

Security token issuance and listed trading volumes to grow to USD 4.1 trillion and USD 162.7 trillion respectively on the back of mass market adoption by 2030

Quinlan & Associates sees huge growth potential for security tokens as traditional capital markets players seek to leverage the benefits of blockchain technology

Hong Kong, 22 September 2021 – Quinlan & Associates, a leading independent strategy consultancy specialising in the financial services industry, has released an in-depth report examining the outlook for the digital asset ecosystem in the foreseeable future.

The report, titled *Cracking the Code: The Evolution of Digital Assets to the Mainstream*, looks in detail at the narrowing global regulatory arbitrage window and the impact this may have on various digital asset classes, the rise of security tokens (and security token exchanges), and the longer-term impact on players operating in the traditional and security token space.

‘With regulatory scrutiny of digital assets on the rise, we anticipate the regulatory arbitrage window to narrow in coming years, causing a shakeup in the broader digital asset universe,’ said Benjamin Quinlan, CEO & Managing Partner of Quinlan & Associates and lead author of the report. ‘However, growing levels of regulatory scrutiny is also legitimising certain forms of digital assets, including security tokens.’

Given their strict investment mandates / remits and broader fiduciary duties, current institutional investor activity in the digital asset space remains somewhat muted, especially due to the lack of clearly visible fundamentals in many digital asset classes. ‘However, we see sizeable appetite for exposure to digital assets that receive a thumbs up from regulators and align with existing fund manager mandates – namely, security tokens’, continued Mr. Quinlan.

The report discusses the ongoing race between traditional exchanges, cryptocurrency exchanges, and digital asset broker-dealers to become security token exchanges, noting that none of these players has successfully tapped into the industry white space at present. According to the report, the entry of new players such as Fusang and DDEX, along with ASX’s ongoing adoption of blockchain technology to support securities settlement processes, could serve as a key inflection point and lay the foundation for other exchanges worldwide to follow suit.

‘Although security tokens may not have experienced widespread adoption to date, we see tremendous growth potential in the coming decade, with a number of key milestones on the horizon to propel institutional and mass market adoption, especially as institutional players digest the benefits available from leveraging blockchain technology,’ continued Mr. Quinlan.

The report estimates that global issuance volumes for security tokens could reach USD 4.1 trillion by 2030, with listed trading volumes also expected to surge at a rapid pace, reaching USD 162.7 trillion by the same period. As stakeholders gravitate towards a maturing security token ecosystem, the report estimates a significant shakeup in the industry and foresees a number of potential winners and losers among existing capital market participants.

‘While we expect there to be a number of winners, we anticipate security token exchanges to be the biggest winners of all, but the divergence in attitudes between players that are actively innovating and those that remain on the sidelines could see new national security token exchanges crop up and form monopolies,’ continued Mr. Quinlan.

The report concludes that security tokens are at a major turning point and are set to fundamentally reshape the traditional capital markets ecosystem as we know it. With many traditional players likely to be disintermediated, the report argues that capital market participants need to look beyond the traditional securities landscape and develop dedicated digital asset strategies.

About Quinlan & Associates

Quinlan & Associates is a leading independent strategy consulting firm specialising in the financial services industry. The Company is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting, communications, and employee training, Quinlan & Associates translates cutting-edge advice into commercially executable solutions. With a team of top-tier financial services and strategy consulting professionals, and a global network of alliance partners, Quinlan & Associates provides its clients with the most up-to-date industry insights from around the world, positioning the Company as a leader in its field.

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