

Technology: How will the mainstream moment of key DeFi and Web3 technologies transform the investments industry?

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How DeFi and Web3 technologies are set to transform the investments industry

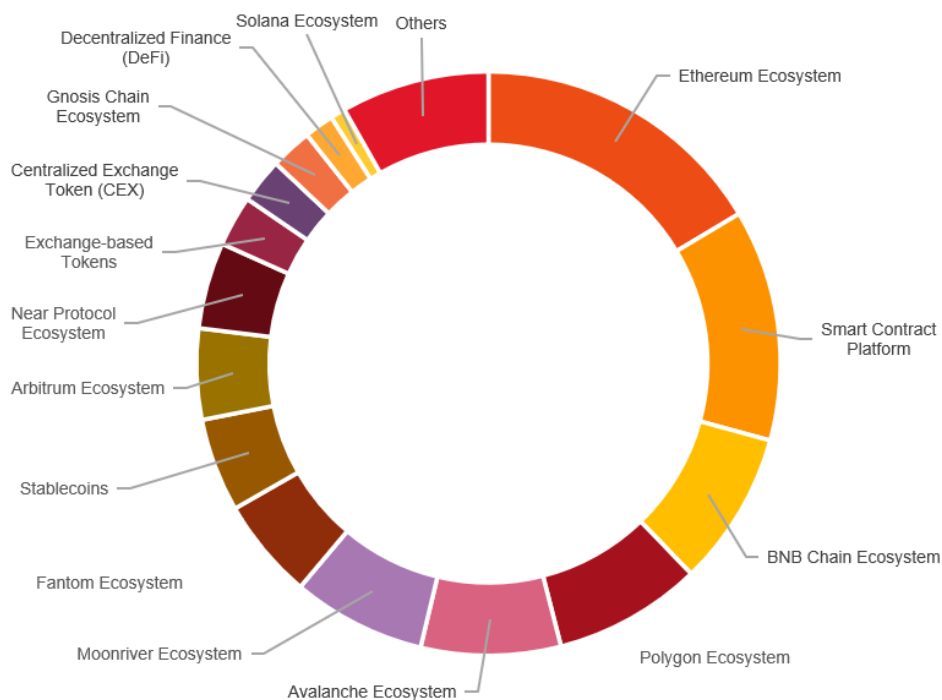
Technology such as blockchain, smart contracts, and crypto-currencies have entered the mainstream and are set to reshape the investment industry.

Many of these technologies fall under the categories of Web3 (the decentralised web where user data is distributed across networks rather than being owned by a single entity) and DeFi (decentralised finance, which uses cryptocurrency and blockchain technology to manage financial transactions).

DigitalX CEO Lisa Wade said the technology was now being used to rebuild essential financial infrastructure, such as the RBA’s [Project Atom](#), which examined the potential use of a wholesale central bank digital currency (CBDC) using distributed ledger technology.

“The technology might start in a video game on Web3 but it could end up as solid new financial infrastructure or retail infrastructure for shopping centres,” she said.

Top Ecosystems by Market Capitalisation (\$3.1 Trillion)



Source: [CoinGecko](#) (May 2022)

The ASX has a long-running project to replace its CHES clearing and settlement system with a blockchain-based platform, and now plans to offer blockchain as a service, allowing third parties to deploy their own applications using the ASX ecosystem.

ASX General Manager, DLT Solutions, Paul Stoneham, said in the asset management space, a simple application using distributed ledger technology could be used to handle off-market transfers.

“Really simple – saves you time, saves you paperwork to get your stock moved faster,” he said.

Last year the ASX took a minority stake in blockchain-focused superannuation outfit Grow Inc. Stoneham said a super register will sit alongside the ASX’s settlement system, eliminating paper and wet signatures.

“You have that centralised in one spot, everybody funnelling into the one process. You’re going to get that improvement,” Stoneham said.

Frontier Advisors Head of Technology and Operations, David Jenkins, said the technology could improve the way asset owners operate in multiple ways.

“Within the asset owner industry, we could gain a lot of efficiency and save cost, eliminating activities that are being duplicated over and over again” he said.

A recent World Economic Forum [report](#) cited several areas where distributed ledger technology was already being used such as securitisation of blockchain-originated loans, private equity tokens issued on blockchain, corporate bond issuances, private fund administration and distribution, and intraday repo.

However, a Frontier conference audience poll suggested institutional investors are still in the early stages of learning about these technologies.

More than half of conference attendees (54 per cent) said they were not familiar with the value proposition of Dapp (decentralised application built on a decentralised network that combines a smart contract and a frontend user interface), DeFi and Web3 technologies. Only about one-quarter (26 per cent) said they thought DeFi technologies would disrupt their own business over the next 12-24 months.