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RWA Report 2024: Rise of Real-World Assets in Crypto

FULL REPORT

Market Data. Analysis. Crowdsourced Insights.

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Introduction to Real-World Assets

Real-world assets allow traditional financial instruments to be represented on-chain as tokens, democratizing access to a wider userbase, albeit with regulation and KYC procedures.

What are Real-World Assets?

Real World Assets (RWA) in crypto refers to the tokenization of tangible assets that exist in the physical world, that are brought on chain. They also include the growing issuance of capital market products on-chain, where digital securities are tokenized and offered to retail customers. Examples of these include real-estate, art, commodities and even stocks that users can purchase through permissioned platforms.

One of the earliest forms of RWAs exist in the form of stablecoins. The existence of stablecoins as a tokenized version of fiat currencies allowed for a stable unit of exchange in a volatile environment. Since 2014, firms such as Tether and Circle have issued tokenized stable assets that are backed by real-world collateral such as bank deposits, short-term notes, and even physical gold.

In 2021 and 2022, the emergence of private credit markets through uncollateralized lending platforms such as Maple , Goldfinch and Clearpool allowed established institutions to borrow funds based on their creditworthiness. However, these protocols were affected by the collapse of Luna, 3AC and FTX, and experienced significant defaults.

As DeFi yields cratered in 2023, tokenized treasuries saw explosive growth as users flocked for exposure to rising US T-bill rates. Providers such as Ondo Finance, Franklin Templeton and OpenEden saw massive inflows as the TVL of tokenized treasuries surged by 641% from $114M in January 2023 to $845M by year's end.

Tether issued the first USDT tokens on the Bitcoin blockchain. USDC was launched later in 2018 on the Ethereum blockchain. More recently, PayPal and First Digital have also released their own stablecoins.

Beyond creating tokenized versions of fiat currencies, firms such as Paxos have also launched **tokenized versions of gold**, where their value was pegged to the price of specific amounts. The tokenized gold is **backed by actual physical gold stored in bank vaults** and verified through monthly attestation reports.

During the crypto run-up of 2021, uncollateralized lending platforms such as Maple and Clearpool allowed users to borrow funds **without the need to post collateral**. Users were onboarded based on their ability to repay their loans.

FRANKLIN TEMPLETON INVESTMENTS

As T-bill rates in the US began to exceed DeFi yields towards the end of 2022, platforms such as OpenEden, Ondo and Backed Finance began offering exposure through **tokenized treasuries**, which claim to be fully backed by their real-world counterparts.

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The Current Real-World Asset Landscape*

From stablecoins, the RWA sector has grown into a vast ecosystem of tokenized assets such as securities, real estate, carbon credits and fine art.

TOKENIZED TREASURIES & SECURITIES

- Franklin Templeton
- OpenEden
- matrixdock
- Hashnote
- Backed
- Ondo
- WisdomTree Prime
- Securitize
- Superstate

PRIVATE CREDIT

- NAOS Finance
- Maple
- Centrifuge
- truefi
- Clearpool
- Florence Finance
- Goldfinch
- Credix
- ARC
- bluejay

REAL ESTATE

- PROPY
- parcl
- RealT
- Propchain
- ROBINLAND
- CitaDAO

EXCHANGES

- Oasis Pro Markets
- DigiFT
- swarm
- mauve
- stobox

STABLECOINS

- tether
- Circle
- Paxos
- Maker
- Gemini
- Stasis
- TrueUSD
- Frax Finance
- labs
- Mountain Protocol
- straitsX

REGENERATIVE FINANCE

- Regen Network
- Open Forest Protocol
- Flowcarbon
- Toucan
- Fishcoin
- senken

ART & COLLECTIBLES

- Courtyard.io
- Americana
- RTFKT
- freeport
- Watches.io

*This list is non-exhaustive and does not represent the entire Real-World Asset space

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Fiat-backed Stablecoin & Commodity-backed Stable Asset Issuers

Stablecoins are now issued natively across a variety of networks, representing different types of currencies and backed by collateral beyond traditional bank deposits and real-world securities.

	Stablecoin(s)	Collateral	Current Custodian(s)	Native Chain(s)	Governance Token	Minting & Redemption Fees
tether	USDT, EURT, CNHT, XAUT, MXNT	Cash & Cash Equivalents, US Treasury Securities, Corporate Bonds, Secured Loans, BTC	Cantor Fitzgerald		N/A	Minting fee: 0.1% Redemption fee: Greater of $1000 or 0.1%
CIRCLE	USDC, EURC	Cash & Cash Equivalents, US Treasury Securities	BNY Mellon, Customers Bank, Cross River Bank		N/A	Minting fee: 0% Redemption fee: 0% up to $15M, 0.1% above $15M
PAXOS	PYUSD, USDP, PAXG	Cash & Cash Equivalents, US Treasury Securities	BMO Harris Bank, Customers Bank, State Street		N/A	PYUD and USDP: 0% PAXG: 0.02 PAXG - 0.125%
labs	FDUSD	US Treasury Securities, Cash & Cash Equivalents	First Digital Trust		N/A	N/A*
MAKER	DAI	ETH, BTC, Other Stablecoins, US Treasury Securities, Private Credit	Coinbase Custody, Sygnum Bank, Wedbush Securities		MKR	Minting & redemption fee: Based on stability fee (6-7%)
Frax Finance	FRAX, FPI, fxETH	USDC, FXS, US Treasury Securities, Other Crypto Assets	FinresPBC		FXS	Minting fee: 0.95% Redemption fee: 0.45%
TrueUSD	TUSD	US Treasury Securities, Cash & Cash Equivalents	First Digital Trust		N/A	0%
Mountain Protocol	USDM	US Treasury Securities, Cash & Cash Equivalents, Other Stablecoins	JPMorgan		N/A	0%

Source: Tether, Circle, Paxos, First Digital Labs, DaiStats, FraxFacts, TrueUSD, TronDAO Reserve.
*Data not publicly available

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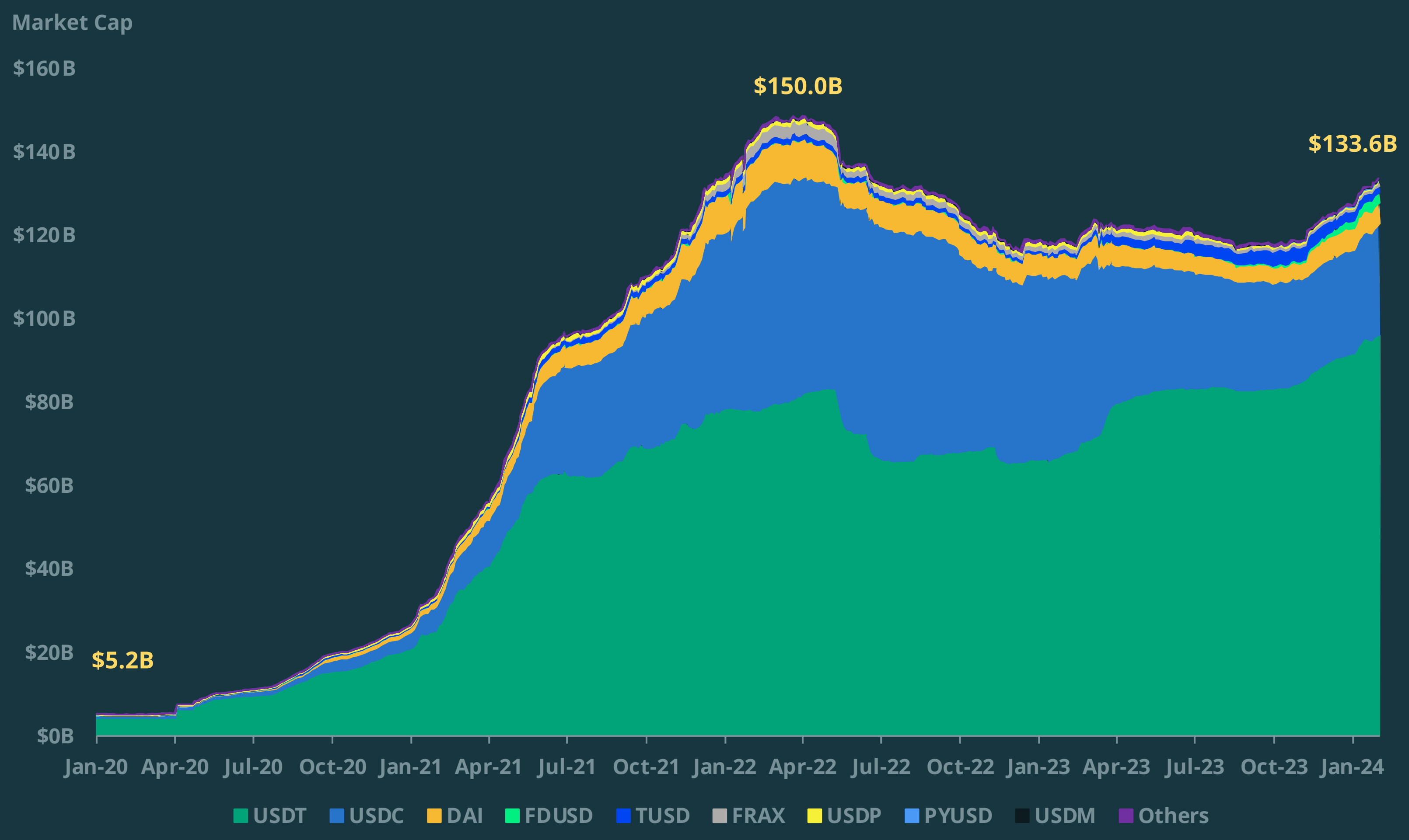
Market Cap of Fiat-backed Stablecoins

USD-pegged assets dominate the fiat-backed stablecoins category, with USDT the clear strong leader at this point in time.

Fiat-backed Stablecoin Market Cap Breakdown (Jan 1, 2020 – Feb 1, 2024)



Source: CoinGecko, Duna Analytics @steakhouse
**Data as of February 1st, 2024*

$133.6B

Total Market Cap of Fiat-backed Stablecoins as of Feb 1, 2024

Currently, RWA stable assets are predominantly comprised of USD-pegged tokens. **The top 3 USD stablecoins** – USDT ($96.1B), USDC ($26.8B), and DAI ($4.9B) – **make up 95% of market share**. USDT dominance has continued climbing to 71.4%, while USDC saw a hit in market share after its brief depegging during the US banking crisis in March 2023.

'Others' comprises other fiat currencies (i.e. EURT, CNHT, MXNT, EURC, EURS, and TRYB). Collectively, these stable assets make up just 0.2% of the market.

Total market cap of fiat-backed stablecoins had seen a **meteoric rise from $5.2B at the start of 2020 to a whopping $150.0B at its peak in March 2022**, before declining gradually throughout the bear market.

Inflows have started seeing an uptick since November 2023. Since the start of 2024, the market cap of fiat-backed stablecoins have grown by 5% from $128.2B to $133.6B as of February 1.

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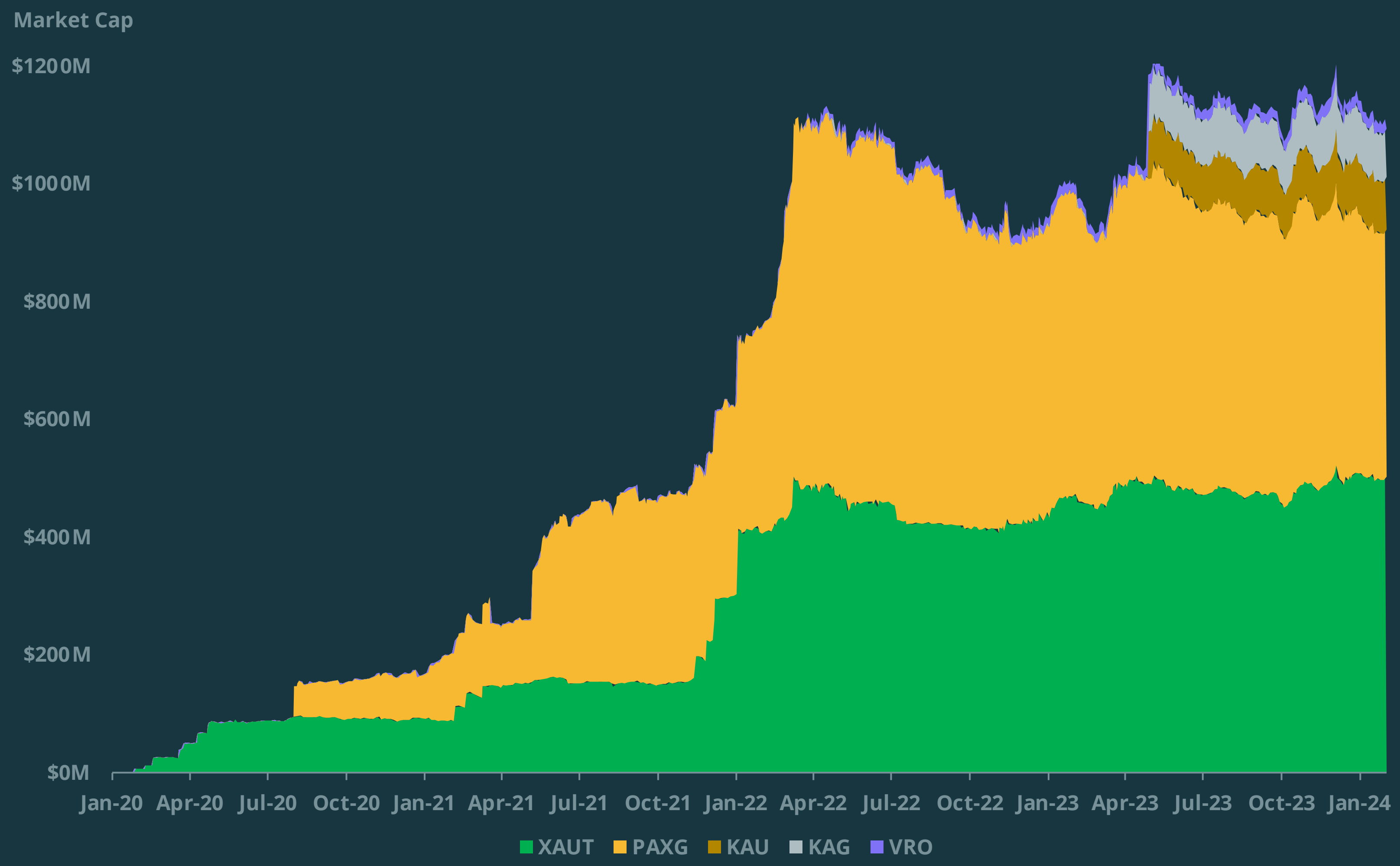
Market Cap of Commodity-backed Tokens

Beyond fiat currencies, commodity-backed tokens may fluctuate with the market but are pegged to the value of the underlying assets such as gold, silver or uranium.

Commodity-backed Tokens Market Cap Breakdown (Jan 1, 2020 – Feb 1, 2024)



$1.1B

Total Market Cap of Commodity-backed Tokens as of Feb 1, 2024

Popular commodities, such as gold and silver also have a long history of being tokenized. Together, Tether Gold (XAUT) and PAX Gold (PAXG) make up **83% of the market cap** of tokenized precious metals. However, the total market cap of commodity-backed tokens represents **just 0.8% of the market cap** of fiat-backed stablecoins.

It's important to note that there are differences in units - While XAUT and PAXG are both price of 1 troy ounce of physical gold, while other tokens such as Kinesis Gold (KAU) and VeraOne (VRO) is pegged to the price of 1 gram of gold.

Despite the dominance of tokenized precious metals, tokens backed by other commodities have also been launched. For example, the Uranium308 project has released **tokenized uranium** which is pegged to the price of 1 pound of U3O8 uranium compound and **can be redeemed** by passing strict compliance protocols.

Tokenized Treasuries

During the crypto bear market, there was a surge in demand for tokenized treasuries which were low-risk and generated steady yield, leading to an influx of new issuers.

	Product(s)	Market Cap*	Current Custodian(s)	Native Chain(s)	Average Yield*	Subscription & Redemption Fees	Other Fees
FRANKLIN TEMPLETON	Franklin On-chain US Government Money Fund (FOBXX)	$332M	JPMorgan Chase		5.19%	0%	Management & Operating Fees: 0.20%
Ondo	Ondo Short-Term US Government Bond Fund (OUSG), Ondo US Dollar Yield (USDY)	$123M	Clear Street, Morgan Stanley, StoneX, Coinbase Prime		5.37%, 5.10%	0%	Management & Intermediary Fees: Up to 0.45%
matrixdock	Short-Term Treasury Bill Token (STBT)	$87M	N/A**		4.87%	0.1%	Custodian & Service Fees: 0.30%
BACKED	Backed IBTA Treasury Bond 0-1Y (bIB01), Backed IBTA Treasury Bond 1-3Y (bIBTA)	$48M	Maerki Baumannn & Co AG, inCore Bank AG		4.98%, 5.36%	0.2%	0%
Hashnote	Hashnote Short Duration Yield Coin (USYC)	$43M	BNY Mellon		4.71%	0%	Performance Fee: 10% of yield
OpenEden	OpenEden Treasury Bills TBILL Vault (TBILL)	$24M	BNP Paribas		5.30%	Minting & redemption fee: 0.05-0.10%	Management Fee: 0.30%
Superstate	Superstate Short Duration US Government Securities Fund (USTB)	$10M	UMB Bank		N/A**	N/A**	Management Fee: 0.15%

Source: RWA.xyz, LlamaRisk, Franklin Templeton, OpenEden, Superstate
** As of February 1st, 2024*
*** Data not publicly available*

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Structure of Tokenized Treasuries

Unlike tokenized commodities, these tokens are not backed directly by treasuries, but are usually units of a money market fund; this give rise for the need of KYC before purchase.

The Issuer, who's also a licensed fund manager, creates and manages a **money market fund**.

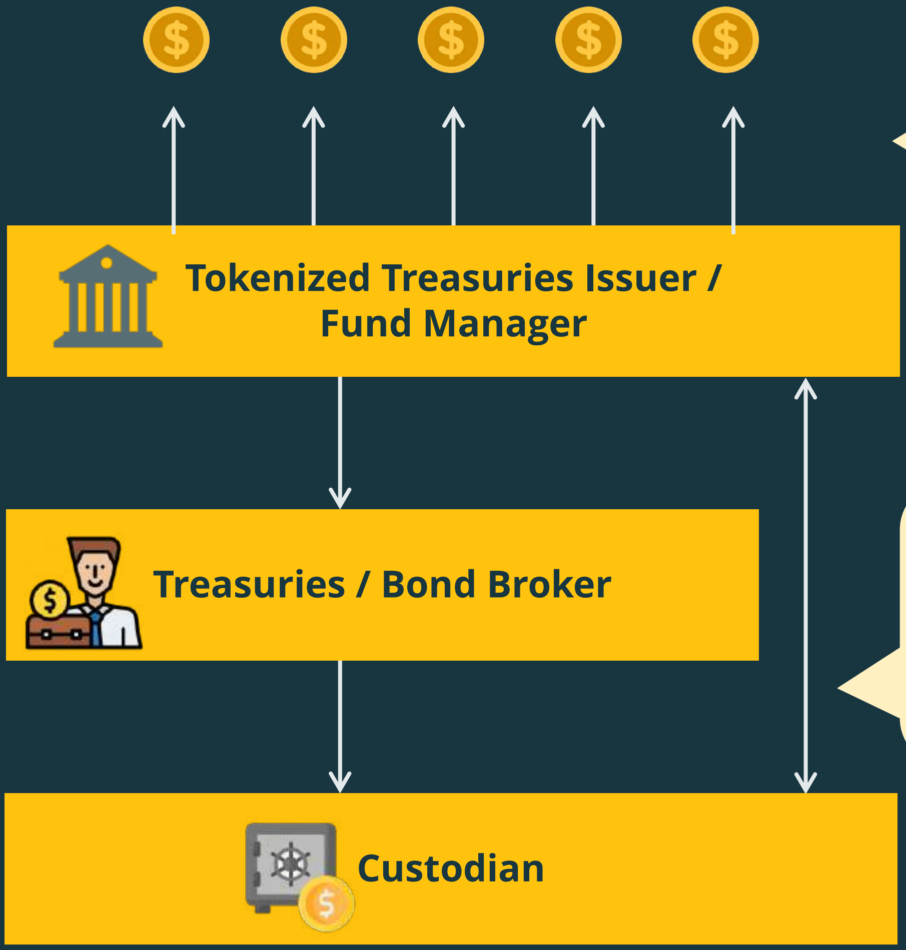
As the fund is a regulated capital market product, it needs to comply with the **relevant rules & regulations**, including KYC. There may also be limitations to which investors can invest.

The issuer works with treasury / bond brokers to **acquire or sell treasuries or repo agreements**, based on their AUM.

Issuers may also directly subscribe for treasury purchases from the US Government

All assets (treasuries, repo agreements) of the money market fund are **safekept in a custodian**.

The custodian would have the **full updated list of holders as well as their balances**.



After the fund is created, the fund manager issues **units of the money market fund as tokenized treasuries** to holders.

In some instances, it may also **facilitate a secondary trading venue** for these tokens, allowing qualified users to trade between each other.

Outside of the buying / selling of treasuries, the fund manager has to work directly with the custodian for **operational activities** such as onboarding new users, netting, reconciliation, etc.

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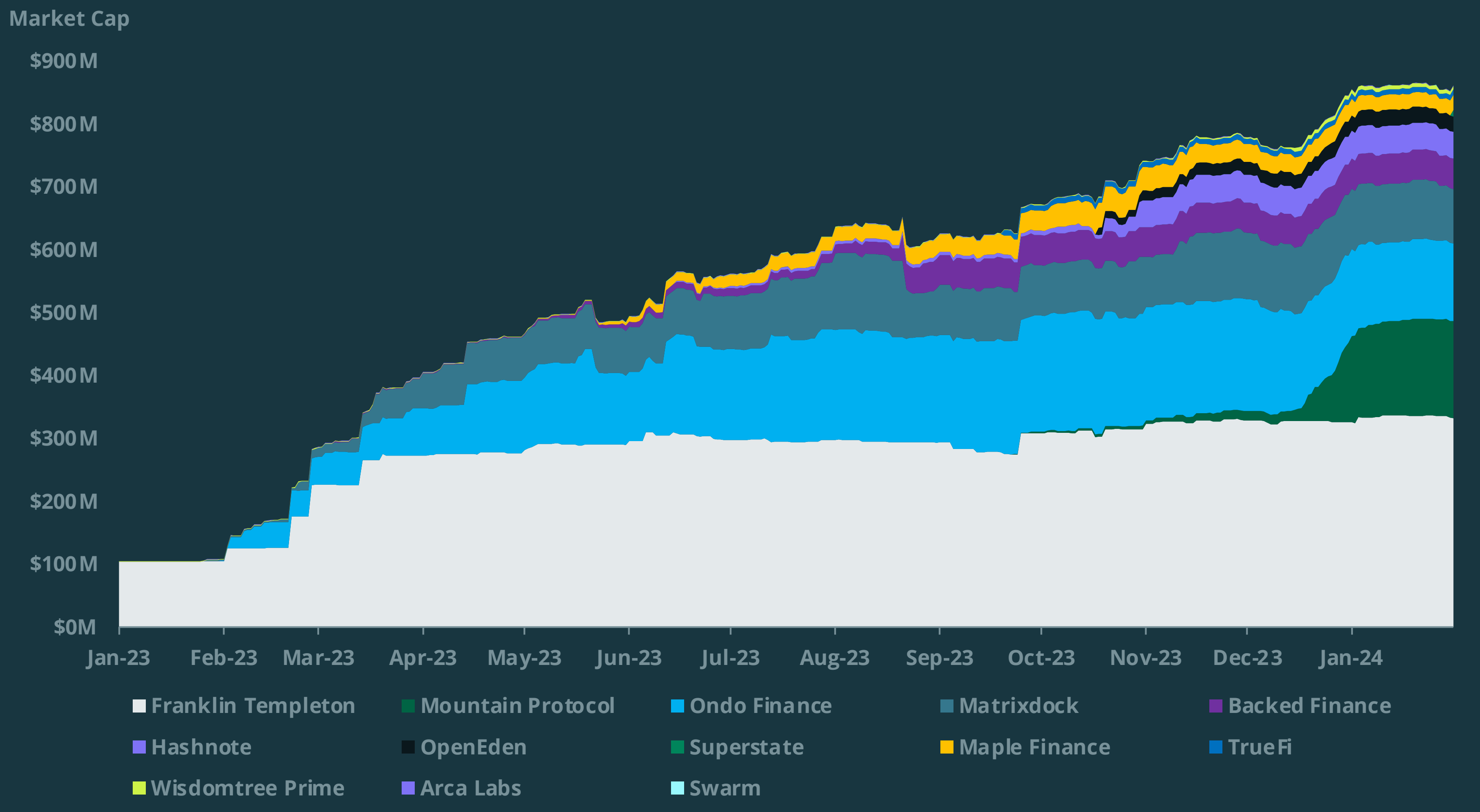
Market Cap of Tokenized Treasuries

With participation from TradFi giants such as Franklin Templeton, the total market cap of tokenized treasuries have grown 641% since Jan 2023, with over $861M treasuries now on-chain.

Market Cap of Tokenized Treasury Products (Jan 1, 2023 – Feb 1, 2024)



Source: RWA.xyz

$861M

Total Market Cap of Tokenized Treasury Products as of Feb 1, 2024

In 2023, tokenized US treasuries saw a surge in popularity, **increasing its market cap by 6.41x from $114M in 2023 January to $845M by the end of the year**. However, that momentum has somewhat stalled in early 2024, increasing by just 1.9% to $861M in 2024 January.

With their On-Chain US Government Money Fund, Franklin Templeton is currently the largest issuer with over $332M worth of tokens issued, **controlling 38.6% of the total market share**.

On the other hand, protocols such as Mountain Protocol and Ondo which feature yield-bearing stablecoins backed by US treasuries, are also proving to be popular. Since its launch in September 2023, the market cap of Mountain Protocol's USDM tokens have **increased from $26K to $154M** across Ethereum and Polygon.

While these tokens are largely based on ETH, with **57.5% market share**, firms such as Franklin Templeton and Wisdomtree Prime have chosen to issue them on Stellar, which currently holds **39% of the total market cap**. Other blockchains include Polygon, Solana and Canto.

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On-chain Private Credit Protocols

Unlike overcollateralized loans in DeFi, private credit protocols allow real-world businesses to obtain unsecured loans based on their credit history.

	Active Loan Value*	Defaulted Loan Value*	Sector(s)	Supported Network(s)	Governance Token	Average Yield*	Fees
MAPLE	$83M	$52M	Crypto Trading, Receivables Financing		MPL	8.03%	Borrower fee: 0.25-0.79%, Management fees: ~1.98% for lenders, 15-20% for borrowers
truefi	$16M	$4M	Crypto Trading		TRU	0.77%	Protocol fee: 0.5%
Centrifuge	$259M	$19M	Receivables Financing, Real Estate, Automotives, Fintech		CFG	8.80%	Protocol fee: 0.4%
Clearpool	$27M	$0	Crypto Trading	OP	CPOOL	7.24% + 6.71% in CPOOL	Borrower fee: 1%, Protocol Fee + Pool insurance: 10%
Goldfinch	$85M	$5M	Fintech, SME, Automotives, Consumer		GFI	11.05% +1.61% in GFI	Performance fee: 10% of interest accrued, Withdrawal fee: 0.5%
CREDIX	$21M	$0	Fintech, Receivables Financing, Consumer		TBA*	13.98%	Performance fee: 10% of interest accrued
Florence Finance	$4M	$0	SME		FFM	8.09%	0%

Source: RWA.xyz, Franklin Templeton, Superstate, LlamaRisk
** As of February 1st, 2024*
*** Data not publicly available*

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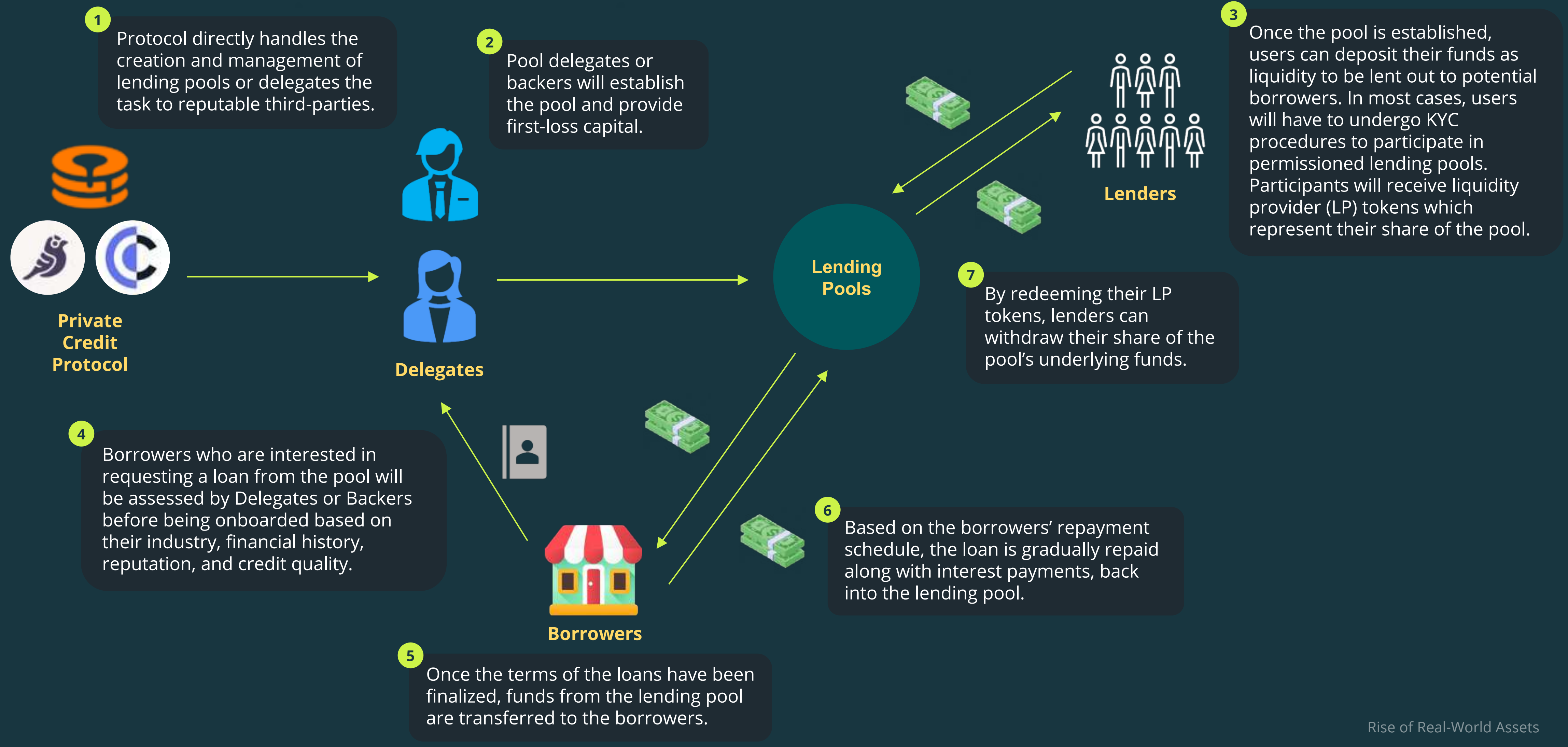
The Bridge between Real World Borrowers and On-Chain Loans

These protocols rely on delegates to perform credit assessment on potential borrowers before they are onboarded; these assessors typically take the first-loss in case of a default.



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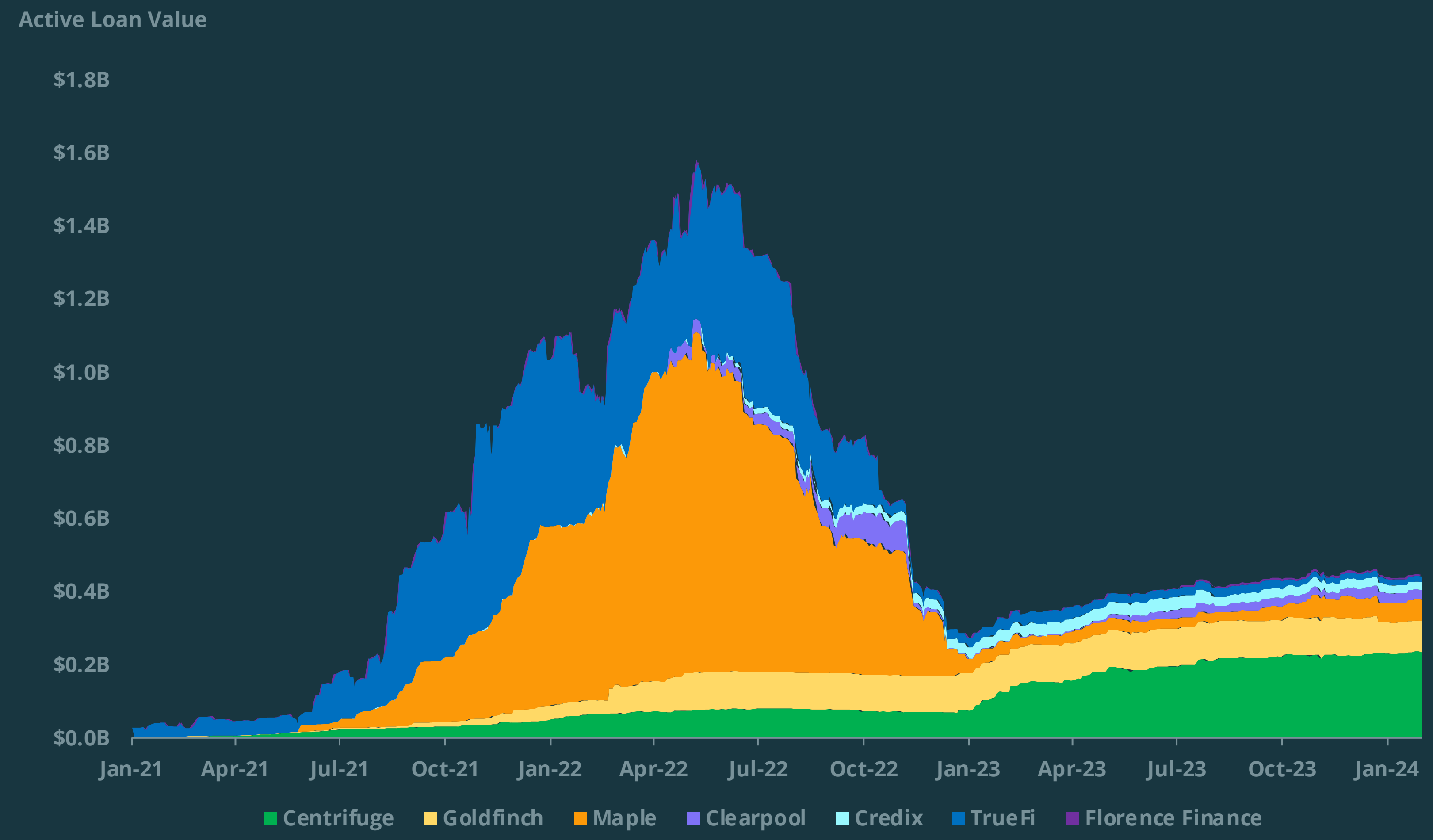
Total Active Loan Value of Top 7 Private Credit Protocols

On-chain private credit reached new highs in 2021. However, they subsequently suffered significant defaults once the crypto market crashed in 2022 but are now seeing a recovery.

Total Active Loan Value of Private Credit Protocols (Jan 1, 2023 – Feb 1, 2023)



Source: Adapted from DeFiLlama and Dune Analytics (@tt_tyler, @maple-finance, @centrifuge, @goldfinch)

$446M

Total Active Loan Value of Top 7 Private Credit Protocols as of February 1, 2024

The crypto runup of late 2021 to early 2022 saw a parabolic increase in demand for leverage by crypto trading firms. Most of this demand was facilitated by Truefi and Maple, providing **86% of total active loans** in the market.

Shortly after, the collapse of Terra & 3AC sent ripple effects throughout the crypto sector. Maple Finance suffered a $10M default by Babel Finance followed shortly by Orthogonal Trading's default of **$36M across 8 loans**.

In the aftermath, the total value of active loans in the **market plunged by 82.7%** from a peak of $1.58B in May 2022 to $0.27B at the start of 2023 after the collapse of FTX.

However, active loans have steadily **increased again by 60%** to $439M by the end of 2023, with the rise in private lending to real-world firms, led by Centrifuge and Goldfinch. The former is now the largest private credit protocol with 53% market share.

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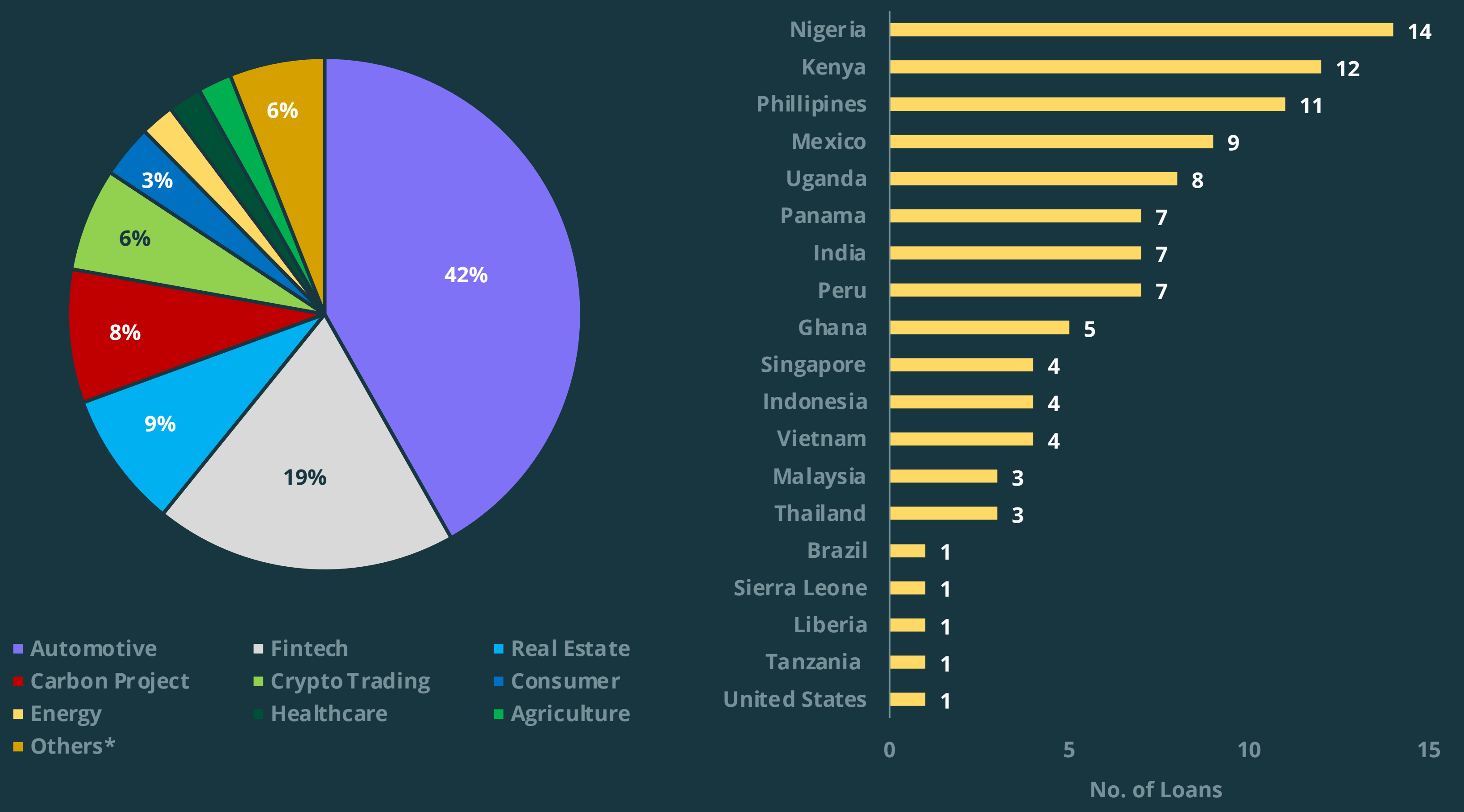
Demographic of Borrowers in Private Credit Protocols

The demand for private credit is largely concentrated across emerging markets, with 42% of active loans within the automotive sector.

Active Loan Value by Sector & Total Loans by Country ** (as of February 1, 2024)



Over 42% of outstanding loans made by private credit protocols are used for **car loans**, with over $196M in active loans, while debts for fintech and real estate make up just 19% and 9%, respectively.

This is largely due to the increase in number of auto loans originated in the past year, with **over $168M lent across 60 loans**. On the other hand, no new fintech loans were created in 2023.

Although the real estate and crypto trading sectors received 840 loans, **only 10% of the loans are currently active**, with most having been repaid and some defaulted. The crypto trading sector alone saw 13 loan defaults in the wake of the Terra/3AC collapse.

Based on disclosure from specific loans**, borrowers are **largely made up of firms from emerging markets**, such as Africa, South-East Asia, Central America and South America. 42 loans are from Africa, making up 40.8% of the 103 accounted loans. These loans are primarily made toward SMEs and carbon projects, as well as financing for automotive projects, fintech and consumer loans.

Source: RWA.xyz
**Other loans consist of mortgages, revenue-based financing, trade financing, salary advances and BNPL programs.*
*** Loans' country of origin are disclosed on a per-loan basis for specific industries and may be multinational or not available for all loans*

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Regenerative Finance (ReFi)

On-chain Regenerative Finance projects, a new sector even in TradFi, aims to address real-world social and environmental issues by leveraging blockchain.

Tokenized Carbon Credits

Toucan · REGEN NETWORK · Flowcarbon · senken

- Protocols such as Toucan allow institutions to tokenize their excess carbon credits, which can be verified through digital registries and on-chain.
- These protocols also host their own native marketplaces for entities to purchase and sell various types of carbon credits.
- Additionally, protocols such as Senken and Fowcarbon also offer services for acquiring and managing portfolios for carbon credits.

Ocean & Marine Conservation

RESEA PROJECT · plasticbank · Fishcoin · NEW ATLANTIS

- In efforts to reduce plastic pollution in the oceans, projects such as ReSea and Plastic Bank use blockchain-based systems to track and verify the removal of plastic from the seas, where each step of the cleanup process is recorded on-chain.
- Marine life is equally important as Fishcoin focuses on on-chain seafood traceability, to create a more transparent seafood industry and promote sustainable fishing practices, while New Atlantis DAO aims to protect marine biodiversity through blue carbon credits.

Renewable Energy

EWX · Powerledger · Reneum Labs

- These platforms provide highly granular 24/7 tracking and sharing of verifiable on-chain data on renewable energy.
- Since 2016, Powerledger has been providing services for peer-to-peer decentralized renewable energy trading.
- Reneum Labs allows institutions to purchase tokenized renewable energy credits (REC) which are used to scale participating projects around the globe.

Public Goods Funding

GITCOIN · GIVETH · tea

- Beyond focusing on environmental aspects, ReFi also encompasses open participation and fair distribution of resources to make positive impacts on the community.
- Gitcoin utilizes a quadratic funding mechanism to match public donations, where the number of donors matter more than the amount donated.
- Giveth and Tea Protocol incentivize contributors of verified projects and developers of open-source software.

On-Chain Capital Products Issued by Institutions

Outside of traditional financial products that are tokenized on-chain, we are also seeing experimentation on capital market products issued directly on-chain.

2021

Societe Generale SFG issued €5M Medium-Term Note on Tezos
- The tokenized securities were fully subscribed by Societe Generale Assurances.
- Became a key driver for the development of Forge, a regulated subsidiary offering crypto-based services ranging from crypto asset structuring, issuing, and custody.

The European International Bank issued €100M 2-year bond on Ethereum
- Done in collaboration with Goldman Sachs, Santander and Societe Generale as the lead managers.
- Issuing monies from the underwriters to the EIB paid using CBDC.

2022

KKR tokenizes part of $4b fund to further offer to individuals
- The tokenized portion is issued on Avalanche and offered through Securitize.
- The fund has a minimum ticket size of $100,000. investors are allowed to trade their holdings after a one-year lock-up period.

BNP Paribas issued tokenized bonds for EDF solar energy projects
- Invested by BNP Paribas Asset Management, and was converted into a traditional bond, rather than retained on the blockchain.

UBS London issued $50 million of tokenized debt securities
- Private placement of 6-month US-denominated instruments to HNW individuals and family offices in Hong Kong and Singapore.

Rabobank issued €40 million commercial papers on blockchain
- The commercial paper, denominated in euros and pounds, was issued by the Dutch State Treasury, Rabobank Treasury and Austria's Erste Bank, with Northern Trust Asset Management as the investor.

2023

ABN AMRO releases €450,000 digital bond on public blockchain
- The digital bond was registered for a midcorp client and issued to a select group on investors.
- The issuance was conducted with assistance from Bitbond and Fireblocks.

Siemens issues €60 million one-year bond on public blockchain
- Hauck Aufhäuser Lampe Privatbank acted as bond registrar and provided the digital asset custody solution for the keys. Bond was issued on Polygon.
- DekaBank, DZ Bank, and Union Investment bought in the bond.

Hong Kong Government issues HKD800 million tokenized green bond
- The 365-day bond was offered in collaboration with Bank of China (Hong Kong), Crédit Agricole CIB, HSBC and Goldman Sachs.
- The Central Moneymarkets Unit (CMU) of HKMA is the clearing and settlement system for the bond, leveraging GS' tokenisation platform.

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The Perennial Permissioned vs Permissionless Blockchain Debate

A big portion of tokenization experiments by TradFi has been conducted on private blockchains instead of public networks, leading to debates surrounding security.

Private Blockchains

- The adoption of blockchain technology in general, regardless of private or public, could unlock **significant efficiency gains** for TradFi institutions with legacy infrastructure.
- Private blockchains enable privacy on two levels:
  - Only **permissioned participants** can access the blockchain and transact / view its data
  - The data is only stored by **permissioned node operators**
- It also simplifies the trust assumption, meaning **consensus mechanisms can be simplified** further, e.g. Proof-of-Authority, and could even go as far as enable certain participants to edit past data.
- Simplifying consensus could also **enhance the performance** of the chain, providing higher throughput with little or no fees.
- Assuming these networks will operate with fewer nodes however, this will lead to **heightened concentration of** risk on the individual participants, node operators, and the maintainer of the blockchain client software.
- It is possible that a few participants or node operators going rogue or being exploited, or a bug in the client software, could cripple the network and cause irreparable damage to the chain and its data.

Public Blockchains

- In general, a key component of a public blockchain's security is **"strength in numbers"**, where a large number of node operators secure the network. Broader dispersion of these operators across geographies and hardware, as well as use of different clients, make it difficult to launch 51% attacks against a public network.
- Another benefit of public blockchains is **"building in the open"**, where smart contract code is fully transparent. This could help get more eyes on smart contract codebases to ensure that they are free of vulnerabilities, and **"battle-tested"** in a real-world environment.
- However building on public blockchains also means **sharing blockspace** with the rest of the users, and the complications that come with that, such as occasional network congestion and resulting slower transaction times and higher gas fees.
- Transactions on a public blockchain are also **publicly viewable by all** (except specialized blockchains that enable privacy by default); A copy of the data for these chains are also stored by all node operators. These may not be preferable for certain use cases.
- Public blockchains are also not without its own **technical hiccups**, from occasional chain re-orgs to serious downtimes.

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Real Estate and Tokenized Goods (1/2)

Finally beyond financial assets, offerings of tokenized real estate and goods have proliferated, including arts & collectibles, luxury goods and fashion.

Real Estate

- Property or its cash flows are represented as a token on the blockchain.
- This enables it to increase liquidity, along with enabling digital ownership in a fractionalized manner.

Real Estate

RealT

Propy

- RealT offers fractionalized real estate investment, by converting paper deeds into tokens, which can then be purchased by qualified investors. These properties are represented by “RealTokens,” an indirect representation of ownership in the underlying property.
- Propy is a real estate transaction platform, aiming to make the closing process faster, more secure, and transparent. It offers alternative methods of payment, including crypto, or even as an NFT through its platform.

Arts & Collectibles

- Fine arts and collectibles such as trading cards, can be fractionalized and subsequently tokenized,
- The tokenized collectibles can then be traded easily between collectors from around the world, or have the physical version shipped from the custodian to the customer.

Art & Collectibles

Courtyard.io

Freeport

- Courtyard.io is a marketplace that allows its users to own, and trade collectible cards onchain. Meanwhile, the physical collectibles are secured in vaults operated by Brink’s, and are insured.
- Freeport allows users to invest in fractionalized fine arts in the form of security tokens on Ethereum. Back in 2023, it offered Andy Warhol artworks on its platform.

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Real Estate and Tokenized Goods (2/2)

These protocols aim to make these goods more accessible and available to a wider global audience.

Luxury Goods

- The creation of digital equivalents of expensive products in the form of tradable tokens.
- An example of this would be the tokenization of an expensive handbag or watch, where buyers can purchase fractions of it.
- Additionally, users can verify the authenticity of the product on-chain.

Watches.io

Luxury Goods

- Watches.io allows owners of premium watches to tokenize their watch by minting a “Watched-Backed NFT,” which is a 1:1 digital twin and on-chain representation of the physical watch. However, in order to do so, the watch must first be authenticated by Watches.io and securely vaulted by them.

Fashion

- Fashion pieces can be tokenized to become NFTs, granting them a unique identity, and verifiable ownership.
- This allows designers to create and sell one-of-a-kind digital fashion pieces, with virtual experiences bundled together.

RTFKT

9dcc

Fashion

- RTFKT aims to merge fashion and gaming, by utilizing NFTs and blockchain. It has created virtual sneakers, collectibles, and experiences, which are redeemable for physical goods. It has since been acquired by Nike.
- 9dcc is a clothing brand which merges physical luxury fashion with NFT technology. Customers are able to choose between vaulting purchases to maintain their value, or actively wear them. On top of that, users are also able to secure loans against these physical assets.

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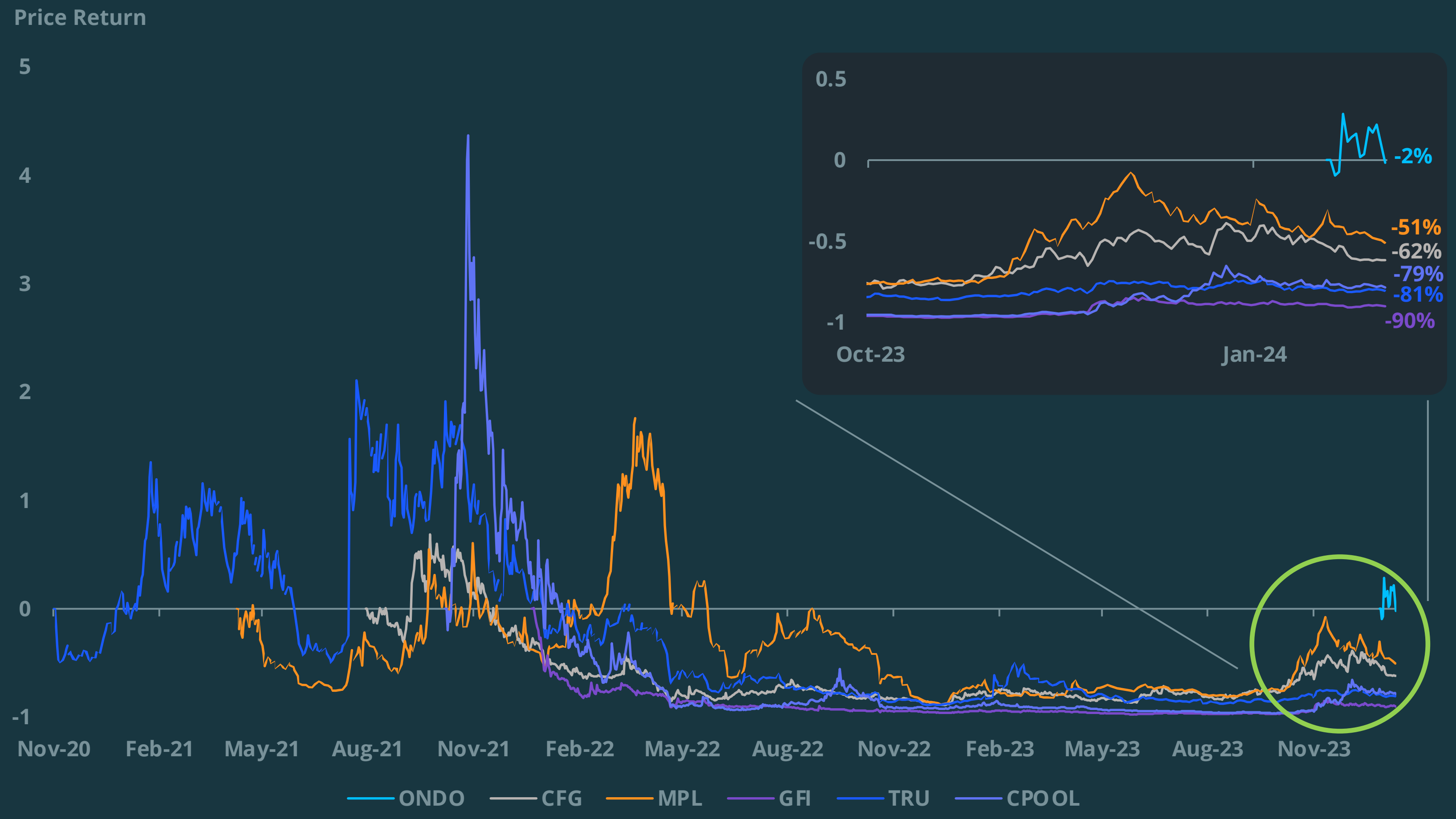
Price Returns of Selected Real-World Asset Governance Tokens

While the overall RWA market cap has grown significantly, none of the RWA governance tokens have posted a positive return as at Feb 1, 2024.

Price Returns of Selected RWA Governance Tokens (Feb 2020 – Jan 2024)



	2024	2023	2022	2021
ONDO	-2%			
CFG	-28%	354%	-83%	-32%
MPL	-35%	547%	-85%	-24%
GFI	-9%	160%		
TRU	-21%	112%	-91%	126%
CPOOL	-14%	215%	-95%	74%

RWA tokens that existed in 2021–2022 took a brutal hit from the bear market but **saw some strength in 2023**, where MPL led the pack (+547%), followed by CFG (+354%) and CPOOL (+215%).

All tokens saw declines anywhere from 2-35% in Jan 2024, which coincided with when BTC saw a correction from ~$49k down to ~$39k following the approval of US spot BTC ETFs.

While these tokens have rallied in February 2024, apart from ONDO they are still at prices significantly lower than their all-time-highs – with GFI, TRU, and CPOOL over 90% down. Barring ONDO, none have posted positive all-time returns.

Source: CoinGecko
**As of Jan 31, 2024*

Looking Ahead

CoinGecko

- The earliest and simplest form of RWA, namely **fiat-backed stablecoins**, are also by far the **most popular**. Their importance to the crypto industry cannot be overstated, as it allows investors to retain their funds on-chain even when not trading.
- However, as issuers become more comfortable with crypto, more real-world and financial assets are being tokenized and brought on-chain, though still **primarily focused on debt / credit**.
- Debt tokenization efforts to-date have been **focused on the two ends of the credit risk spectrum**: –
  - On one hand treasuries for very safe, stable yields that had significant appeal, particularly during the bear market, and
  - Emerging market small / medium business credit on the other which come with significant risk, but have the yields which can compete with "pure" DeFi
- To an extent this **reflects the current on-chain investor base** (degens, project treasuries) and the assets which appeal to them. **Other tokenization efforts** along the credit spectrum, e.g. corporate bonds, carbon credits, real estate, though also have long development histories, have **yet to find product-market fit**. Even more niche (and experimental) are other asset classes such as **luxury goods and art & collectibles**.
- The **further diversification of on-chain investor demographics** could also diversify risk appetites and provide opportunities for other asset classes to flourish. This is unfortunately oftentimes a **chicken and egg problem** – quality assets won't be tokenized if there isn't any on-chain demand, and vice versa.
- Perhaps the most encouraging recent development for RWAs is the emergence of blockchain-based offerings – whether in the tokenization, custodial, payments space – by **established TradFi giants** no less, e.g. the likes of Standard Chartered, Franklin Templeton, PayPal. Their successes could help foster **greater trust and confidence for regulators, issuers and investors**.
- Outside of supply-demand, **legal and regulatory hurdles** still pose a challenge for RWA projects, though there is emerging clarity and best practices, which nonetheless varies between jurisdictions. Further maturity in these areas will attract more projects to try.
- Fundamentally, RWA projects live at the **intersection between the real world and blockchains**, and between issuers and investors. Whether they can act as an **effective intermediary** at these intersections will be pivotal to their success. While there will inevitably be **reliance on 3rd parties**, e.g. oracles, custodians, credit assessors, etc., how these are effectively utilized and managed will remain a crucial element for their continued operations.

THAT'S ALL! THANK YOU FOR READING :)

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