

Digital Assets Survey 2023



Preface



Dear Sir or Madam,

We are very pleased to present you the results of our WEPEX-adesso Digital Assets Survey 2023.

This year we were able to gain numerous interesting and versatile insights around Digital Assets with our online survey, which was conducted from July to August 2023. In addition to last year's data on eWpG, we included questions around MiCAR and the DLT pilot regime for the first time in this year's survey. 28 institutions from all areas of the financial market participated in the survey. We would like to take this opportunity to once again express our sincere thanks to all participants.

Our aim is to continuously expand and improve the survey in order to capture a qualitatively sound and always up-to-date picture of the market assessment of relevant players in the financial sector in the coming years. We would therefore like to invite you to contact us if you have any questions, requests or additional suggestions and ideas regarding the market survey.

We look forward to further personal discussions with you and wish you a lot of fun and interesting insights with our Digital Assets Survey 2023!

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WEPEX

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Director Line of Business Banking
adesso

Frankfurt am Main, September 2023

WEPEX-adesso's expertise in the capital market environment: Excellence in professional implementation-oriented consulting



WEPEX GmbH is an established consulting firm with 20 years of in-depth expertise in the capital markets environment and a focus on the entire securities value chain.

adesso SE combines professional industry know-how with technological competence. Holistic customer focus from conception, development and operation of solutions from one source.



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>5 years, usually 15+ years of pro-
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Top consultants
for all facets and areas of the
securities business



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with special consultancies and
leading universities

TECHNOLOGY



1,000+ completed projects
with renowned customers at home
and abroad



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Cloud, AI,...



9,000+ consultants
with deep technical and project
management expertise



3 Shoring Center
Bulgaria, Spain and Turkey

Executive Summary (1/2)



The eWpG is seen by the majority as an opportunity in the German financial market. Corresponding offerings are being prepared

- **Significance of eWpG:** The eWpG (Electronic Securities Act) has gained in relevance. 61% of the 28 institutions surveyed (classified here as "eWpG pioneers") use or implement eWpG solutions.
- **Permit Procedure:** One-third of participating institutions have or are applying for a (provisional) crypto securities registry license.
- **Competition:** The majority of players see the eWpG as an opportunity to strengthen their competitive position. In particular, the extension to electronic shares is judged to be advantageous, with the eWpG pioneers showing a clearer opinion in this respect than the other respondents.
- **Opportunities & Challenges:** The most significant opportunities associated with eWpG are efficiency gains and risk reduction. However, inhibiting factors vary between eWpG pioneers (lack of digital euro) and the remaining respondents (quantifiability of crypto securities benefits).
- **Services:** A strong potential is seen in services around the custody of private keys for crypto securities.
- **Affected organizational areas:** The eWpG affects many organizational areas such as IT, Operations and Asset Servicing. In particular, Trading, Accounting and Portfolio Management show significant differences in perception between eWpG pioneers and other respondents.
- **Market forecast:** Strong growth in crypto securities, crypto fund shares, and conversion from physical to electronic shares is expected in the coming decade.
- **Cost efficiency:** eWpG pioneers estimate that crypto securities can save up to 23% in costs on average across the securities value chain.
- **Future steps:** The majority of respondents (70%) aim to become active users of the eWpG and implement solutions.

Executive Summary (2/2)



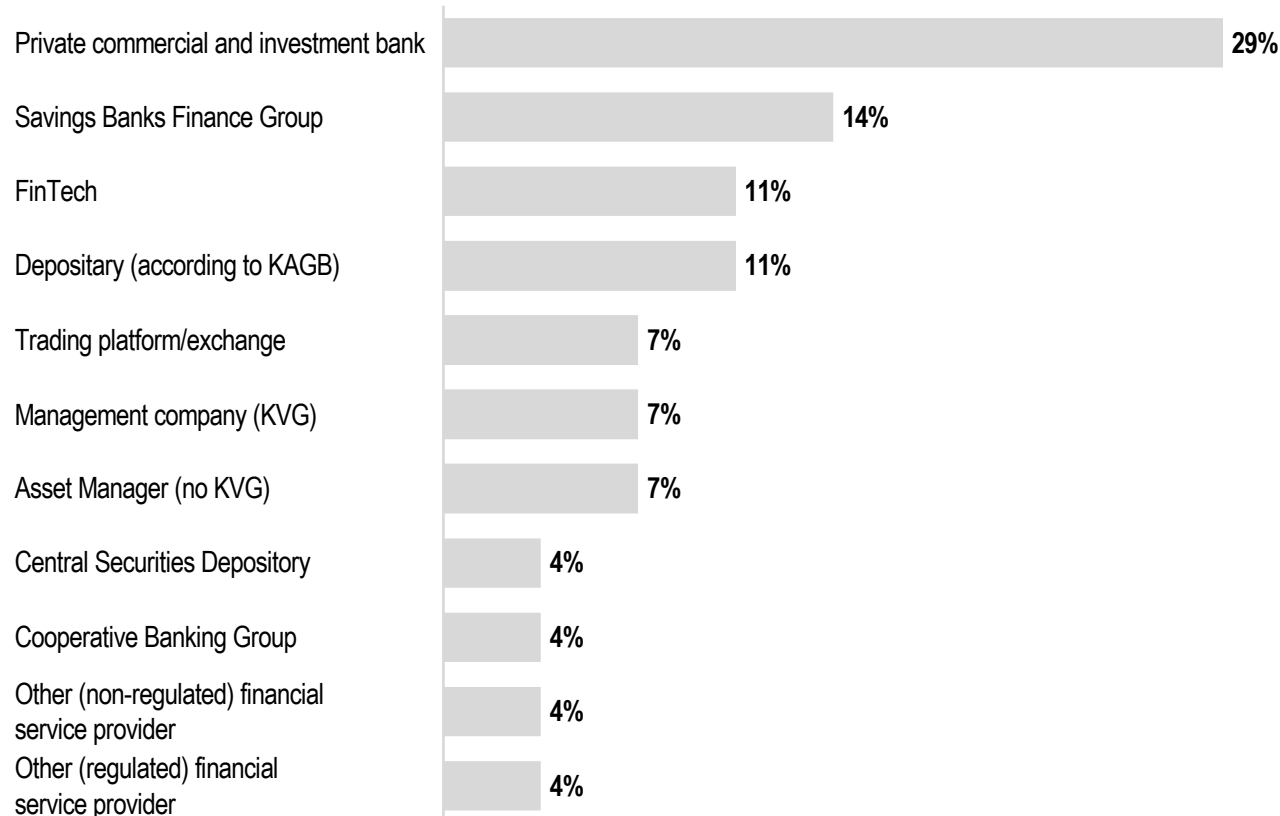
MiCAR and the DLT Pilot Regime will have a measurable impact on the German financial market

- **Market uptake and organization:** MiCAR is having its first visible impact on the market. The first "MiCAR pioneers" are establishing themselves, and their number is likely to increase further in the coming years. 23% of the institutions surveyed are already actively addressing MiCAR or are in the process of implementing it.
- **Crypto-Asset Services:** MiCAR pioneers are currently focusing primarily on crypto asset custody, management, and transaction order services. Other market participants, which are only in the preparation stage, are planning the same services and intend to offer and exchange crypto-assets.
- **Challenges in MiCAR implementation:** For MiCAR pioneers, cooperation and coordination of third-party providers, resource deployment and adaptation of infrastructure are the biggest challenges. "Other respondents" mainly see challenges in the lack of clarity in the regulation of crypto assets and services.
- **Impact on the crypto market:** MiCAR is expected to bring an increase in institutional investors in the crypto market, an expansion of crypto value issuance, and a positive effect on liquidity.
- **Crypto assets under the MiCAR:** Most respondents find e-money tokens and asset-referenced tokens most interesting.
- **Relevance of the DLT Pilot Regime:** More than half of the survey participants consider the DLT Pilot Regime as a significant opportunity to gain deeper insights and understanding in the new market infrastructure.
- **DLT Pilot Regime vs. eWpG:** A clear majority (79%) of the institutions surveyed regard the DLT Pilot Regime as complementary to the eWpG. Only a small minority (5%) sees the DLT Pilot Regime as a competitor to the eWpG, while the remaining share does not take a clear position.

The WEPEX-adesso market survey on digital assets reflects the current opinion of all important players in the German financial market



Classification of the participating organizations¹



The survey was directed to the **main players** in the **German financial market**

28 participating institutions from the financial sector

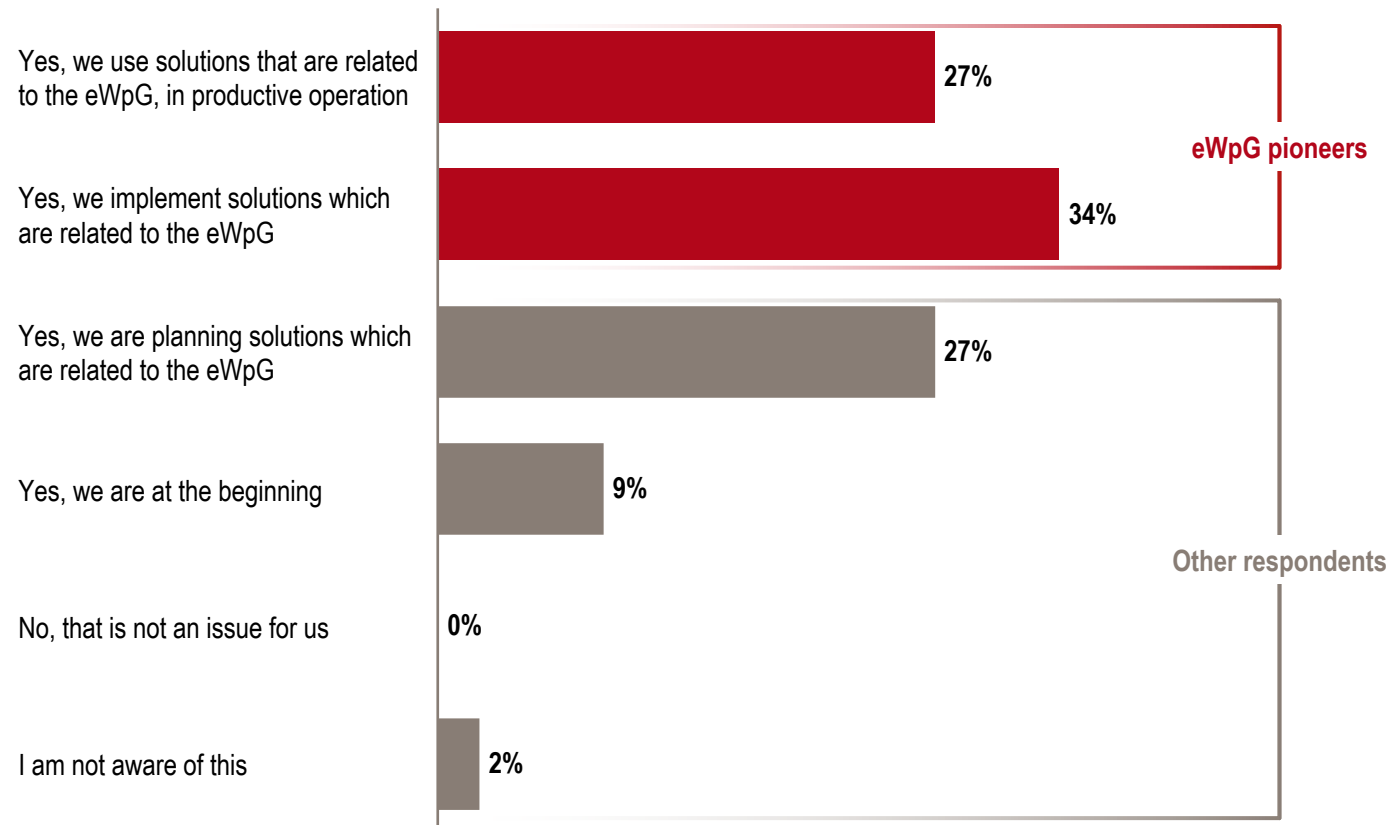
The survey was **collected** in **July & August 2023**

¹For the presented study, 34 eWpG-, MiCAR-, and DLT Pilot Regime-related questions were selected and presented using an anonymous online questionnaire

Two years after coming into force, the eWpG is assuming an increasingly important role for financial market institutions



Is your organization engaged with eWpG and if so, at what stage is it?



61%

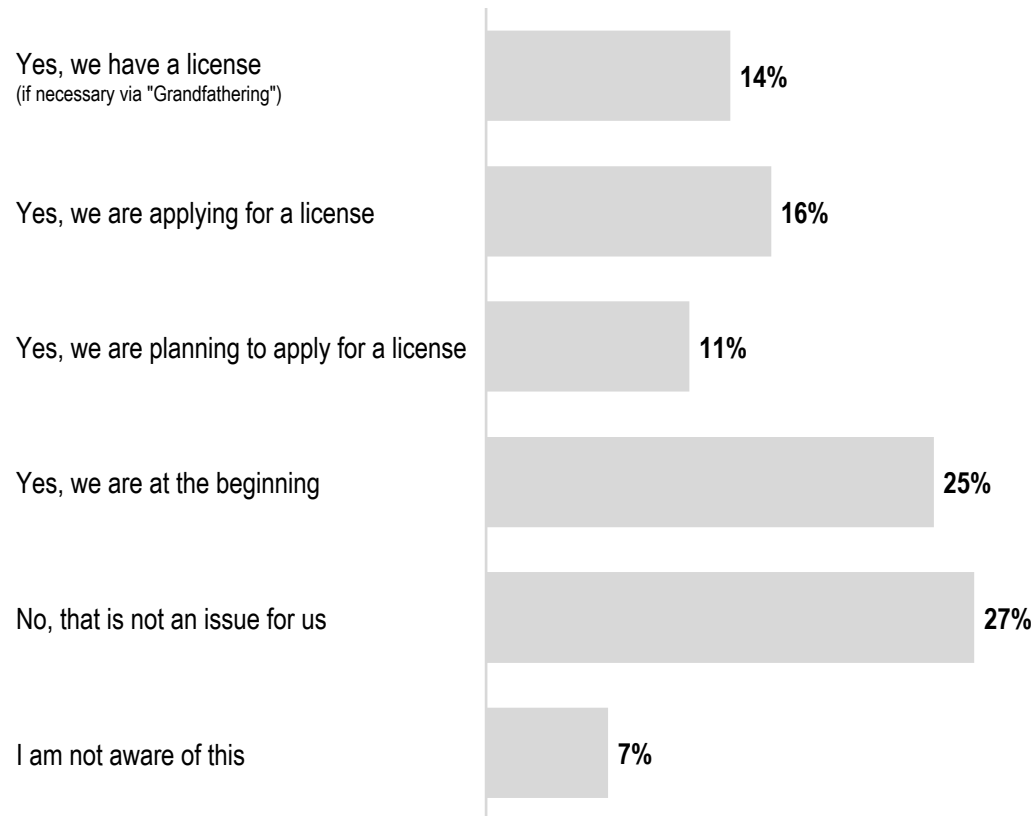
of all institutions surveyed - so-called **"eWpG pioneers"** - are actively engaged with the eWpG and are already using solutions productively or are in the implementation phase.

The remaining 39% of all the institutions surveyed - so-called **"other respondents"** - are in the planning phase or are not yet actively involved with the eWpG.

It is becoming apparent that the currently approved registrars for crypto securities will be joined by additional ones



Permission to keep crypto securities register according to the eWpG¹



30%

of all institutions surveyed **already have a "provisional" crypto securities registry license** or are in the process of applying for one.



Since the introduction of the eWpG, **ten registrars** have registered **52 crypto securities** in a crypto securities registry.

At least € 167 million in volume was issued, with the **majority** (approx. € 138 million or 82.4%) being **issued this year²**.

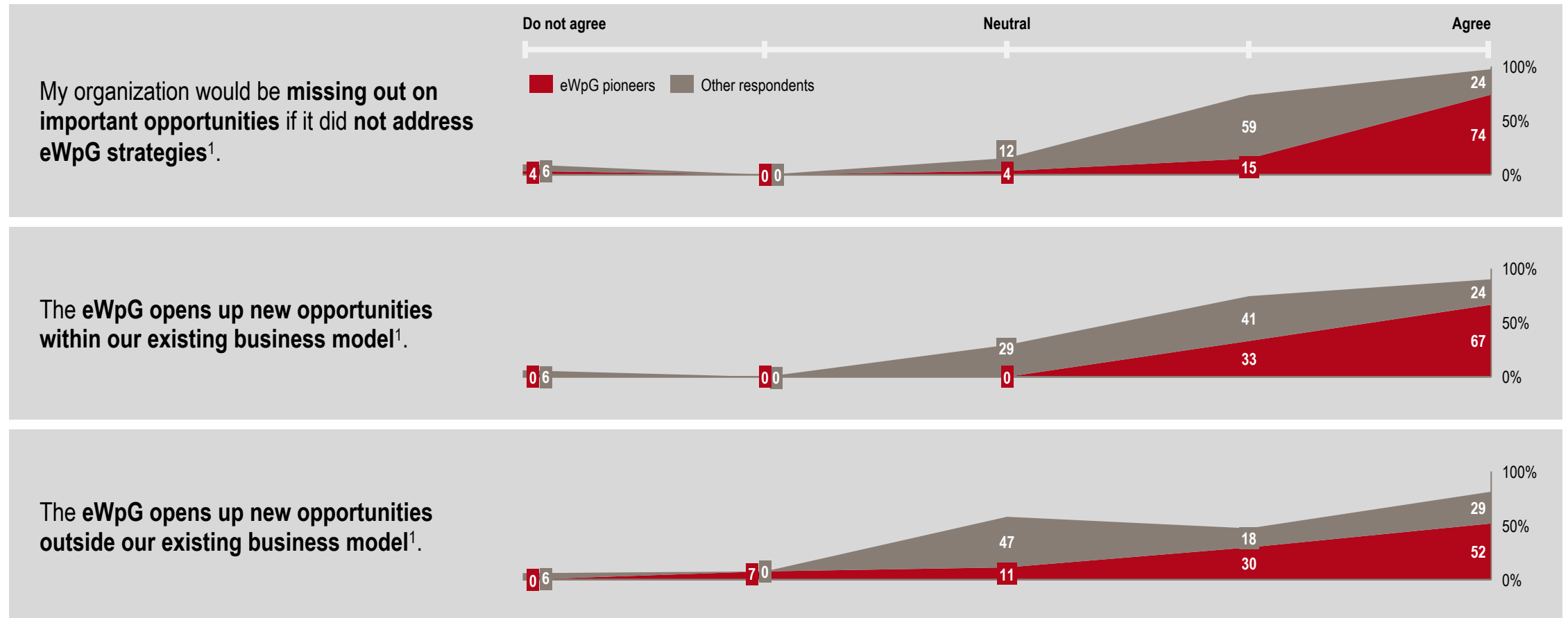
¹This is the opinion of all respondents, i.e., both the "eWpG pioneers" and the "Other respondents"

²As of September 4, 2023 - WEPEX Analysis

The majority of players in the German financial market link the eWpG with opportunities in competition for their business model



Competition in the context of the eWpG



¹Data points to which respondents answered "no information" are not shown graphically for clarity. Values rounded

Source: WEPEX-adesso Digital Assets Survey

Competition in the eWpG environment continues to increase. It is key to develop individual strategies and to sustainably strengthen one's own market position



Competition in the context of the eWpG

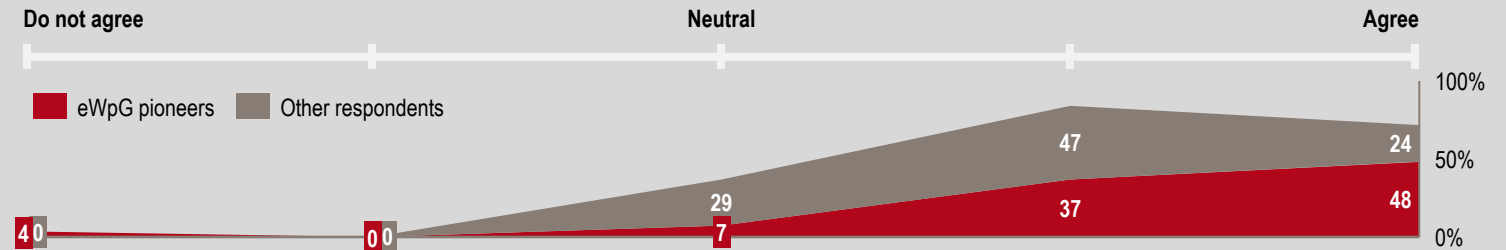
51% of the **eWpG pioneers** fear losses of revenue streams if market positioning is lacking or not fast enough.

Other respondents see this less critically: **only around 30%** consider a lack of eWpG offerings to be a trigger for declining sales.

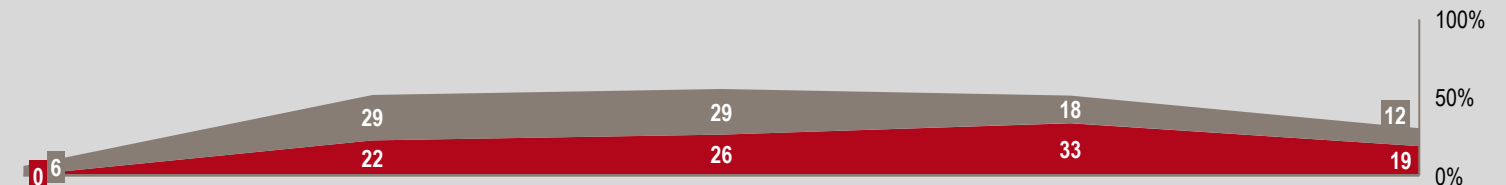
The **eWpG** plays a **key role** in the competitiveness of the participating institutions.

The majority of respondents agree that their respective competitors pursue strategies related to the eWpG.

Our **competitors pursue strategies** that are related to the eWpG¹.



We will lose revenue streams to competitors if we do not position ourselves quickly enough in the market with an eWpG offering¹.



¹Data points to which respondents answered "no information" are not shown graphically for clarity. Values rounded

An expansion of the scope of the eWpG is desired and associated with opportunities



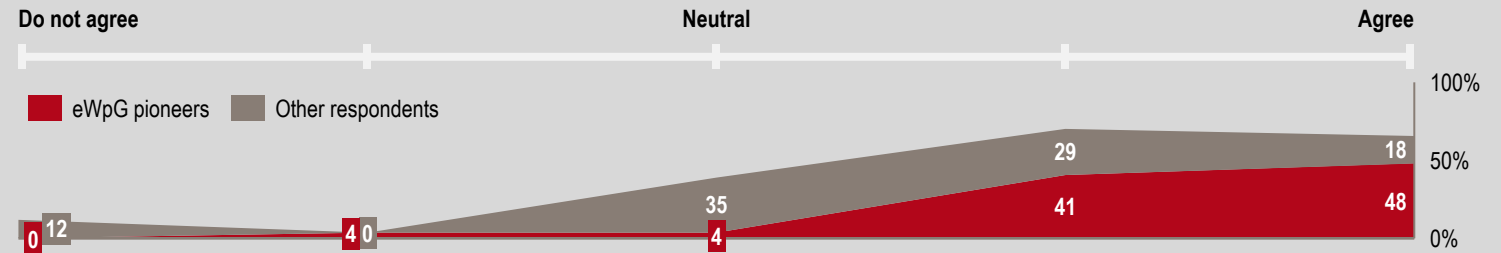
Extension of the eWpG to electronic shares

90% of the **eWpG pioneers** associate this with **opportunities** for the already **established business model**.

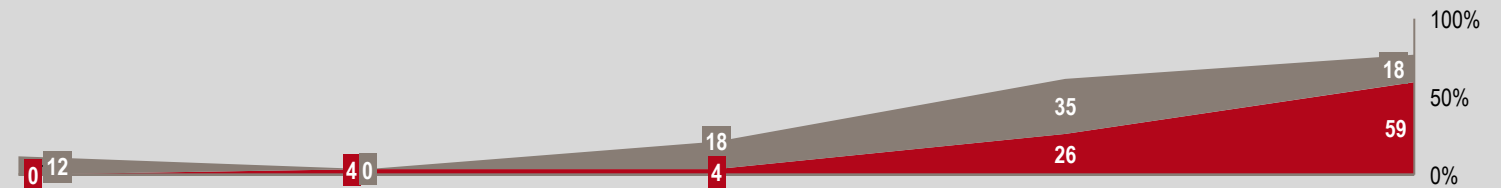
41% of the eWpG pioneers agree slightly, 48% even strongly - and thus around 90% overall.

While "**Other respondents**" are still rather cautious about an **expansion of the eWpG** to include electronic shares and only 18% would strongly agree with such a plan, around three times as many (59%) of the **eWpG pioneers** would agree.

The **expansion of the eWpG to include electronic shares offers further opportunities** for our existing business model¹.



The **eWpG should be extended to the effect** so that, in addition to registered shares, **bearer shares can also be issued as crypto shares** in the future¹.

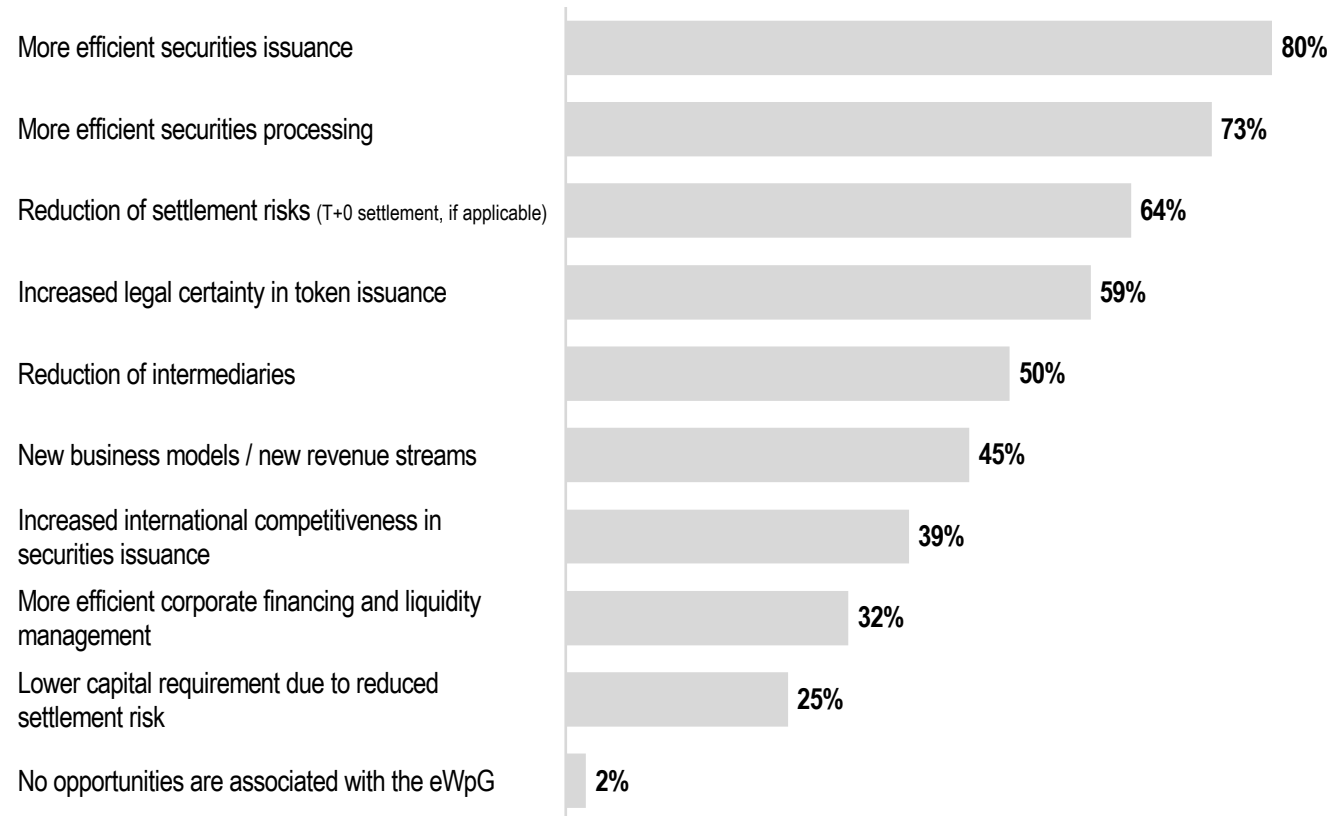


¹Data points to which respondents answered "no information" are not shown graphically for clarity. Values rounded

With the eWpG, efficiency benefits are associated along the entire securities value chain



Opportunities associated with the eWpG



Top 3

Opportunities that survey respondents¹ believe are associated with the eWpG are:

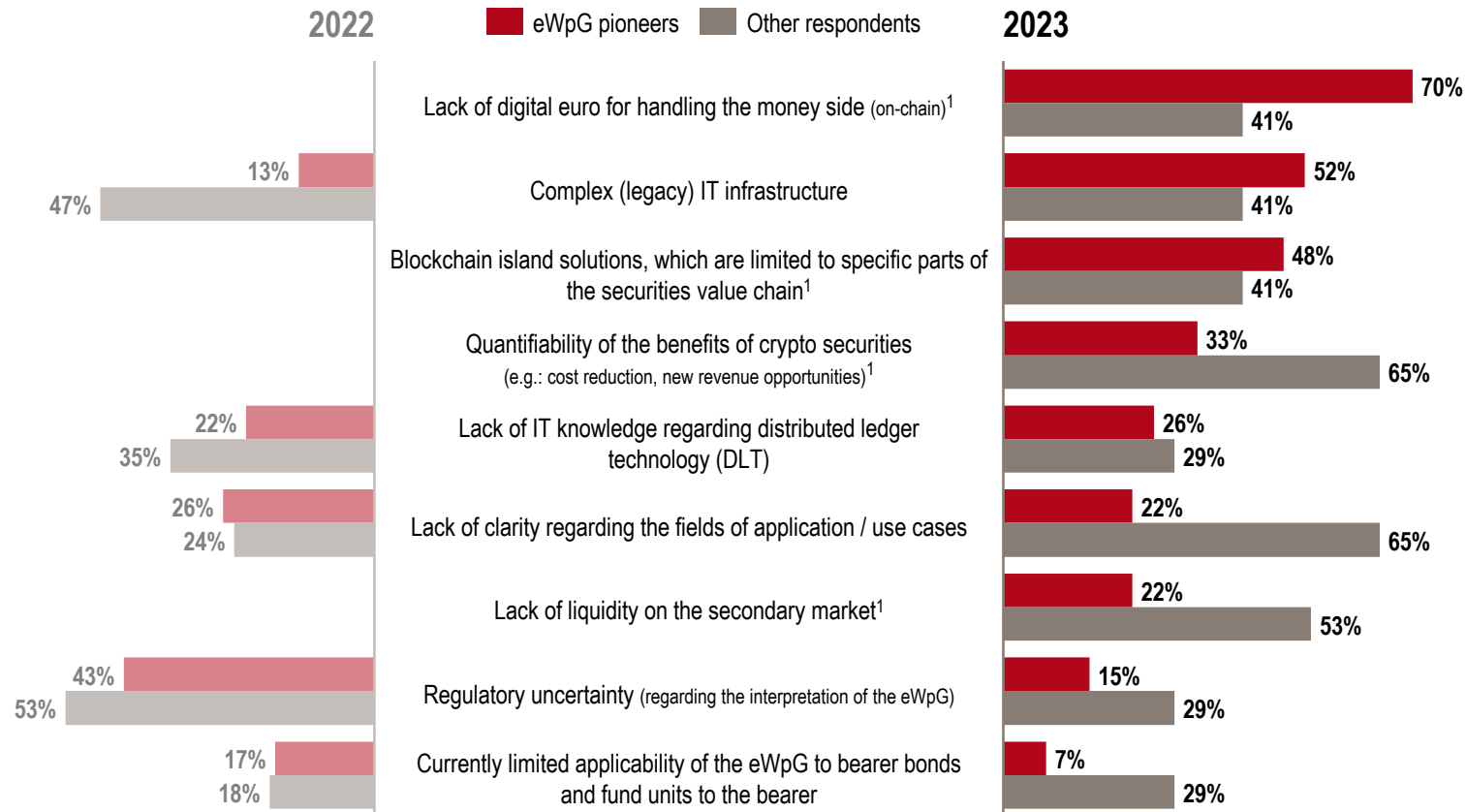
- 1 **More efficient securities issuance**
- 2 **More efficient securities processing**
- 3 **Reduction of settlement risks**

¹This is the opinion of all respondents, i.e. both the "eWpG pioneers" and the "Other respondents". Multiple answers possible

Large divergence between “eWpG pioneers” and “other respondents” with regard to inhibiting factors in implementation



Inhibiting factors in the implementation of eWpG-related strategies



Multiple answers possible. ¹These response options were newly added for the 2023 survey

Source: WEPEX-adesso Digital Assets Survey

Regulatory uncertainty, which in 2022 was still the biggest inhibiting factor in the view of the respondents, is less relevant this year. Instead, other or new aspects now top the list of challenges.

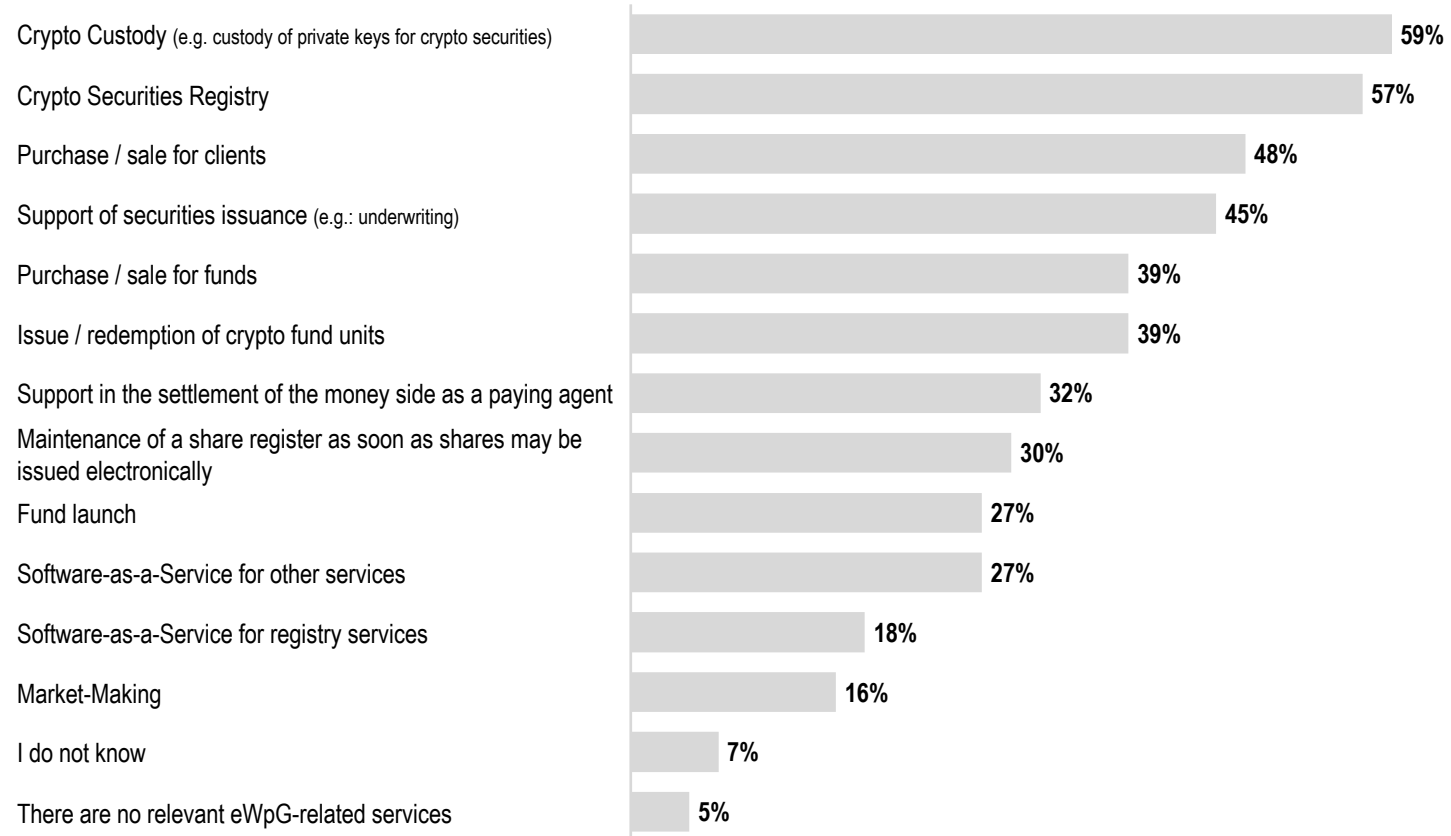
Here, the **difference between the eWpG pioneers and the other respondents** is striking. In particular the **lack of a digital euro**, the **quantifiability of the advantages of crypto securities**, and the **lack of clarity about the fields of application**.

Generally higher agreement from both groups are factors which include the complex legacy IT infrastructure and the limitation of blockchain as an isolated solution.

Numerous market participants expect to provide a wide range of eWpG-related services



Potential services related to crypto securities & crypto fund shares¹



> 50%

of all respondents can imagine **services in the custody business and in registry services.**

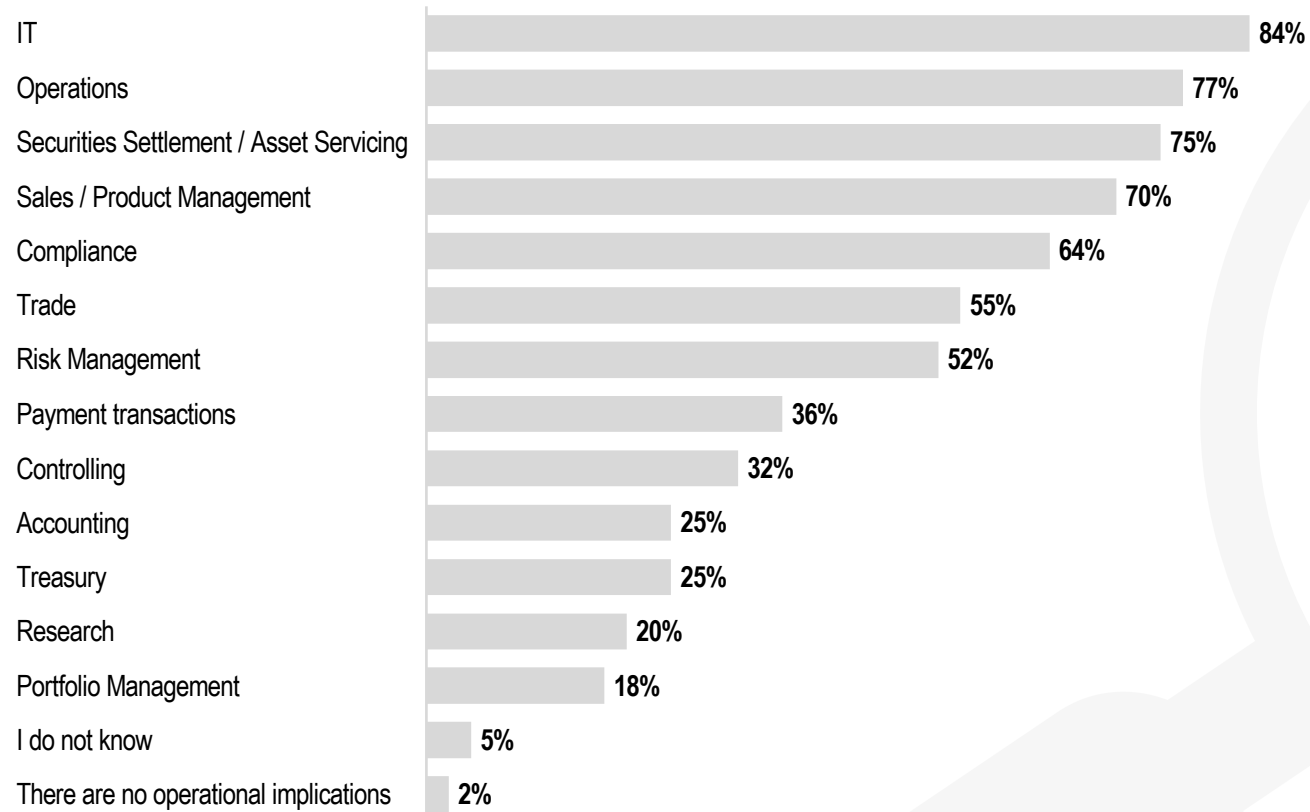
The institutions surveyed associate far less potential with services such as software-as-a-service or market-making.

¹This is the opinion of all respondents, i.e. both the "eWpG pioneers" and the "Other respondents". Multiple answers possible

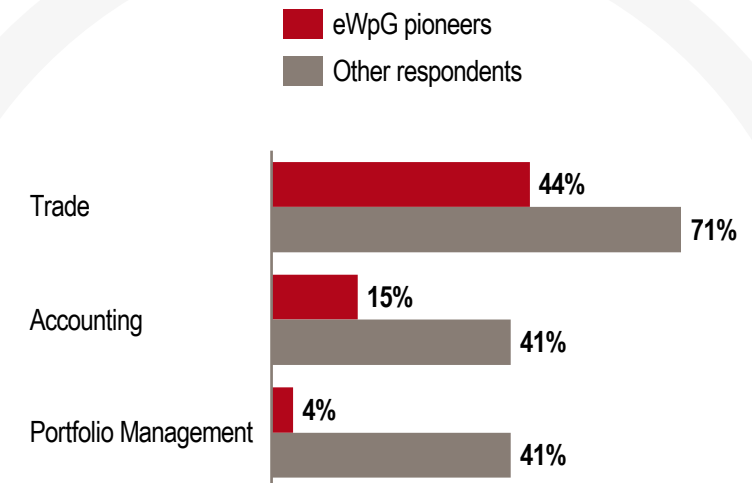
The eWpG affects numerous organizational areas, with significant differences between the groups surveyed in three categories



Affected organizational areas in the case of eWpG-related market positioning¹



Under the magnifying glass



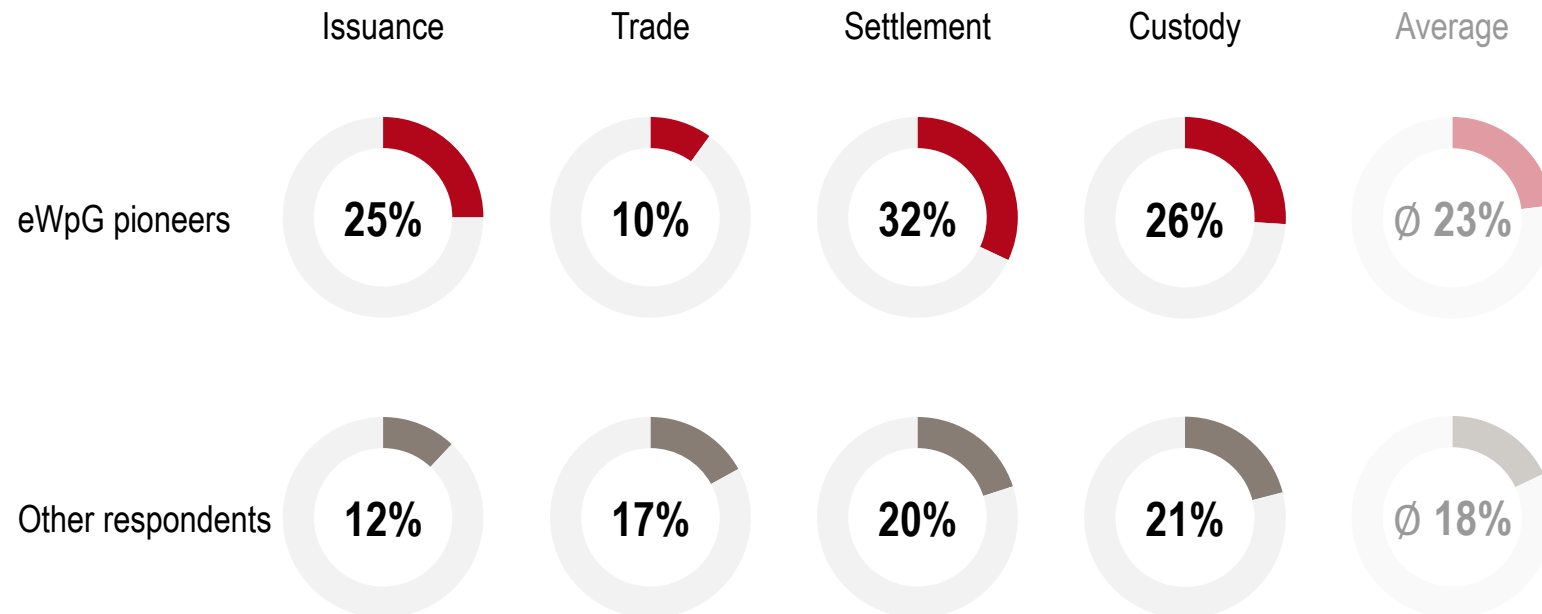
In particular, there are clear **differences** in the three organizational categories of **trading, accounting, and portfolio management**. "**Other respondents**" feel strongly affected in these areas. For the **eWpG pioneers**, on the other hand, these areas play little or no role.

¹This is the opinion of all respondents, i.e. both the "eWpG pioneers" and the "Other respondents". Multiple answers possible

The eWpG holds out the prospect of real efficiency gains along the securities value chain for the financial market



Cost savings of crypto securities compared to securitized securities



23%

average cost savings in crypto securities are generated along the value chain, according to the **eWpG pioneers**.

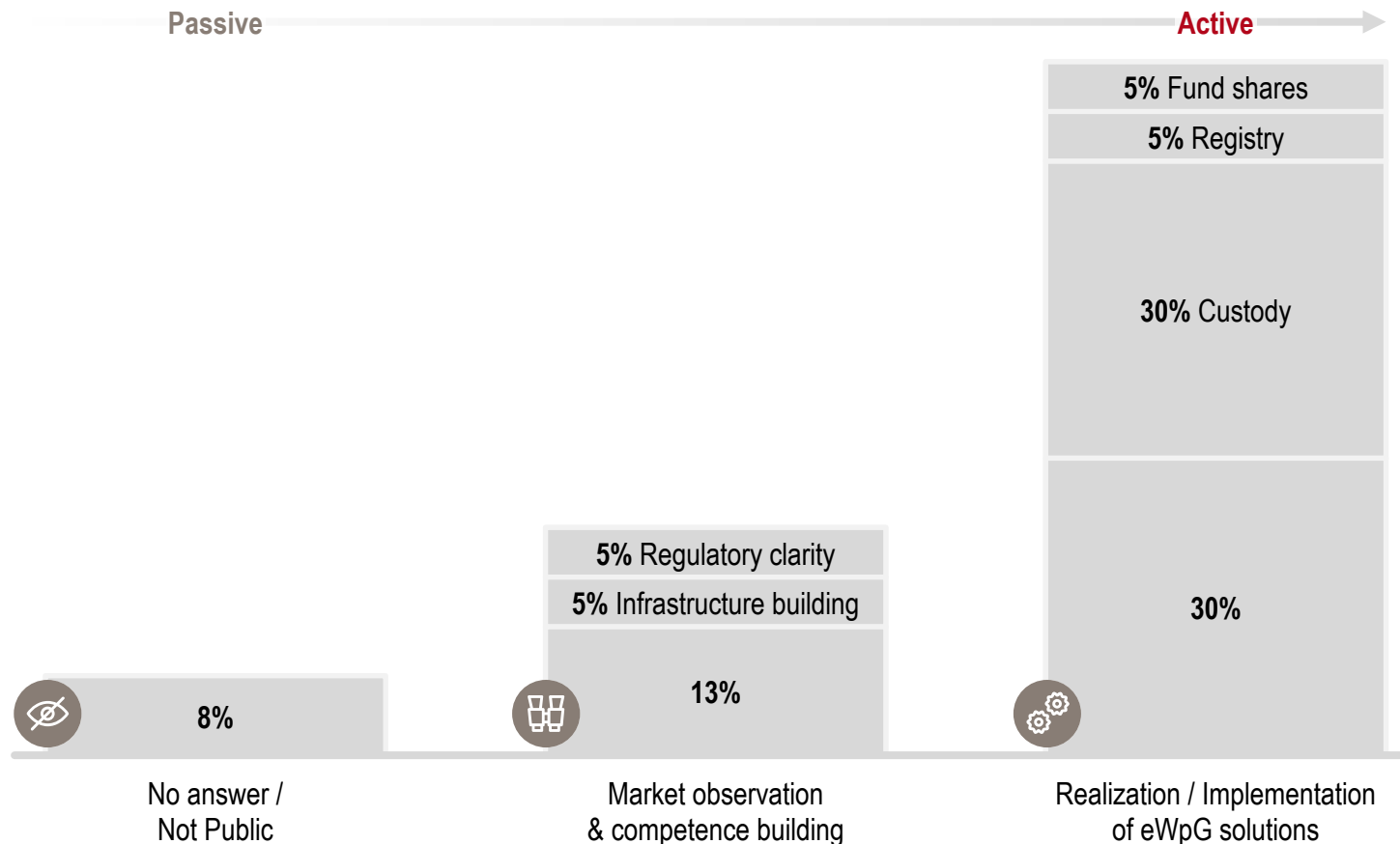
The comparatively **greatest savings** are seen in **securities settlement**, the lowest in trading.

Overall, **eWpG pioneers** are consistently **more optimistic about cost savings** across all areas.

Most market participants have set themselves the goal of becoming active users of the eWpG and implementing solutions



The next goals in connection with the eWpG¹



70%

of all respondents are **already implementing specific eWpG solutions**. The focus is explicitly on custody solutions.

Only **around a quarter** continue to **monitor the market** for the time being and are pushing for **further development of expertise**.

¹This is the opinion of all respondents, i.e. both the "eWpG pioneers" and the "Other respondents". Values rounded

The majority of participants expects high market growth for crypto securities and crypto fund shares in the coming decade



Forecast for the following periods

Short-term: 2025

Medium term: 2028

Long-term: 2033

Share (in %) of crypto securities according to eWpG in total volume of gross new issues of bearer bonds

7% 8%

27% 20%

56% 40%

Share (in %) of crypto fund shares according to eWpG in total volume of gross new issues of share certificates

eWpG pioneers 6% Other respondents 8%

22% 20%

51% 37%

Conversion rate (in %) of existing physical shares into electronic shares (according to ZuFinG¹)

5% 5%

21% 13%

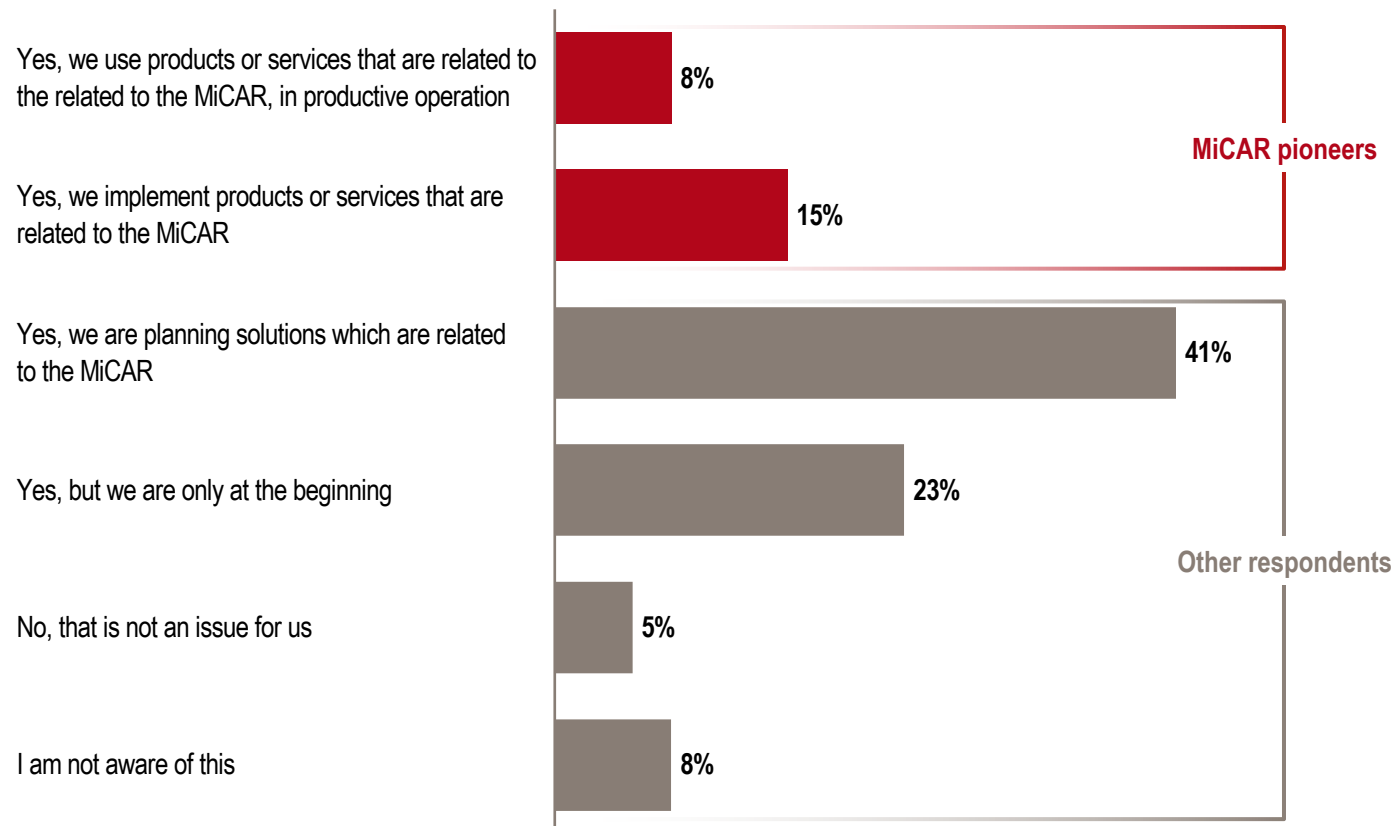
43% 25%

¹Act on the Financing of future-proof Investments (Future Financing Act – „Zukunftsförderungsgesetz“ ZuFinG)

MiCAR, which comes into force in 2024, is showing initial positive reactions on the financial market



Organization of the German financial market and the MiCAR



23%

of all surveyed institutions **are actively engaged with MiCAR** and are **already productively using solutions** or are in the implementation phase.

This subsample is classified as **"MiCAR pioneers"** and represents those institutions that are at the forefront of of the implementation of MiCAR solutions.

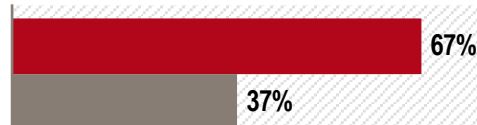
Institutions that are not yet actively engaged with MiCAR are classified as **"Other respondents"** (77%).

Currently, MiCAR pioneers are focusing on (sub-)processes of immediate trading of crypto assets



Potential crypto-assets services as defined by MiCAR

Yes, we are in the process of preparing activities in this regard or have already integrated services¹



No, currently no (further) offer of services of this kind is planned



I do not know



There is currently disagreement regarding the potential range of services for crypto assets under the MiCAR regulation.

MiCAR pioneers currently focus mostly on **services related to the custody and transmission of crypto assets** as well as the **execution of orders**.

Other respondents plan to offer the same services.

The custody and management of crypto assets (on behalf of third parties)



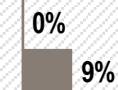
The receipt and transmission of orders for crypto assets (on behalf of third parties)



The execution of orders for crypto assets (on behalf of third parties)



The operation of a trading platform for crypto assets



A means of exchanging crypto assets against (fiat) currencies or other crypto assets



The placement of crypto assets



Research and consulting on crypto assets

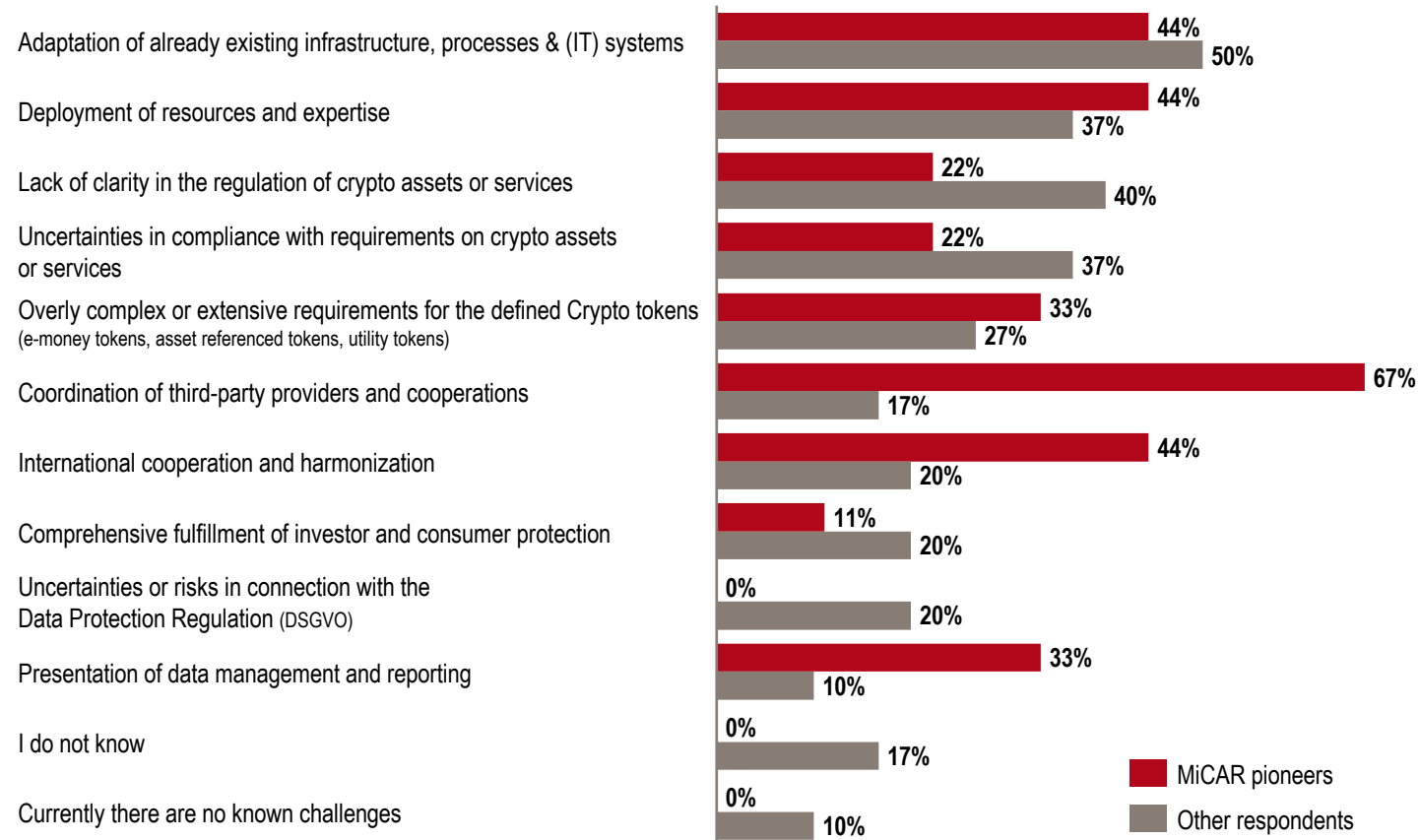


¹The graphs shown are the evaluation of a follow-up question. Respondents who answered "yes" to the first question (left) were then able to answer the next question (right, multiple answers possible)

Large divergence between “MiCAR Pioneers” and “Other Respondents” in terms of inhibiting factors in implementation



Challenges in the implementation of MiCAR¹



MiCAR pioneers clearly highlight **cooperation and coordination of third-party providers (67%), collaboration, use of resources, and adaptation of infrastructure (44% each)** as challenges.

The "**Other respondents**" also see clear obstacles in the latter area. Beyond that, however, they tend to emphasize the **lack of clarity in regulation for crypto assets (40%)** and for **services (37%)**.

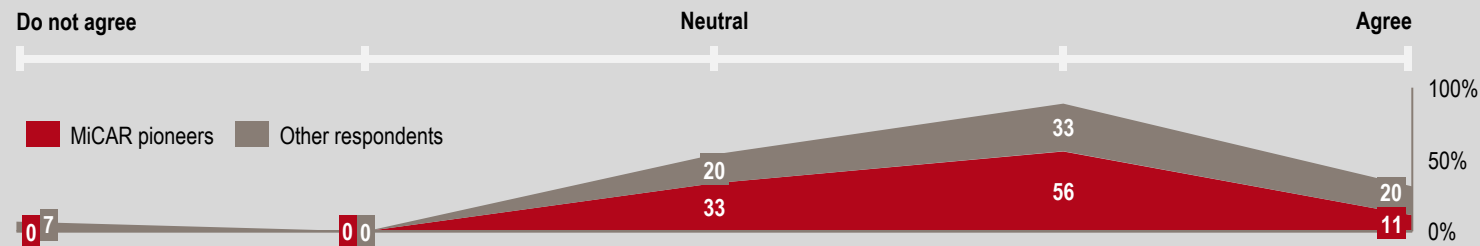
¹Multiple answers possible

MiCAR is expected to result in a significant increase in institutional investors, rising issuance and a positive effect on liquidity in the crypto market

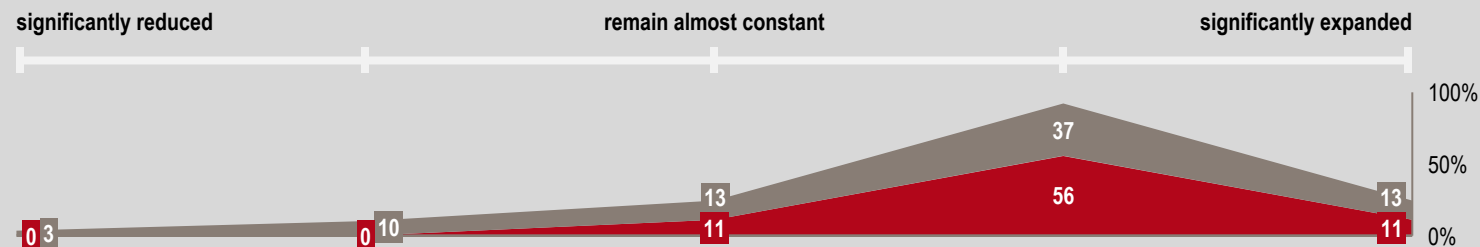


Assessment and evaluation of the impact of MiCAR on the crypto market

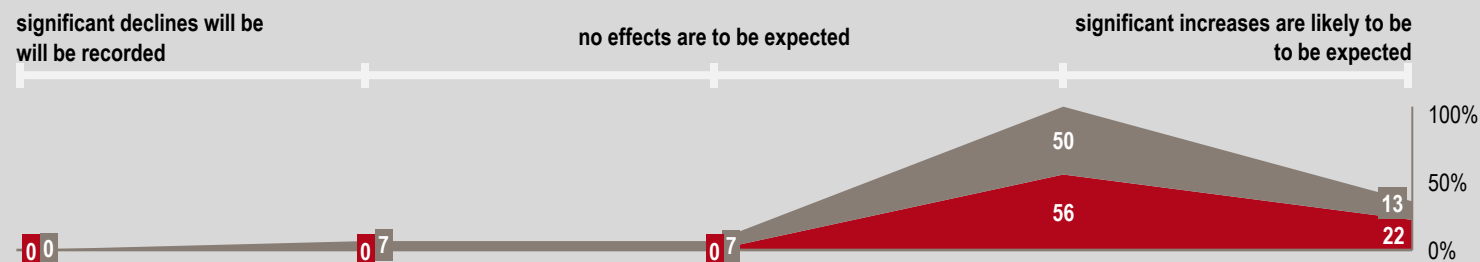
The (crypto) asset class will also find its way into **institutional investors** very extensively in the coming months/years¹.



Through MiCAR, the crypto securities **emissions** will be¹...



In view of the existing **liquidity on the market** and the **trading volumes**¹...

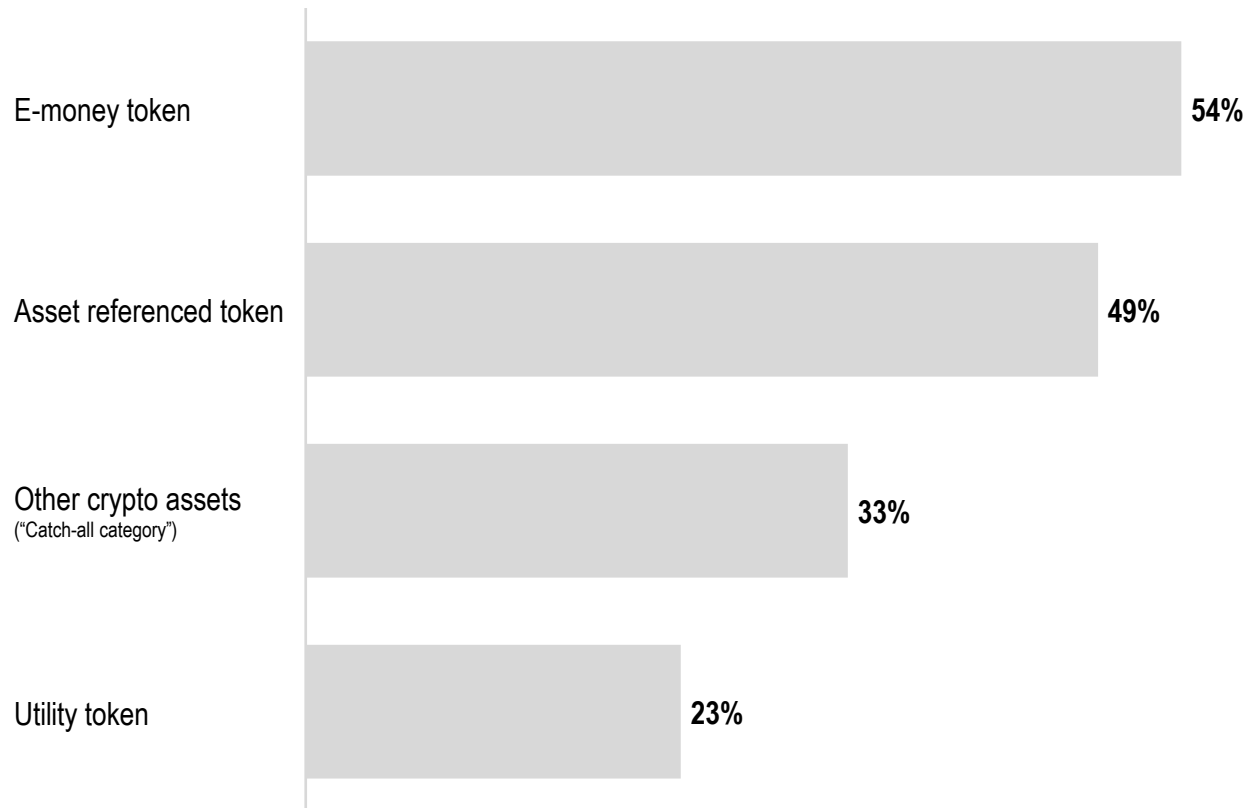


¹Data points to which respondents answered "no information" are not shown graphically for clarity. Values rounded

MiCAR defines different types of crypto assets, which are of varying interest to the survey respondents



What type of crypto asset under the MiCAR is the most interesting and promising?¹



54%

of all respondents find **e-money tokens** most potentially interesting, closely followed by **asset-referenced tokens** (49%).

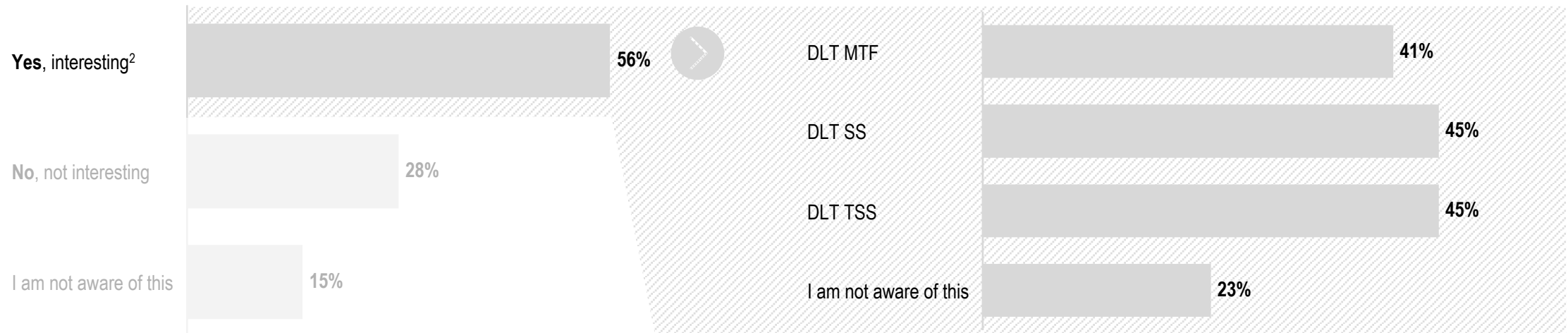
MiCAR applies to **crypto assets**. However, their definition is not congruent with the German „crypto value“ („Kryptowerte“) term. In particular, **three specifically defined tokens fall under the MiCAR definitions**, as well as a supplemented - clearly delimited – “catch-all” category in this study. Explicitly not covered are securities (in the sense of MiFID 2).

¹This is the opinion of all respondents, i.e. both "MiCAR pioneers" and "Other respondents". Multiple answers possible

More than half of the participants see an interesting opportunity in the DLT pilot regime



Is the DLT pilot regime of interest, and if so, which DLT market infrastructure offering is most relevant?¹



The DLT Pilot Regime compared to the eWpG

79%

of all institutions surveyed **see the DLT Pilot Regime as complementary to the eWpG¹**. Only 5% see it as competition to the eWpG, while the rest do not weigh it up.

¹This is the opinion of all respondents ²The graphs shown are the evaluation of a follow-up question. Respondents who answered "yes" to the first question (left) were then able to answer the next question (right, multiple answers possible)

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Your contacts for digital assets

Feel free to contact us directly for a no obligation exchange

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We cover the requirements of neo-brokers for retail customers to institutional wholesale business for banks, exchanges, asset managers and capital management companies from a single source.

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WEPEX Unternehmensberatung



Declaration of confidentiality

The survey data collected was treated as strictly confidential, evaluated anonymously and conclusions about individual responses were excluded. Participation in the survey was voluntary.
The data of the Digital Assets survey will not be passed on to third parties. WEPEX GmbH has undertaken to use the collected data only for the above-mentioned purposes and to store it only for the duration of the processing.

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