Continental Europe is also facing serious issues, such as two to three times higher electricity prices than China or the US, and yet a continuing belief in what Hayes called the "renewable energy hoax", or the idea that decarbonization will shift to low cost and clean energy.

REMOVING UNCERTAINTY, ENABLING PROSPERITY: A DISCUSSION WITH CFTC CHAIRMAN ROSTIN BEHNAM

- "Thoughtful regulation will support scaling the market and start to expose the underlying technology that could be transformational"
- Behnam called for Trump and the US Congress to take a bipartisan and long-term view
- 50% of the CFTC's enforcement budget was devoted to crypto under his tenure

Outgoing Chairman of Commodity Futures Trading Commission (CFTC), Rostin Behnam, called for a concerted effort to get a comprehensive and bipartisan digital assets regulation through US Congress and signed by the next president.

"Come to a compromise [among stakeholders] and try to get it done in a very comprehensive way. Ultimately, shortcutting regulation or policy because of disagreement or short sightedness is going to undermine the long-term vision of what many of you see as the possibility in this space," he told Eric van der Kleij, Co-Founder and Partner at the EdenBase Fund.

Behnam reported that almost 50% of the CFTC's enforcement budget is crypto or digital asset related, which has been a challenge over the past four years when the same budget covers the \$1 trillion commodity derivatives market, which impacts everyday lives of people across the globe.

"We are pulled organically into this market from an enforcement perspective, yet we don't have traditional regulatory authority, which is registering exchanges, overseeing broker-dealers," he explained. "We've had this externality come in that we didn't budget for, and it is pulling

resources in a way that's unmanageable."

He emphasised that while a regulator's priority is to protect customers and ensure they don't lose money, an overly restrictive regulatory stance stifles innovation and thwarts the efforts of the crypto industry to achieve their goals. When asked what he would recommend to an incoming CFTC chair in terms of budget, he advocated justifying "in a rational way" to overseers why a bigger budget is needed, as well as intelligent regulation.

"In the context of healthy markets, growing markets, and a community of believers in digital assets and crypto, strong, thoughtful regulation will support scaling the market and start to expose the underlying technology that could be transformational," he said.





THE US UNDER PRESIDENT TRUMP: UNPACKING THE NEXT FOUR YEARS

- The Trump administration will enact change quickly
- Ending bad policies such as debanking would likely be a priority
- Bipartisan support for changes hoped for and expected

Change, as far as the crypto industry is concerned, is going to be rapid under President Donald Trump's tenure.

The expert panel comprising of Sheila Warren, CEO of Project Liberty Institute, J. Christopher Giancarlo, former Chairman of the US Commodity Futures Trading Commission and Teresa Goody Guillén, who leads BakerHostetler's Digital and Innovative Markets, discussed upcoming changes once US President-elect Donald Trump takes office,

in a lively and wide-ranging session moderated by David Wachsman, Founder and CEO of Wachsman.

According to Giancarlo, Trump has the tiers of moves to implement: "the easy to do, the challenging to do, the very hard to do." Turning to the easy-to-do tasks, ending bad policies such as debanking would be of great benefit, he noted and may well include "the firing of personnel responsible for debanking to begin with, and a neutral policy (for) total crypto activity."

Another move would be to end hostility to institutional custody, he added.

Giancarlo predicted that the President would order the Treasury to stop selling seized digital assets shortly after taking office.

"The Biden administration has been actively selling it. They'll end the sale. So right then

you can get the stockpile. And I think that'll be well into other promises of crypto Council, the statutory framework exists under our Federal Advisory Board, laws that can begin out of the NEC to begin that council," he predicted.

The harder bucket of policies would revolve around bringing in good policies. "And that's where we're going to need bipartisanship. And I think we will have it," Giancarlo said.

Teresa Goody Guillén, of BakerHostetler's noted the importance of the industry coming together. "You know, if you wait for the government to come and tell you what the answer is, you're never going to like it. You're always going to say that you always have to come together. This is what every other industry does, and I think that's really important for us to do," she explained.

"This really is kind of the national approach, which is what Trump wants to do within the

first 100 days. And that's it, it's 100 days. It's quite fast. It is fast, but I think it's doable," she added.

Looking back at how the Biden administration handled things, Sheila Warren, noted that the four years of the administration have to be looked at as a whole.

"And so the first two years of administration, you had a pretty neutral and positive stance at crypto, actually, if we're being honest. And then we had FTX in that whole situation. And then you had two years of really outright, in some cases, outright war against crypto," she said.



CREATING CLARITY? EXAMINING THE EUROPEAN MICA MODEL

- MiCA needs changing less than 5 years on from its creation
- Panelists called for a rulebook that embraces crypto rather than ringfences it
- The question is whether Europe is up to building the Wall Street of crypto

The Markets in Crypto Assets (MiCA) regulation, which legislates a wide range of crypto assets previously outside of the scope of EU financial services legislation, is an important development that brings a level of clarity to an industry that is moving at breakneck speed, panellists said.

Moderated by Sheila Warren, CEO of Project Liberty Institute, panelists evaluated the impact of the framework and the scale and effects of the legislation.

"This is the best blueprint we have for global regulation," said Dr. Joachim Schwerin, principal economist within the European Commission's Directorate-General of Internal Market, Industry, Entrepreneurship and SMEs, noting that any changes to the rules will be the result of the fast-paced environment that is digital assets. "We should remember that the substance of

MiCA had already been finalized in the middle of 2020. That was only four years ago, but this space has evolved," Dr Schwerin pointed out, while calling for more global harmonization.

For Franz Bergmueller, CEO of Amina, the impact wasn't about the rules so much but whether the framework will be conducive to the EU building a leading industry around digital assets. "We'll see how regulation will evolve over time. The real question from my point of view is whether Europe is up to building the Wall Street of crypto?" he said.

Bergmueller noted that from the point of view of a crypto bank, clarity and security are key factors, especially for institutional adoption and for smart money coming in.

Przemysław Kral, CEO of zondacrypto, meanwhile, stressed that the industry needs regulation that embraces digital assets in the context of global financial markets, rather than a framework that separates the digital assets industry from both main and Wall Street. An encouraging takeaway is that the European Union and the European commission are open to discussion even though regulators are completely closed, he added.

"We need to have regulation that merges finance, fintechs with MiCA and the crypto firms," he said.

PUBLIC VS. PRIVATE MONEY: EXPLORING A BENEFICIAL CO-EXISTENCE

- Central bank money will keep its role as the anchor of financial systems but it will co-exist with private money
- Private money innovation is key for both assets and products
- Consumers moving from credit cards to private wallets and stablecoins is a 5-10 year journey

Public and private money will continue to co-exist, playing different roles in the evolving financial market ecosystem especially as central banks launch central bank digital currency (CBDC) and as the use cases around stablecoins expand.

"I'm sure that central bank money will keep its role as an anchor. First, there will be continued demand for safe and efficient settlement in financial markets. Central bank money is the only asset that is free from credit risk and liquidity risk," said Oliver Sigrist, who leads the Swiss National Bank's (SNB) wholesale CBDC initiative.

"Second, central banks will adapt and continue to provide monetary and financial stability even if markets and underlying technologies change. It is their mandate to do so," he added.

Dr. Fabian Schär, Professor of Distributed Ledger Technology (Blockchain) and Fintech at the Faculty of Business and Economics at the University of Basel, said that the Swiss National Bank and

the private sector have done great work in cooperating and experimenting with open source technology. However, he emphasized that there must be no preferential treatment for permissioned infrastructure, and that true innovation is more likely to occur on open and neutral platforms.

Lily Liu, President of the Solana Foundation, was quick to point out that the private sector's role is not just about innovation in terms of assets but also products. She noted that settlement cycles that took three days until recently can now be done immediately.

"I think that the narrative we're all very familiar with is blockchain-based payments and fast, cheap, constant, 24/7, settlement," she said, adding that these transfers can now be done safely even when transactions are international.

While margins may become compressed as a result, new revenue opportunities also arise, which is where product innovation comes in. Jose Fernandez da Ponte, Senior Vice President and General Manager of the Blockchain, Crypto and Digital Currencies team at PayPal, meanwhile, said there is room for private money growth.

"I think that we are on year five of a ten year journey. Adoption has happened in crypto markets, and it is progressing in B2B and cross border payments. Mainstream adoption with consumers using stablecoins for domestic commerce at scale will still take some time," he added.





COMPETITION OR COLLABORATION? FINDING THE RIGHT BALANCE IN GLOBAL REGULATION

- Panelists call for more multilateral regulatory conversations
- “Nothing is an impossibility... it’s just a possibility you haven’t considered yet.”
- The industry needs to involve a broader set of participants than it currently does to resolve issues around property law, for example

Finding the right balance between competition and collaboration is a tightrope that all jurisdictions need to walk, as the lack of interoperability between local regulations causes friction for the digital asset markets.

The panel, hosted by Dr. Joachim Schwerin, Principal Economist in the unit responsible for the Digital Transformation of Industry within the Directorate-General Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) of the European Commission, explored opportunities for increased collaboration and interoperability between regulators globally, focusing on creating corridors between key jurisdictions.

Deepa Raja Carbon, Managing Director and Vice Chairperson, Dubai Virtual Assets Regulatory Authority, talked about Dubai’s approach to regulation in which it prioritizes

innovation and allows the industry to grow and service people.

“Nothing is an impossibility for us. It’s just a possibility you haven’t yet considered. We’re very motivated and tend to be driven by the pace that is set by that leadership,” she said.

She said that Dubai has had extremely collaborative dialog with Asian jurisdictions, such as Japan, Hong Kong and Singapore, which have conducted strong digital asset pilots. “These corridor conversations are a lot easier because there are only two jurisdictions. Multilateral discussions, obviously, are a lot more complicated,” she added.

Moad Fahmi, Chief Fintech Officer, Bermuda Monetary Authority, believes that more regulators are beginning to speak the same language around protecting consumers, preventing financial crime, and maintaining financial stability. “We have this common language now as to how we think about innovation in regulation,” he said, citing the Global Financial Innovation Network of 80 regulators, which runs a global sandbox.

The panel also discussed the important difference between harmonization and interoperability; the differing legislation between crypto currencies and security tokens; and exploring blockchain use cases beyond financial services.

Fernando Vázquez Cao, CEO of SBI Digital Asset Holdings, raised the question as to whether the right stakeholders were in the room to discuss all the implications of using DLT in and beyond finance.

“I think the answer is no,” he said.

“One of the niches we have in Japan when it comes to tokenization is whether holding a token is enough to prove that you own that token. In this sense, we are talking about property law and need to engage with non-financial regulators, for example. We now have a much broader scope which is an unexpected turn when we started on this journey,” he said.

Alex Kim, Founder and CEO of Upbit APAC Pte, believes that the digital asset sector has enough capital, talent and more than enough governmental attention, but imagination is lacking.

“What we want to do is urge the private sector and the regulator to have a more open minded conceptual dialog,” he said. “Have more curiosity, even though you’re unsure, uncomfortable, try to understand it and encourage sectors to collaborate. But let’s not close the door to anything, because every new innovation starts from very funky looking things.”

INVESTING IN SUSTAINABLE ADOPTION OR PASSING FADS: HYPE CYCLES, KILLER APPS AND WEB3 TRENDS

- "If crypto didn't exist today, we would end up inventing it just to provide the economic rails for AI agents"

- Tokenization of real-world assets will include gaming, in which two-thirds of the global population engages in

- There are tensions between centralized and decentralized developments in web3

AI agents, the tokenization of real-world assets and the transformation of blockchain from a currency use case to a ledger-based ecosystem are trends and applications that are here to stay, according to panelists moderated by Zenobia Godschalk, founder and CEO of ZAG Communications.

"I'd go as far as to say, if crypto didn't exist today, we would end up inventing it just to provide the economic rails for AI agents," said Herman Narula, Co-Founder and CEO of Improbable. He added that AI agents are definitely a long-term use case in the space, but the future might hold surprises in terms of applications: rather than financial and industry-focused agents, the personal sphere is in scope that will see AI interacting and engaging with people as friends and even lovers.

"We can already see the massive rise of these types of applications outside the crypto sphere, but it's only a matter of time before we see applications which combine that with tokens or digital assets. That feels to me like something truly foundational, that is likely to be a big part in the next few years," Narula said.

Yat Siu, Co-Founder and Executive Chairman, Animoca Brands, highlighted "the tokenization of everything" as the trend worth keeping tabs on, noting that tokenization allows to take anything of value and store it on the network, which opens up new paradigms and new areas.

"Tokenization of gaming has actually gone around the world and creates true asset ownership in something that two thirds of the world engage in," he added.

However, there are still some fundamental problems preventing applications from breaking into the mainstream, such as bad user experience and infrastructure limitations. Lowell Ness, Partner in Perkins Coie's corporate practice, said that tokenization is a long-term trend that transforms blockchain use cases into a ledger-centric applications from a currency-focused one.

The panel also discussed decentralized social platforms using blockchain technology, as well as the tension between decentralization and centralization comparing what is happening in the web3 ecosystem with the open-source movement.



BITCOIN STRATEGIES IN 2025 AND BEYOND: THE FUTURE OF INSTITUTIONAL ADOPTION

- Bitcoin as a reserve asset is becoming a reality and more corporates are likely to add the token onto their balance sheets

- The shift to public blockchains will take 10-20 years but corporates already hold 5% of available Bitcoin

- Digital property is an emerging concept that might replace self-custody

Corporates already hold 5% of available Bitcoin despite the process of financial services and public companies moving to public blockchains only just beginning, panelist moderated by Christopher Giancarlo, former Chairman of the US Commodity Futures Trading Commission said.

Fred Thiel, Chairman of the Board of Directors and Chief Executive Officer of MARA, said he believes a period of great change is at hand, noting that, already, a million Bitcoin are held by corporate treasuries of US companies. This trend is set to accelerate further, he said.

"I believe that within the next 90 days, we will see two large US corporations announce that they're going to start putting Bitcoin in the balance sheet. And if that happens the floodgates break," said Thiel.

Microsoft and Meta are said to be considering corporate treasury inclusion.

This is likely to accelerate as the US government ends its hostile stance towards digital assets, Vanessa Grellet, Managing Partner at Aglaé Ventures, said, while noting that the global shift is still in its infancy.



"Ending hostility is a big deal," Giancarlo said. The result of this change in stance could see stockpiles being built-up not just by corporations but institutional investors and even US states, as well as the Federal government. This brings into scope the decentralization of mining and the potential for fiscal policy to impact Bitcoin's value. Panelists also emphasized the growing adoption of Bitcoin in various sectors, including real estate and life insurance.

"I think we're pretty excited about how that's going to shift, because if all public companies, if all financial services shift to public blockchains, there's going to be a huge adoption. I think it's going to be like a 10 to 20 year shift. But we're only at the beginning of that," Grellet said.

Pascal Gauthier, CEO at Ledger, added that the potential changes are much more far-reaching than just finance.

"I think we are going to stop saying self custody, because it always triggers this notion of finance. And instead we're going to talk about, you know, digital property, individual, digital property," he said.



INTERVIEW WITH DEEPA RAJA CARBON, MANAGING DIRECTOR AND VICE-CHAIR OF VARA

We are not here to tell the market what not to do, we want to help innovative ideas become a progressive market reality, Deepa Raja Carbon tells The CfC St. Moritz Report.

Financial regulators and agility are two phrases rarely used in the same sentence. This might just be because few supervisors are keen to change rulebooks once they get published, for fear of damaging the regulatory body's credibility and authority.

That's why it's so surprising (and even refreshing) that Dubai's Virtual Asset Regulatory Authority (VARA) is openly discussing how some of its barely two-year old framework needs nuanced clarity to accommodate the evolutionary state of the industry, and to reflect realities of a dynamic market – even as basic as not having enough specialist compliance officers.

The world's youngest financial regulator, VARA, was established in 2022 to create rules for blockchain technology's spread across industries, including financial markets. In 2023 the regulator published a comprehensive set of rules and it beefed up its staff to accommodate the hundreds of registrations they received –

well above what was [anticipated](#). This year, VARA will release more clarity on its rules around three key areas: custody, tokenization and derivatives, Deepa Raja Carbon, the Managing Director and Vice-Chair of VARA tells The CfC St. Moritz Report.

"We were deliberately set up with the intention of being flexible and agile, and knowing that the rules we set are going to have to be adaptive to an evolving industry. It's not about changing the principles, they're always going to be the same, but if you stay too finite and inflexible as a regulator, you're setting the industry up for failure," Raja Carbon says.

One example of this is custody. VARA is the only jurisdiction in the world that doesn't allow custodians to take on other functions to provide the same structural security as has been tried and tested in traditional finance. But in 2025 this will be evolved to allow for a few "extended activities," for example transfer and settlements. The rule that originally designed to avoid a blurring of lines between the functions exchanges and custodians serve, to preserve the integrity of protecting client assets. But the practical outcome



of this has been that risk is concentrated between the very limited number of licensed custodians – only two custodians in the VARA regime – which creates “structural inefficiencies in the market,” meaning that problems are just being transferred from one part of the value chain to another, rather than being effectively diversified, reduced or eliminated. And so custody rules are set to be adapted and revised to better serve the desired end state – a more secure and stable market.

Tokenization, meanwhile, has become a huge buzzword globally, but few have defined or finessed a regulatory view that works for the market. Raja Carbon says that VARA wants to put a stake in the ground and define the boundaries of the concept, so that we can also be clear on describing what doesn’t need regulation – it is our responsibility to provide jurisdictional clarity so that our environment prevents distortion of facts, and loopholes that can be exploited to the detriment of the consumer.

“Everybody wants to do tokenization, but nobody currently wants to define what tokenization is and there is so much ambiguity that nobody is actually creating any value for the market that remains grossly under-explored,” she says.

What Raja Carbon wants to do is define the contextual limits where regulation would be purposeful, versus where it would end up inhibiting innovation without being effective. Should the entire ‘act’ of issuance be regulated or only when something becomes tradable and there is value at risk? What will be the implications of IP tokenization? Who will need licenses to tokenize real-estate? The Various linked parts of the traditional economy value chain that will be consequently impacted also need to be

considered, as well as the legislative backdrop and the role of supervisors.

“A child went to school and created an NFT of his art or shoe. That’s great creativity but really, nobody uses it and ‘economics’ doesn’t care if there isn’t a value associated with that art piece in the market. That level of creative exploration and encouragement absolutely encouraged and stimulated without any interference from regulation, even though it’s ‘tokenization’.

Do we want to bother millions of people with coming to VARA or any other regulator asking to be licensed, for fear of breaking the law if their child wants to tokenize their creative work – or do we want to be very practical about what we are actually trying to protect and hence be finite in structuring the framework,” Raja Carbon asks.

When you want to tokenize your IP as an artist, and make money from selling it in a legal and secure way without an intermediary, how do you regulate that so it is licensable, traceable and legitimate for the buyer and the seller? That’s the kind of activity that needs to start happening in the traditional economy, where (i) ownership rights can be legally established, (ii) fractionalisation can be actively enabled, (iii) fund flows can be tracked, (iv) privacy can remain protected, and (v) the marketplace can be sustainably scaled – To me, this is no longer a utopian dream. It would be a very realistic end state to aspire for, building towards a truly ‘inclusive’ economy that is borderless and powered by DeFi,” she says.

The third area of immediate focus will be derivatives, or as Raja Carbon describes them, the “money making machine.” Having been through the summer-winter-summer rollercoaster of 2022-2024 the industry is now comprised of responsible actors, she says,

noting that in relation to derivatives, investors classification is also on the plate.

“Let’s not assume the market is uneducated and needs a regulator to tell the consumer how to use their own money. There is room for a bit more responsible participation from both sides, and that’s where the next stage of evolution in our investor classifications comes in,” she adds.

If this sounds refreshing, it’s probably because it is a drastically different approach that UK or US regulators tend to take. Raja Carbon says that from the very outset, VARA’s mandate at the time of its inception was clear – its role in the room is to help the industry figure out ways to grow in a responsible way, and to ensure the consumer is protected by sharing information with transparency, rather than turning up post-fact to enforce after things go wrong.

“You have to innovate with the industry, you have to help them think through that problem and so every actor’s role evolves, and our collective mindset changes. You’re not coming in to tell them what not to do but rather to build with them, so that the industry feels genuine ownership and accountability for a future that we have co-created,” she says.

This is why the change in regulatory attitude in the US-EU-UK-Asia is such good news for jurisdictions around the world, she adds. Until there are global standards and rules that are interoperable, the industry is going to struggle to grow. For example, VARA technically requires all license applicants to have a Virtual Assets Compliance Officer. But currently there are just not enough of these skilled professionals to make this regulatory requirement a practicable reality. Audits and rules around stablecoins are other examples of bottlenecks.

“The inherent value of the world of decentralized finance is its immense scalability across a borderless global network. It’s like a telephone. If I have one before the rest of the world, that doesn’t make me a success story – It only works if you have one and everyone else has one, and we all operate on a network that is connectable! If anything, these basics of network ecosystems apply even more to the new economy and today’s DeFi world than they have for generations before us in the world of TradFi,” she says.

And competition pushes everyone to be better, she says. Switzerland didn’t become a banking hub because it was the only place with a banking sector. It became a global centre for the industry because its rules and standards set the bar that was respected around the world. Digital assets will evolve the same way.

The opportunity is huge, Raja Carbon says, but just a handful of jurisdictions being on board acknowledging that protectionism won’t be sustainable, won’t be enough to realise the benefits offered by the technology.

“Yes, we need the US to be open and allow VA to operate. We need the UK and the EU to be open and permit regulated VA activities. We need Asia and the rest of the world to see the value of this technology and consider its attributes as being safe and purposeful for their people, in order for VARA’s regime to be effective and meaningful – for the consumers, for the industry, and for the wider global economy to scale. If that’s our North Star, the fact that we have started to enable this cross-regulatory dialogue in the short span of our existence, is definitely reflective of a rocket ship headed on the right trajectory. We’ll certainly look forward to seeing it all gain a lot more traction during 2025,” she says.



ENABLING THE NEXT DECADE OF ACCESS AND GROWTH

- “[SEC] Gary Gensler’s knee on the neck of the crypto industry was a \$1 trillion knee”
- Regulatory harmonization is the next challenge on a global level
- The reversal of SAB 121 is seen as a priority for the next administration

The digital asset industry has had its fair share of run-ins with regulators, whether due to an absence of rulemaking, actively hostile supervisors or fragmentation in the global crypto regulatory landscape. While the US has had a negative influence on the sector in recent years, with a pro-crypto president entering the White House, Binance’s CEO Richard Teng expects the next four years to be quite different.

“We are going to move from a period of regulatory uncertainty and lack of clarity to a period where the main challenges are regulatory harmonization. Because only about a third of global regulators regulate crypto and each do it in a different manner,” he said. “[These differences] make deployment very difficult globally, because you must tweak operations [for each jurisdiction].”

Brad Garlinghouse, CEO of Ripple – which like Binance has come under fire from US regulators in recent years – agreed that not only will the “Trump Effect” be felt

domestically but will also induce a “ripple effect” internationally.

“Gary Gensler’s knee on the neck of the crypto industry was a \$1 trillion knee. So, another way to look at it is that this is a recovery – the rally has been led by US-related cryptos, who have been at the forefront of the attack from the US government,” Garlinghouse said.

He added that he expects a derivative of the FIT 21 market structure bill to pass in the first six months, as well as crypto-related executive orders almost from day one, such as the one around SAB 121 on digital asset custodial obligations.

“We’ll see more of the key topics we’ve been discussing unlocking the next 10 years, when the largest economy in the world and its institutions have the handcuffs removed. We may have underestimated how those headwinds we’ve all experienced are going to shift to tailwinds – I’m very optimistic,” he added.

In response to Wired Crypto Reporter Joel Khalili’s question where Binance’s next 10,000 users will come from, Teng remarked that the highest and the fastest pace of crypto adoption has always been in jurisdictions where financial inclusion is lower and the demographic is younger, while emphasising the role of innovation.

“To reach the next billion users, which is our goal, the industry must improve on user interface and experience features – adoption hinges on innovation,” he said.

DECENTRALIZATION AT A TURNING POINT

- Decentralization remains a key feature for the future and has further to go
- Web3 is the re-decentralization of Ethereum and AI will give new momentum to usability
- “In a few days, it’s going to become legal to be a blockchain company in the US”

Joseph Lubin Co-Founder of Ethereum and the Founder and CEO of Consensys told CfC St. Moritz delegates that decentralization is in some ways about building the undercarriage of infrastructure for all of society.

Decentralization as the cornerstone of the blockchain industry’s vision came about through long hours and a lot of work incrementally, Lubin said as he reflected on his journey from feeling hopeless about the economy to discovering Bitcoin and eventually contributing to the decentralized financial system.

“If we look at it just from the perspective of the internet, the internet started as protocols, open

specifications, open-source software, and it was available to everybody to build on the Web,” he noted.

“One comes along, adds a few things, HTTP, HTML, spotter, protocols, open protocols, open source, open specifications, and everybody was collaborating and building a play,” he added.

The dotcom boom and the ensuing greed led to more closed sources even in the building of the web with walled gardens, silos, boats and eventually platforms, he explained. Even with rapid globalization, decentralization remains key, he said.

“So we’re at this point now where we need to build web3, the natural evolution of the WorldWideWeb on decentralized protocols and web3 is the re-decentralization of Ethereum,” Lubin noted.

Scalability too remains important with features such as the number of transactions per second, latency transactions, the roll up centric roadmap, all a big part of the equation. “It’s usable now and we have had great usability breakthroughs, and with AI, we’re going to have tremendous usability coming soon. And it’s going to be, I think, in a few days, legal in the United States of America, to be a blockchain company,” Lubin said.

The way society has progressed from monarchies to nation states and beyond suggests further progress ahead as well.



ENERGY, COMPUTE, CRYPTO - THE CONVERGENCE OF THREE TRILLION DOLLAR INVESTMENT THEMES

- "The AI that we see today would never have reached the magnitude it's at without Bitcoin mining"

- Bitcoin miners in the US own a really valuable asset with low cost power purchasing agreements

- "We live in a thermodynamic world"

Cryptocurrency veteran Meltem Demirors, Founder and General Partner at Crucible, let delegates into her world with her opening keynote presentation on day 2 of the CfC St. Moritz conference, emphasizing that crypto is part of a larger value chain.

She explained that economic systems comprise of energy, matter and information, describing the global economy as an open system that transforms inputs, matter and resources into goods, services and products.

"Without energy and matter, we can't do anything. Our primary objective is to get better at finding ways of creating interactions between various forms of energy. We live in a thermodynamic world," she said.

Just about every sector including crypto, AI and technology are entirely dependent on the ability to produce energy at low cost and to deliver it

to a data center, she added, drawing attention to radical shifts that are taking place.

"I think these markets are going to be built on-chain," she said. "I'm going to say something really controversial: the AI that we see today would never have reached the magnitude it's at without Bitcoin mining."

This is because Bitcoin miners were early to understand the importance of low cost energy, swooping into countries, areas and sectors where power and electricity are abundant. Bitcoin miners have benefited from their ability to be load-balancers, or in other words, to adjust their activities according to the availability of cheap energy. This puts them in pole positions of power.

"They own really low cost power purchasing agreements. They are fueled by lowest cost electrification. They've driven persistent demand for hardware in the form of these basics, and they've pioneered a really cool business model for data centers," Demirors added.

Stressing the importance of the overall interconnectedness, she noted that just about every AI data center is running the playbook that was pioneered by Bitcoin miners. She added that as institutional investors gain a foothold in the space the importance of these contracts will increase, adding that among the top 12 asset managers in the US, almost every single one is doing something in the Bitcoin space already.

BLOCKCHAIN, AI AND QUANTUM COMPUTING: EXPLORING THE SYNERGY AND FUTURE OPPORTUNITIES AMID INFRASTRUCTURE CHALLENGES

- "Do you have data that's well balanced? It is huge concern"

- How do you turn a non-profit into a for-profit with open AI?

- "The demand projections are exponential. Over the last 15 years, energy management has grown 81% here, and now we're talking about 500%"

The evolution and implications of decentralized AI and generative models, the challenges of data privacy and bias, and the exponential energy consumption of training models were the key themes of the discussion that featured eminent thinkers in the space.

Dr. Leemon Baird, inventor of the hashgraph distributed consensus algorithm and Co-Founder of Hedera, highlighted issues surrounding how AI data is collected.

"So these AI systems learn from text and images that are out there. They just go through it many times," he said. This then brings up issues on copyright, could the data used be biased or even racist.

"Do you have data that's well balanced? It is a huge concern. And so the entire industry right now is struggling with this," Baird added.

For Olivier Roussy Newton, Chairman and CEO of BTQ, the most interesting aspect is how models can be decentralized, with attention on how to turn a non-profit into a profit-seeking enterprise with open AI.

"In the last year, the open source models really caught up with a lot of productive models, so now

you could run Llama 3.3 on your own hardware, right? So it's opened up this AI compute game to all of the data centers and others," he said. Kerri Langlais, Chief Strategy Officer for TeraWulf Inc, highlighted her company's role in building the digital infrastructure that actually powers and models.

"Demand projections are exponential. Over the last 15 years, energy management has grown 81% here, and now we're talking about 500%," she noted.

Geography also comes into play, she said, adding that while data centers tended to be located near population centers, that has now shifted to places further away. She noted too that a lot of lessons were learned from Bitcoin mining.

"Co-locating at a large base load, renewable energy like nuclear, makes a lot of sense," Langlais added.

The panel, led by David Johnston, Open Source Contributor at Morpheus, also touched on the future of quantum computing and its integration with AI and blockchain technologies. Dominic Williams, founder of the Internet Computer (ICP) blockchain project and President and Chief Scientist of the DFINITY Foundation, talked about risks associated with AI.

One aspect is how confidential data is processed while "another concern is that it will be encrypted with the infrastructure of the encrypted ransomware."

"I think a lot of people are going to prioritize security and recipients over inference costs, because inference costs aren't that great anyway. So that's one big opportunity we're pursuing, and there are already lots of models running on the internet," he said.





OWNING (AND SHARING) THE RAILS: ARE WE WORKING TOWARDS AN INTEROPERABLE FUTURE?

- One billion crypto users will be reached in 2025, says David Johnston, Morpheus

- Solving the interoperability issue is an urgent necessity

- There is a “Bitcoin renaissance” happening among developers

As the crypto industry has shifted from competition to greater collaboration among blockchains, the need for scalability and interoperability has come to the fore. But to attain mass adoption and fulfill industry’s goal of reaching one billion users will take around 1.2 million transactions per second (TPS), versus the current TPS of 1600.

“We have seen an explosion of blockchains with the goal of scaling to this big user number. But in that effort, we have created a larger problem. We fragmented the user experience, as well as assets,” said Robinson Burkey, Co-Founder of the Wormhole Foundation, during a panel hosted by Anthony Day, Head of Strategy and Marketing at Midnight.

David Johnston, Open-Source Contributor at Morpheus, pushed back on Burkey’s comment that the one billion goal is a “pie-in-the-sky” number, predicting that the goal will be reached this year.

“If you look at the growth, it’s been doubling every year, and we’re at 500 million wallets installed right now. The urgency is there to solve the interoperability issue right now because the masses are coming,” he said.

Muneeb Ali, Co-founder of Stacks, a Bitcoin Layer-2 (L2), highlighted the role of L2 solutions

in Bitcoin and their potential to enhance Bitcoin’s programmability and scalability. He believes that there has been a “Bitcoin renaissance” in the past few years among developers.

“What attracted me to Bitcoin 10 years ago and attracts me to it today, is that we know that Bitcoin is going to be around – it’s durable and simple,” he said. “While Ethereum still has this culture of experimentation and pushing the envelope on a bunch of these things, now that is happening on the Bitcoin side.”

The panelists also discussed: the need to improve data and information sharing across different blockchain networks; the potential of tokenization and institutional adoption of blockchain-based assets as a driver for further interoperability; the need for a more favorable regulatory environment that encourages innovation and cross-border collaboration in the blockchain space.

In terms of one thing that could encourage interoperability and broader adoption of blockchain the next year, Johnston said that, in all the abstraction, it is critically important not to lose self-custody. “The entire basis of the industry exists and will be valuable as long as self-custody exists,” he said.

Ali hopes for a regulatory thawing, which is partly coming true in the US. “A lot of innovation and technology still comes from the US, but almost every major crypto project or company was involved in a lawsuit against the regulators. That’s not a great environment. My wish is that the regulators start changing their behavior to create a productive, healthy environment for everyone,” he said.

REWIRING OF FINANCIAL MARKETS: THE CROSSROADS OF EMERGING TECHNOLOGY TO SOLVE YESTERDAY'S CHALLENGES



-Market structure is evolving but credit remains mis-priced and the lack of segregation of functions on exchanges are issues

-Prime brokerage opened the door for FX markets to grow exponentially, crypto will follow the same playbook

-"If Bitcoin does become a hard, preserved value of money like gold, it absolutely makes sense that central banks will hold it.

Prime brokerage opened up the door to huge growth in foreign exchange with daily volumes surging to \$6.6tn by 2022 from just above \$1tn at the turn of the millennium in a playbook that crypto markets are also likely to follow.

This is according to Michael Higgins, acting International CEO and Global Head of Corporate Development at Hidden Road, who said digital assets as an industry is at an inflexion point as institutional investors grow their presence in the space, leading to changes to practices.

"Many of the crypto exchanges have been resistant and frankly unwilling to provide financial statements and balance sheets, let alone audited balance sheets. That's a major problem, as institutions have fiduciary responsibility to complete KYC to face any counterparty," he said.

Higgins highlighted the mispricing of credit and the lack of segregation of functions as key problem areas for the industry. In traditional asset classes exchanges are restricted to running a marketplace, with other business areas such as custody and brokerage strictly separated. "The notion that the exchange is running a marketplace, acting as custodian of user assets, and, in certain instances, running internal

market makers is risky and ripe for failure," he said.

Higgins reflected on the big events in 2024, including BlackRock's tokenized money market fund, stablecoins' domination of the market with a \$200 billion market cap, led by Tether and Circle, and the launch of the US Bitcoin (BTC) ETF, which he called the "crown jewel".

"The US market is a very equity-centric market, so taking Bitcoin, putting it to a regulated, acceptable equity format, was the last and final step to truly open up the market," he explained. "As a result, there's been greater liquidity [and] greater product development as bigger entrants demand greater accountability and greater accessibility from the entire industry."

Just as the BTC ETF allowed the US market to gain traction and help overall maturity, Higgins believes that the talk of central banks holding digital assets in reserve could prove to be a reality. "If Bitcoin does become a hard, preserved value of money like gold, it absolutely makes sense that central banks will hold it. Gold is expensive to buy, transfer and hold. Bitcoin is a much better store value."

INVESTOR TOOL KIT: SAFEGUARDING ASSETS TODAY AND TOMORROW

- Crypto has done a good job of reducing hacks and scams through improved security measures

- Geopolitical tensions and the weaponization of the dollar has put stablecoins into focus due to sanctions

- The influx of traditional investors will favour solutions that allow them to access digital assets in a similar way to other asset classes

As Bitcoin is on the brink of becoming a central bank reserve asset and as stablecoins and tokenized money market funds increase their role in the collateral space, custody providers have to meet a higher bar than ever before.

Once a space famous for hacks and scams, the industry has done a good job of improving security in the space, David Newns, CEO of SDX told delegates, noting that while the overall market cap grew some 40%, thefts have fallen by a similar degree.

"What's really important, first of all is that we acknowledge the overall trend that we've seen in the crypto industry over the last nine, ten years, which is to say that while volumes have been going up, the proportion that has been illicit finance has been trending down," Simone Maini, CEO of data and analytics company Elliptic, agreed.

Brett Reeves, Head of OES at BitGo, noted that the new breed of participants and investors want to use qualified custodians and regulatory requirements are also pushing them to seek

appropriate safeguarding for their assets.

"The everyday user and the institutional clients that want to come into this space have fiduciary responsibilities to their investments. They have to store it at a third party. So you have to then start looking at custodians or the third parties... we want to make sure they're managed and regulated in the program," Reeves said.

It's not just who looks after assets that's changing but what investors want to keep safe as well. Stablecoins are increasingly in the spotlight due to their growing role in the collateral space.

Maini noted that stablecoins have come under the microscope due to geopolitical tensions and sanctions by authorities such as the OFAC in the US, which translates into elevated compliance and legal risks for companies and investors.

"KYC is immense today. If you move from one institution to another one, the work is repeated twice. You know, it's a stupid thing about the business. Clients should own their own KYC knowledge. We should be in position to verify proposed information," Nicolas de Skowronski, Executive Board Member and Head of Wealth Management Solutions at Julius Baer & Co Ltd. said.

Panelists also discussed the anticipated influx of traditional institutions into the custody space, with SDX's Newns emphasizing that TradFi investors want to access products in a way that's familiar to them and in a way that fits with existing processes and practices. Julius Baer's de Skowronski agreed and noted that his bank was the first one to make digital assets part of a discretionary portfolio.



THE BUCK STOPS HERE: IMPROVING MARKET LIQUIDITY & INFRASTRUCTURE FOR THE NEXT TRILLION MARKET CAP

- Crypto liquidity is healthy but it's off the highs of 2021
- The presence of HFTs and market makers is balancing out retail and billion dollar liquidations are absorbed regularly
- Fragmentation and lack of efficiency in capital and credit allocation due to pre-funding remain hurdles to growth

predominantly retail-driven market. As market makers from both crypto and traditional markets increased their presence due to the arrival of ETFs the change in composition has resulted in more stability.

"ETFs have changed the market structure," said Leon Marshall, CEO of Galaxy Europe and Global Head of Sales at Galaxy Digital.

Thomas Restout, Group CEO of B2C2, noted that liquidity conditions remain below the highs seen in 2021, while Tim Ogilvie, Global Head of Kraken Institutional, added that participation from retail has yet to hit previous peaks.

Ogilvie also highlighted a "tale of two markets," noting that outside the most traded pairs and beyond the cash market conditions are less favourable.

"The Bitcoin market is very deep, very liquid, and has a lot of activity. But further out the risk

curve is where more stressed liquidity starts to happen. There isn't the depth of institutional activity in terms of markets on CME, or just overall activity to absorb what will be a lot of energy going into this space," he said.

The hurdles to improving these conditions are due to regulations that make it prohibitively expensive for banks to enter the space, although some think that there will be pushback from the industry as many financial institutions are keen to participate.

"The Bank for International Settlements approach, which is being implemented at the national level, will make it very difficult to scale these businesses," said Mathias Imbach, Co-founder and Group CEO of Sygnum, who noted that this is especially true for derivatives and longer-dated products.

"Hopefully, with positive lobbying, we can end up in a place where it can scale sustainably.

Otherwise, it will always be – even for big players – a reason to not get into the crypto space," Imbach added.

Restout also pointed to the high level of fragmentation in terms of liquidity pools and the lack of capital efficiency due to having to pre-fund trades on individual exchanges. "As more traditional players come into the space, they can't make sense of the systems and how to trade," he said. "All the major exchanges are pre-funded, which the traditional market isn't used to. So, having a prime broker in the middle is important to help bridge the gap between the world that people are used to and the world that settles on blockchain," he said.

Panelists were also positive on the prospects of DeFi, noting that banks will go wherever their clients go.

With \$36 billion flowing into Bitcoin ETFs in the past year and new participants entering the space, liquidity gaps and frequent flash crashes are things of the past, panelists said.

The changes are down to the different mix of participants in what used to be a

A photograph of Christian Angermayer, a man with dark hair, wearing a dark blue zip-up jacket over a white shirt. He is seated and gesturing with both hands raised, palms facing forward, while speaking. A small lapel microphone is clipped to his jacket. The background is a blurred stage setting with a large screen displaying a mountain landscape.

INTERVIEW WITH FOUNDER CHRISTIAN ANGERMAYER

Christian Angermayer is no stranger to controversy. A serial entrepreneur and investor, he has founded three unicorns, been the lead investor in four more, and backed two decacorns. His family office, Apeiron Investment Group, is focused on companies shaping what he calls the “Next Human Agenda”—a future where technology allows people to live longer, healthier, and happier lives. His portfolio spans life sciences, AI, fintech, psychedelics, and crypto, and he’s even produced Hollywood blockbusters.

Now, he’s making headlines with his boldest projects yet. The Enhanced Games, set for a 2025 launch, will challenge the traditional Olympics by allowing athletes to use performance-enhancing drugs – a move he believes could “usher in an era of superhumans.” He’s also deeply involved in a project that aims to develop brain-computer interfaces to help people with sight or movement impairments, a parallel to Elon Musk’s Neuralink.

But perhaps his most unexpected stance is his belief that Donald Trump’s return to the White House could be a game-changer for scientific progress, biotech innovation, and digital assets—a position that may surprise many. “Half the people in America expect the worst because the media got it completely wrong and painted him as the next authoritarian dictator, or whatever. But actually, his policies and actions are quite centrist,” Angermayer says in an interview, just weeks before Bitcoin hits \$100K for the first time ever.

For Angermayer, Trump’s real value lies in his focus on deregulation – something he believes could unlock scientific breakthroughs, revolutionize biotech, and accelerate the adoption of Bitcoin and digital assets. Deregulation, for Angermayer, doesn’t mean less regulation, simply less red tape and inefficiencies. He pointed to countries like Singapore, where he feels efficiency (rightly) takes precedence.

“

IF YOU HAVE CANCER IN 2024, YOU GET DRUGS THAT WERE INVENTED IN 2009 WHEN WE DIDN'T EVEN HAVE MOBILE IPHONES. DO YOU WANT TO BE TREATED WITH 15-YEAR-OLD TECHNOLOGY?

"I think he is going to be even more transformative than we expect because he is going to focus on deregulation and innovation, a lot like Elon Musk, and I think together they can change the world.

This stance aligns closely with Angermayer's investment philosophy. He argues that overregulation has become the biggest bottleneck to scientific and technological progress. In biotech, for example, the current approval system forces companies to wait 15 years for new drugs to go from concept to market. The result? Millions of people receive outdated treatments because modern solutions are still tangled in bureaucracy.

"If you have cancer in 2024, you get drugs that were invented in 2009 when we didn't even have mobile iPhones. Do you want to be treated with 15-year-old technology, or do you want something more modern?" he asks.

The problem, he argues, isn't about lowering safety standards but about bureaucratic inefficiencies.

"The problem is not that we as biotech companies have to do safety studies. The problem is that sometimes we ask the FDA something, and they're not responding for six months, and we sit there and just wait and wait and wait."

This waiting game isn't just frustrating – it's incredibly expensive. Running a biotech company requires a fully staffed medical and management team, often costing \$2 million a month, even before trials begin. The SEC's handling of crypto IPOs is another example of this inefficiency. Instead of outright banning them, the agency has allegedly employed a "shadow ban" strategy—stalling approvals with endless questions rather than issuing a formal rejection.

"It's so un-American," Angermayer scoffs.

But with Trump back in office and key regulatory positions shifting – Paul Atkins, a crypto advocate, set to lead the SEC, and Jay Clayton taking charge in Manhattan – Angermayer believes a seismic shift in policy is coming.

"The Trump administration will be very positive for Bitcoin, especially if they make it part of their Treasury strategy. So, long story short, I'm very bullish on digital assets, and especially on Bitcoin."

Angermayer, who describes himself as 95% Bitcoin maximalist, sees crypto, AI, and biotech as the three defining investment trends of the next decade. And with Musk expected to play a key role in government efficiency, he predicts that Trump's return will move faster than people expect.

The Enhanced Games, meanwhile, continue to gain momentum, with the New York Times reporting that they could signal a "new era of superhumans." Angermayer fully embraces this vision, seeing human augmentation as an inevitable step forward. The Games, he argues, are not just about competition but about changing the way society thinks about medicine and human potential.

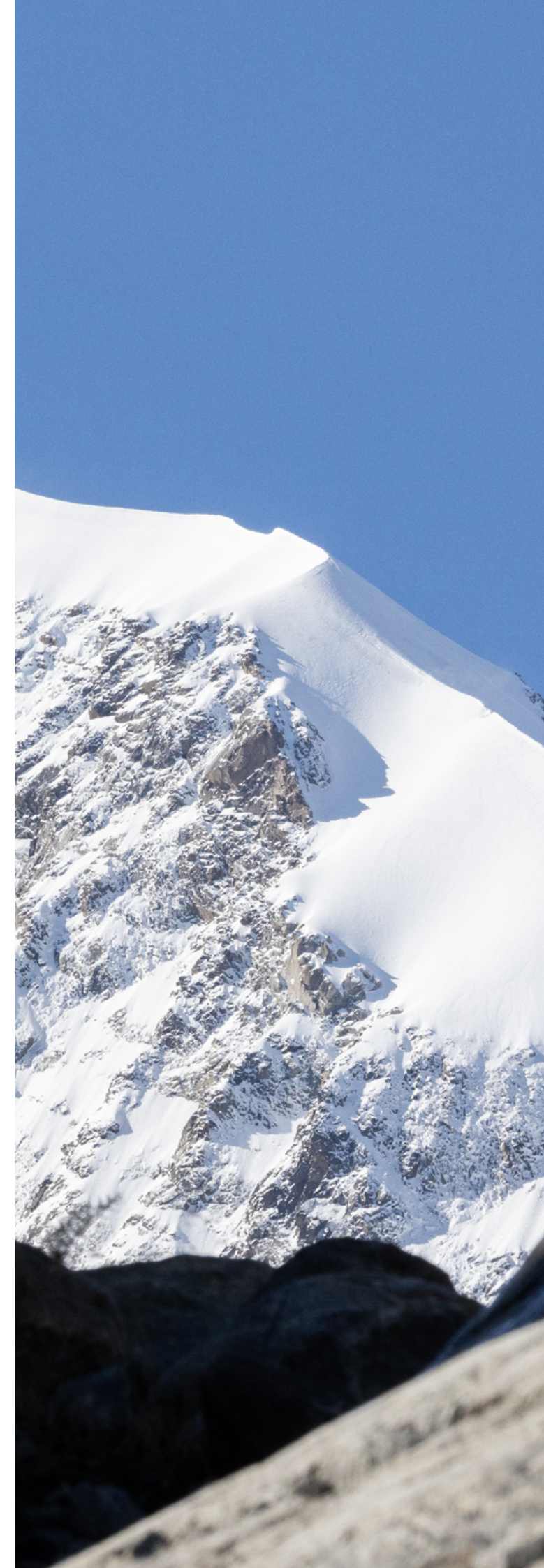
But rapid change always comes with risk.

"If you change so much at the same time, there is a risk of unforeseen events happening," he acknowledges.

The scale of transformation – from biotech deregulation to the realignment of global finance and the rise of AI-driven economies – means volatility is likely in the short term.

"I think net, the outcome will be really good, but we will have to live with a year of high volatility and potentially unintended consequences. I hope they can manage it."

For Angermayer, investing is about betting on the future, and the future is moving faster than ever. Whether it's Bitcoin, biotech, AI, or human enhancement, he remains firmly on the side of radical innovation. And in his view, the next wave of progress may come from the most unexpected places.





INCLUSION AND PROSPERITY: MOVING THE NEEDLE ON ADOPTION IN EMERGING MARKETS

- “Where in the rest of the world, you have transaction volume going down, we have volume going up because it’s very much utility driven.”

- It may be important not to rush into the regulatory framework too early as it may stifle innovation

- PIX paves way for further digitalisation

Emerging markets have seen significant stablecoin adoption, with Sub-Saharan Africa accounting for about half of the record 5 billion of transactions that were powered by digital tokens in 2024.

In Nigeria, for instance, crypto transactions make up 15% of GDP. The discussion emphasized the potential for web 3 to

transform finance in emerging markets, with innovations such as multi-currency stablecoins and decentralized financial services.

Yoseph Ayale, who leads LAVA, a venture fund investing in web3 startups, said that an asset class that is very speculative in some parts of the world has the potential to redefine infrastructure elsewhere.

“In my view, there’s a direction where it can be a very interesting, speculative asset class that allows us to cycle capital and innovations and within a very small subset of the world, or it has got the potential to be a generation defining infrastructure that transforms how we approach trust, how we approach financing, how we approach the entire internet economy,” Ayale said.

He cited the potential in Africa with the world’s fastest growing population and the rapid increase in crypto use and adoption even in bear markets.

“Where in the rest of the world, you have transaction volume going down, we have volume going up because it’s very much utility driven.” Fabio Araujo, senior advisor currently coordinating work for the future implementation of DREX – the digital version of the Brazilian Real, highlighted his country’s experience by noting that it is important not to rush into the regulatory framework too early, because it may result in curbing innovation. Still, there also needs to be clarity on the direction of progress in regulation in order to attract investors and entrepreneurs.

The country’s payment system PIX, has enjoyed great success, setting up the scene for further innovation.

“We are trying to figure out a way to create a platform where all the countries in the region can operate, and I think it’s similar to what we do with having multi-currency stable coins,” said Araujo.

Chris Fabian, Co-Founder and Co-Leader at Giga (UNICEF & ITU) talked about the importance of reaching out to governments.

“The trick is, we don’t talk about blockchain. We don’t talk about crypto, which is, I know, antithetical to the world of all of us who like building new stuff and building big tech. But in fact, in the emerging market, in this space, where everybody’s building on this panel, it’s so delicate that if you say something that’s too exciting, it can actually ruin the entire dish that you’re trying to cook,” Fabian said.

COMMUNITY, PURPOSE OR REVENUE BUILDING THROUGH GAMING, MEMES AND THE CRYPTO CASINO(S)

- Meme coins are an interesting social experiment of community building through a feeling of belonging around something funny
- Blue-chip memecoins show resilience in bear markets
- Multiple AI meme coins will hit \$1 billion market cap in the next 36 months, says Dr. Nagendra Bharatula

Whether the establishment likes it or not, memecoins are hot, especially after President Donald Trump launched his own version just days before taking office. They emerged in 2013 as a joke initially, with Shiba Inu and Doge coins being prime examples, but they've grown into a \$127bn market cap space in just over a decade. Still, despite their explosion in popularity, memecoins have struggled to gain recognition as an investment universe due to their lack of underlying economics. Pump and dumps and scams often yield sky-high returns initially, before losing all their value.

Theodore Agranat, Director of Web3, Gunzilla Games, said that there is an inherent problem when the only value accrual of a memecoin is that the people investing hope, anticipate and expect to get a financial return, but no value is generated within an ecosystem. He argued that it then becomes a discussion as to whether appropriate disclosures are in place and whether people understand individual factors such as an unlimited supply that Doge has.

"I don't have issues with what I call an



interesting social experiment of community building through a feeling of belonging around something funny, but I do have a problem with whether people are educated around the risk of return," he said.

Dr. Nagendra Bharatula, Founder and CEO of the G-20 Group, highlighted the success of blue-chip meme coins like Doge and Shiba Inu, noting their resilience in bear markets and their role in driving Solana's growth. Recently, the G-20 Group published a report which illustrates the importance of memecoins. He also stressed the accessibility and simplicity of meme coins, making them appealing to a broader audience.

Ryan Kim, Co-Founder and Partner at Hashed, on the other hand, criticized the current state of web3 gaming, calling it disappointing and unsustainable. Like Agranat, he stressed the need to focus on user experience rather than just financial incentives, while conceding that meme tokens can be used as a user acquisition model.

When thinking about AI and memecoins, Bharatula believes that AI memecoins will become valuable as they accumulate attention and influence. He predicted that AI agents will raise funds from other AI agents, creating a self-sustaining ecosystem. He also believes that multiple AI meme coins will hit \$1 billion market cap in the next 36 months. The panel was hosted by Zenobia Godschalk, Founder and CEO of ZAG Communications.



TOKENIZING THE NEXT TRILLION DOLLARS OF ASSETS: PREPARING THE INFRASTRUCTURE AND ENVIRONMENT FOR RWA TOKENIZATION AND MASS ADOPTION

Tokenized real-world assets (RWA) have the potential to revolutionize capital efficiency and asset movements, especially as on-chain collateral management and privacy-preserving stablecoins come into focus.

Carlos Domingo, Co-Founder and CEO of Securitize, underscored the origins of security tokens in 2016, noting that their initial failure came as a result of regulatory aversion and technical challenges. Things have moved on since, with the current focus centring on stablecoins, which have gained traction due to their efficiency in collateral management and 24/7 trading capabilities.

"You can bring significant efficiencies and bring them on chain. And it's not just bringing them for the sake of the asset itself," Yuval Rooz, Co-Founder & CEO of Digital Asset.

"So, if you actually think about it from a financial institution perspective, there's a significant opportunity to improve your return on capital," he added.

Amar Kuchinad, who serves as the Global CEO of Copper.co, said that tokenized assets have great scope and they can solve for many inefficiencies that are currently in the financial system.

"There are problems that need to be solved that tokenized assets can solve, and I think you've all touched on it, which is the collateralization

and making capital efficiencies," he noted, adding that for financial institutions these considerations are crucial.

"And when they start considering how they can optimize around their capital, movement of collateral turns out to be a huge unlock," Kuchinad said.

Eric Wragge, Global Head of Business Development & Capital Markets at Algorand, highlighted the importance of shared ledgers in improving efficiency and reducing disputes in bankruptcy cases.

Rooz, meanwhile, talked about the element of speed.

"If you want to trade futures, you need to post two types of instruments. When you start to put your position, called initial margin. It's the initial margin that is required for you to put on a derivative position. And every day, depending on market movements, you will fund your variation margin using cash," he explained.

"And as a result of the usage of cash, which is only available during banking hours. Future markets don't set collateral over the weekend, and therefore cannot offer 24/7 trade." If all forms of collateral are allowed to be tokenized then it follows that all futures and derivative exchanges would be able to operate 24/7, he added.



1000% APY – FACT OR FICTION: APPLICATIONS, RISKS, AND REWARDS IN THE DIGITAL ASSETS SPACE

- Innovative products like yield-bearing stablecoins and perpetual options offer higher yields
- Private banking clients and big institutions in Asia are focused on Bitcoin
- There is no innovation without speculation, says Paradigm's Anand Gomes

While many entering the crypto space dream of enormous returns, they also need to understand the risks involved – such as smart contract risk, liquidity risk, and counterparty risk – inherent in investing in the emerging asset class.

Panelists said that in general, the higher the reward, the higher the risk. While a 1,000% annual percentage yield (APY) reward is possible, it carries equally high risks because if the underlying asset plummets in value, losses can accelerate as tokens become impossible to sell. Paradigm Co-Founder and CEO Anand Gomes likened such speculation to venture capital investments.

"Usually 98-99% of early-stage investments go to zero because somebody thinks it's going to be worth more, but there is one that turns out, like a Bitcoin or Ripple," he said. "Even if one out of 10 works, then that's enough of a success rate [for VCs]," Gomes said.

While some people may be willing to take

massive risks with their capital to try to attain extraordinary returns, most institutional investors prefer lower risks and are happy to sacrifice some returns. Evy Theunis, Head of Digital Assets, DBS Bank's Institutional Banking Group, said that while a huge return can happen, it is like finding a needle in a haystack.

"Most investors who made their money outside of the digital space are just not going to do that," she said. "It's inconvenient, it's too hard, and instead they will put their money in blue chips or VCs to ensure that they get some return." She reported that private banking clients and big institutions in Asia are focused on Bitcoin.

Evgeny Gaevoy, Founder and CEO of Wintermute, added that there is a risk for a serious institution to go after such a return, for the institution will suffer reputational damage if it collapses.

When asked about exciting innovations in DeFi in the past year, Javier Rodriguez, Chief Commercial Officer and Head of Asset Management, XBTO, pointed to yield-bearing

stablecoins, perpetual options and he highlighted the pace of change. "The faster things change, the more businesses are going to grow, and the more people are going to engage in this space," he said.

The panel also discussed the potential for decentralized exchanges to offer new investment opportunities and the role of innovation in driving adoption.

As Gomes said: "There is no innovation without speculation."

The panel was hosted by David Wachsman, Founder and CEO of Wachsman.



SEPARATING THE WHEAT FROM THE CHAFF: DOES EXPERIENCE OR INTUITION HELP TO IDENTIFY FUTURE WINNERS?

- Market size is a crucial consideration
- Listening to and trusting intuition is important
- Staying open to new opportunities is key

How do you identify future winners? Panelists with a wealth of experience as early-stage investors singled out some qualities worth looking out for, including the key traits of successful founders such as integrity, intelligence and drive as well as external factors.

“On the people side, obviously you want integrity, you want intelligence, you want to drive. What product are they doing, what market? And by the way, we all say that the entrepreneur is the most important thing in the decision, but that’s a lie,” Howard Morgan, Chair and General Partner at B Capital and a pioneer of early-stage investing, said.

He singled out market size as a crucial consideration. “Is the market really big enough, and are we going to be big enough?”

Morgan added that how founders react to hitting difficulties is also a crucial test. Christian Angermayer, founder of Apeiron Investment Group, said that intuition also has

a role to play, but he cautioned against rushing into decisions driven by greed and speed.

“Intuition is sometimes a feeling you can’t describe...I think one of the other talents is to really listen to intuition,” he said.

Morgan noted that it is useful to recognize that intuition develops over time that it’s about identifying patterns. He also stressed the importance of a personal fit, considering the length of the relationships between investors and founders.

“And the other thing about founders is you’re gonna have to work with them for a decade. Do I want to spend a decade talking to this person every week, or even more often, sometimes?” Turning to Bitcoin, Angermayer acknowledged a particular focus.

“I’m very much like a Bitcoin maximalist, because we do other stuff, but very focused on Bitcoin. I understand it as a replacement for gold,” he said.

Looking to future predictions, the panelists talked about the potential of brain-computer interfaces, AI in discovery, and the integration of blockchain with emerging technologies. They emphasized the importance of staying open to new opportunities and the potential for significant advancements in longevity and health.

EXTRACTING ALPHA FROM THE MARKET: WHICH ROADS WILL LEAD TO ROME?

- “We need more pioneering [bank] CEOs to get more institutional money on the table.”
- The gap between misinformation and knowledge is massive
- Quant funds, once they enter the space, will make a “killing”

After years of talking about the arrival of institutional investors into the digital asset space, it’s finally happening, although the largest and most conservative cohort is still very much in the exploration stage.

Joe Marena, Head of Digital Assets Research and Head of Hedge Fund Research at Cambridge Associates, which has \$600 billion of assets under management (AUM) and just \$2 billion in crypto—which is roughly 0.33% of its AUM.

“If we tried to do 1% of assets, everyone in the room would be very happy but it would create a huge problem because there would not be enough quality funds with capacity or quality VC-backed projects to put the money into—valuations would become distorted—and that just with our asset flows,” he said.

The panel, hosted by Michael Bucella, Co-Founder and Managing Partner at Neoclassic Capital, discussed the unique opportunities and challenges posed by the sector, agreeing that the industry is still in an early stage considering the size of global financial markets.

Ivan de Lastours, Blockchain and Crypto Lead at Bpifrance, highlights two issues that institutional investors face. First is the Basel Committee and its prudential treatment of crypto asset exposures, which he says is “killing” investments into crypto.

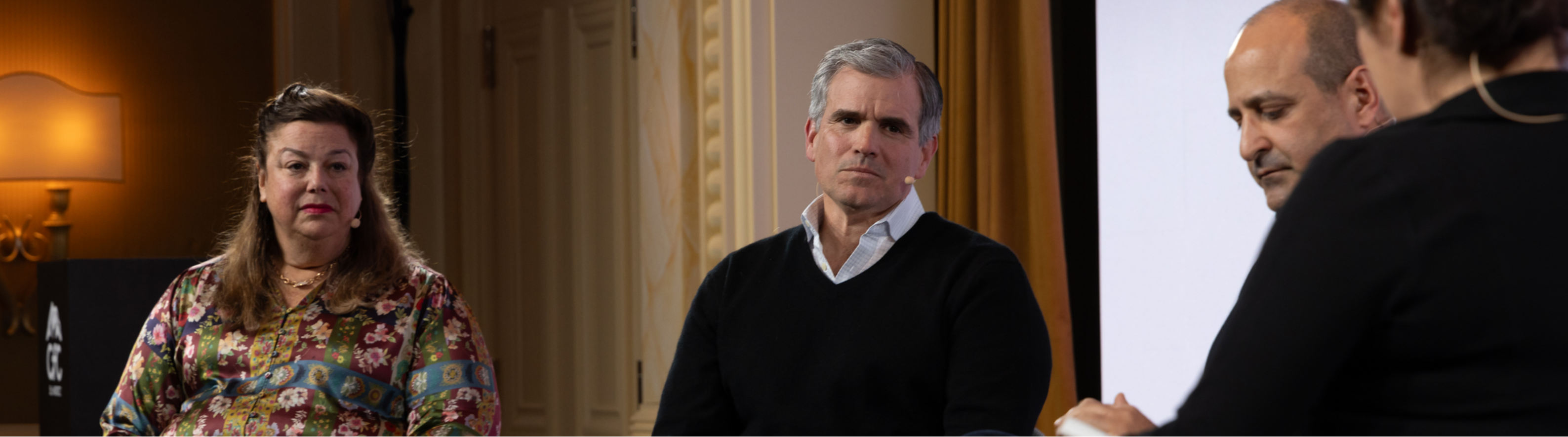


Secondly, it’s crucial to have a board like Bpifrance that cares about crypto, particularly in Europe. “Luckily, in the US, Larry Fink [BlackRock] and Jenny Johnson [Franklin Templeton] are talking about what they are doing in crypto. We need more pioneering CEOs to get more institutional money on the table,” he said.

According to Ray Hindi, Co-Founder, CEO and Chief Investment Officer at L1D, one of the limiting factors to greater institutional involvement is the large amount of misinformation in the market.

“At the beginning of each year, the chief investment officers of the major Swiss banks gather the pension funds [and other institutional investors] to give their views on the market. Even just a few days ago, the CIOs were still saying that crypto was for criminals,” he reported. “The gap between misinformation and knowledge is massive, and the only way you can address it is to take each investor one by one and educate them, which takes a long time.”

Looking ahead, Marena said once quant funds enter the crypto space, they should “make a killing with their sophisticated trading models and risk management tools due to the inefficiencies of the liquid token market today.”



INSTITUTIONAL ADOPTION: IN IT FOR THE TECH OR THE TURN?

- It would be irresponsible to ignore the best-performing asset since it was born on January 3, 2009

- The industry still needs regulatory clarity on security vs. commodity status

-Tokenized MMFs is going to be the next killer app, after stablecoins

Prior to the launch of spot ETFs in January last year, BlackRock managed no digital assets. As of yesterday, it managed \$61 billion of Bitcoin, Ethereum and tokenized assets on behalf of clients, reported Joseph Chalom, Head of Strategic Ecosystem Partnerships at BlackRock.

"Most of these clients had no exposure to Bitcoin, Ethereum or any tokenized asset before they bought their first exchange-traded products (ETP)," he said. "We are not centralizing crypto. We are broadening exposure to investors, and we do it on their behalf with a better vehicle than they had access to."

He argued that BlackRock is going into Bitcoin investment on behalf of its clients because it has a fiduciary duty to deliver the best possible outcome. "It would be irresponsible to ignore the best-performing asset since it was born on January 3, 2009," he said. In December, BlackRock publicly advocated that a well-diversified portfolio should hold 1% to 2% Bitcoin.

One of the most overlooked and most

important reasons underpinning the success of ETFs in 2024, according to Sandy Kaul, Head of Franklin Innovation Research, Strategies, and Technologies at Franklin Templeton, has been that many traditional firms are using digitally native service providers as part of their day-to-day operations.

"We are now moving to a wallet-based system, which is going to take time because the entire traditional financial industry has been built around the concept of accounts," she said. "We will see many benefits, such as the ability to co-mingle assets and we will start to see assets become interoperable."

Tom Jessop, President of Fidelity Brokerage, a division of Fidelity Investments, believes that investors will end up with a mix of products and hybrid market structures. "For most traditional investors, a crypto ETP is a good way to get exposure, if we manage them through existing service providers and accounts with known processes around custody, settlement, etc," he said. "We want customers to buy crypto directly,

but a large number are just happy to place a trade the same way they placed a trade for another ETP."

On the tokenization of money market funds (MMFs), Kaul likened the development to stablecoins.

"If you think about stablecoins as the first killer app, interconnectivity and instant redeemability between stablecoins and tokenized MMFs is next, which will unlock use cases in areas that no one would expect," she said. "It's so exciting because the utility is going to rapidly expand beyond the crypto ecosystem."

In terms of future wishes, Kaul emphasized the need for clarity on what constitutes a security versus a commodity. Jessop called for quick legislative and regulatory action and a safe harbor so that the industry can move forward before the rules are finalized. Chalom advocated for the SEC to allow Ethereum staking.

2024 will be remembered as the year when institutional investors pivoted towards crypto and started to imagine what the future financial infrastructure could look like. Bringing together representatives from three large institutions – BlackRock, Fidelity Investments and Franklin Templeton – provided some indication of just how far they have come and how they are fostering the adoption of cryptocurrencies.



INTERVIEW WITH RYOSUKE USHIDA, CHIEF FINTECH OFFICER OF THE JFSA

Japan is Back, again! Ten years after Mount Gox, the country is aiming to be at the center of web3.

Amid the fanfare around the EU's MiCA regulation and excitement about the future of US rules, it's perhaps easy to forget that Japanese regulators quietly won the "race" to have a fully-formed regulatory framework for digital assets some years ago.

Now, the country is working to be a global hub for digital assets, specifically web3. Ten years ago, Japan was the world's largest hub for crypto trading. Today it's number 23 on the Chainalysis adoption index. But this time around, Japan is no accidental participant: web3 became part of the national economic growth strategy in 2021 and in the years since the country has been making a concerted push to turn itself into the centre of this technology-driven paradigm shift.

These efforts are well and truly underway, with even conservative Japanese corporations deeply engaged in making the country's digital ambitions a reality. Sony recently announced it's developing its own blockchain, Soneium, a public, open network. Toyota, meanwhile, is considering integrating Ethereum into its vehicles and it started sponsoring hackathons. Japanese banks are also active. Nomura owns Laser Digital, a full-service firm specializing in trading, asset management, solutions and early-stage investing, while Mitsubishi UFJ is spearheading the development of Progmatic, a platform for issuing stablecoins and web3 financial operations, an effort recently joined by Mizuho Financial Group.

According to the government's 2024 update, Japan is "in the process of developing one of the



world's leading web3 business environments that is both safe and secure," without stifling innovation. And authorities are eager for international participants to know that Japan is open for the right type of business.

"We are eager to become a global financial center for web3 and the crypto industry," says Ushida Ryosuke, the Chief FinTech Officer of the JFSA. He also serves as the Co-Chair of Virtual Asset Task Force, FATF. "That's why we have been developing our regulatory framework."

It all started with the 2014 collapse of Mount Gox, once the largest crypto exchange in the world by far, which turned out to be a blessing in disguise in the sense that it supercharged regulatory efforts, resulting in the first legislation around crypto in 2016. A year later, amid the global ICO boom, crypto prices rocketed and Japanese exchanges were seeing the biggest volumes in the world and international start-ups flocked to the country to set-up their businesses. This didn't last and the initially friendly stance turned more restrictive after 2018, ushering in Japan's regulatory crypto winter.

Since the national strategy change, Japan amended its PSA and Banking Act in 2019 and subsequently created one of the world's first frameworks for stablecoins in 2022, the same year that FTX collapsed, leading to an increased focus from local supervisors the

world over. Japan, with its investor protection rules having been in place for years by this point, was well-insulated from the losses and it was able to move on without having to change its framework.

"In the past, people viewed digital assets as dangerous, risky assets only used for speculation and for money laundering. Some negative image persists, but it's changing and there is a realization that blockchain could be used for public good. That's why big players are coming to the market, and we welcome international players to come to the Japanese market to work with local stakeholders" he adds.

In 2023, stablecoin regulations came into force, although so far, the JFSA hasn't granted a license yet. Ryosuke emphasizes that this push is very much about real-life use cases, rather than a return to being a hub for speculative activity. The country's global rankings as a retail and speculative crypto hub tanked. Ten years ago, Japan was number 1 in terms of activity, with 80% of crypto transactions taking place in Tokyo. Now it hardly features on the radar of retail traders. This is fine with Ryosuke.

"What we are doing is completely the opposite of speculative retail trading and memecoin markets," he says. Tokenizing intellectual property is one example. Sony is building its own blockchain for a reason. As a big entertainment company they see the

potential of organising IPs on-chain. This could potentially lead to a market place in itself as tokens get traded on an exchange. These are the types of projects that Japanese authorities want to encourage. Asset tokenization, cross-border payments, stablecoins for various use cases are some other examples.

"We're exploring DAOs as an organisational structure and the way we think about local community and collective efforts are very much part of this. Contributing to the collective good by solving problems with technology is something I find quite interesting," Ryosuke says.

On a global level, speaking as the Co-Chair of FATF, Ryosuke says developing shared standards is going to be paramount for scaling web3 efforts, enabling tokenization, across the world. Without this, it will be very difficult for tokenized securities to gain traction, or to fulfill some of DLT's original promise in offering a better alternative to traditional finance. And it's not just technology, it's also about governance, hence the DAO explorations.

But amid all the growth, risks also need to be taken seriously, Ryosuke warns. As the space expands and prices rise, the number of transactions also goes up and as new participants come in, dynamics change. "What matters for us is to monitor market development. We should protect the investors, and then we should encourage healthy

innovation," he says. "It is concerning that more than half the jurisdictions in the world don't currently have a regulatory framework for digital assets because it makes our job harder in ensuring orderly and healthy growth."

Ryosuke also warns that there are unknown risks ahead, for example the ones flagged by the Financial Stability Board around tokenization in November, including liquidity and maturity mismatches as well as smart contract vulnerabilities.

"Technology offers solutions but it can also pose new risks to the financial system. In the past we focused on money-laundering and AML risks, and while those are still important, we have to think of the risks and opportunities that migrating to a new system bring, especially as more and more traditional players and financial institutions enter the space," he says.

"I don't want to stifle innovation, but we would like to strike a balance between healthy innovation and appropriate risk controls and protections for both investors and participants."

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