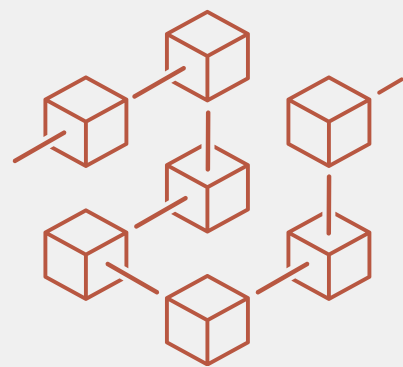


The Year Of Tokenization

DIGITAL ASSET REPORT

DECEMBER 2024



CREATED BY

OLIVER PAGE



Introduction

In the future, Web3.0 participants will likely look back at 2024 as a year that changed the course of the blockchain industry - from the well-documented arrival of Donald Trump into the White House, bringing along his various cryptocurrency-related escapades, to the emergence, explosion, and teetering downfall of pump.fun; it has certainly been a year to remember. Despite the wild events of 2024, the macro future outlook for the blockchain industry likely remains unchanged. Trends, politicians, industry interests, and manners of investment will come and go, yet blockchain technology's underlying promise and capabilities remain, and will continue to grow.

During 2024 we have witnessed the emergence of an industry sector that has been in development for many years and was identified as one of the earliest primary use cases of blockchain technology: tokenization. This industry report will outline the developments of the tokenization industry with a focus on financial-centric tokenized real-world assets (RWAs).

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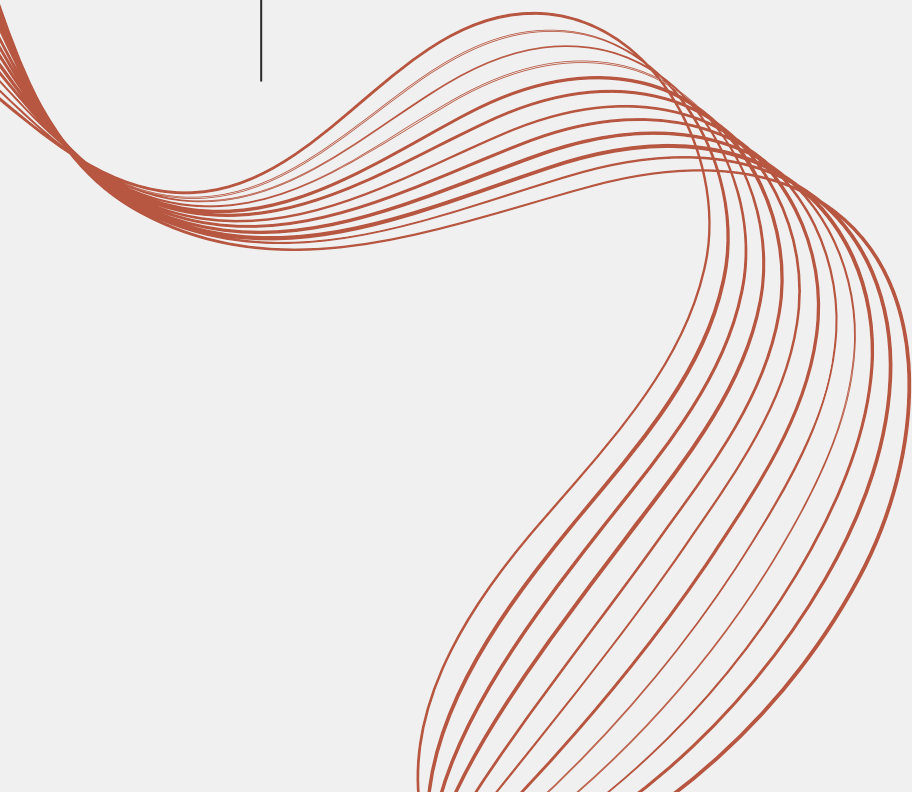
Methodology

This report is based on secondary research and data extracted from public blockchains. Key sources include industry reports, blockchain analytics platforms, open-source blockchain data, press releases, and trusted media outlets. Data collection and verification relied on Google Trends, Dune Analytics, Glassnode, TheBlock, RootData, DeFi Llama, CoinGecko, and RWA.xyz.

The report focuses on global trends from January 1, 2024, onward. Data accuracy was ensured by cross-referencing multiple platforms, prioritizing publicly verifiable blockchain data, and relying on insights from reputable firms.

Key Findings

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Key Findings

This report finds the following:

Exponential Growth in Tokenized RWAs: Interest in tokenized RWAs as a narrative is greater than any sector in the cryptocurrency space throughout 2024; while from a financial standpoint, the total value of assets also increased substantially.

Institutional Adoption: Some of the largest institutions globally are actively participating and innovating across the tokenization industry. In addition, numerous major institutions have signaled their belief that the total value of assets tokenized will cross \$1tn USD over the next decade.

Ethereum Dominance: Despite the market share of Ethereum being threatened within other Web3.0 sectors such as DeFi, Ethereum is the choice of blockchain for financial-centric tokenized RWAs.

Emergence of Yield-Bearing Stablecoins: Yield-bearing stablecoins have witnessed exponential growth throughout 2024, with new stablecoin innovations potentially shaking up industry norms over the next 2-5 years.

Offshore Growth: Jurisdictions such as the Cayman Islands and British Virgin Islands have seen their regulatory frameworks utilized heavily by issuers and digital asset funds, surpassing the EU and Asia in utilization for financial-centric tokenized RWAs.



Web3.0 Narratives

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Narratives of Web3

Over the past year, the interest in the blockchain industry at large has increased substantially. Evaluating search engine trends, at the time of writing this report, interest in the cryptocurrency industry over the past year is at an all-time high [1].

'Cryptocurrency' Interest Over Time

'Cryptocurrency' Software Classification || Data From Google Trends

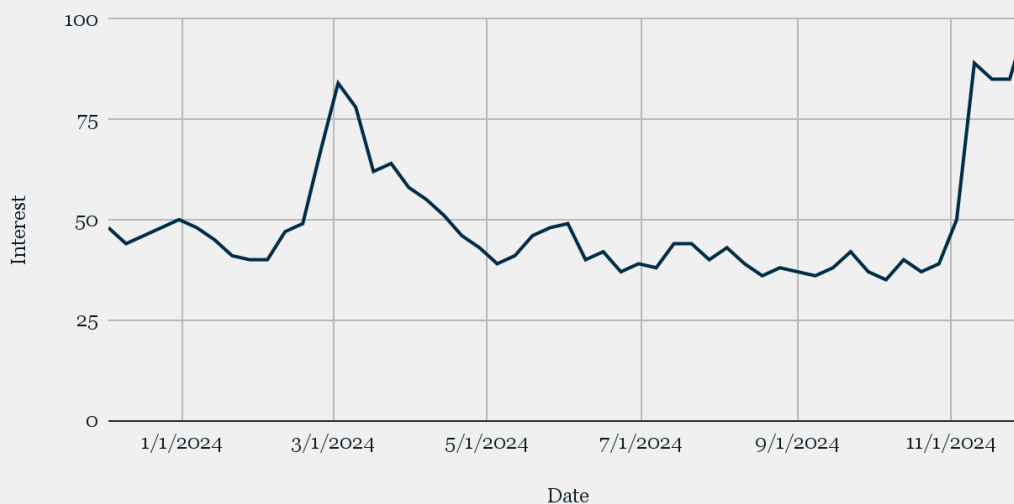


Figure (1) - Google Trends Data

In conjunction, the market capitalization of cryptocurrencies has broken above the previous all-time highs set in 2021. Now the market capitalization of cryptocurrencies is at \$3.46tn USD [2]. When matched with the price of BTC passing above \$100k USD [3]; there is a clear demonstration of financial interest as an overarching curiosity.

The majority of sectors within the cryptocurrency industry have seen an increase in interest, with the notable exception being the NFT industry, as monthly on-chain volume and the number of active traders are both well below the start of 2021 [4].

The tokenization space has seen a surge of interest since the start of 2024, in particular the tokenization of RWAs. As a narrative, the RWA sector has seen an increase of +576% since the start of the year [5]. This places RWAs as the top narrative YTD above notable sectors such as memes (+406%), privacy (+289%), and AI (+100%) as shown below.

RWA Narrative YTD Performance

Price Centric Performance Data || Data From Dune.xyz

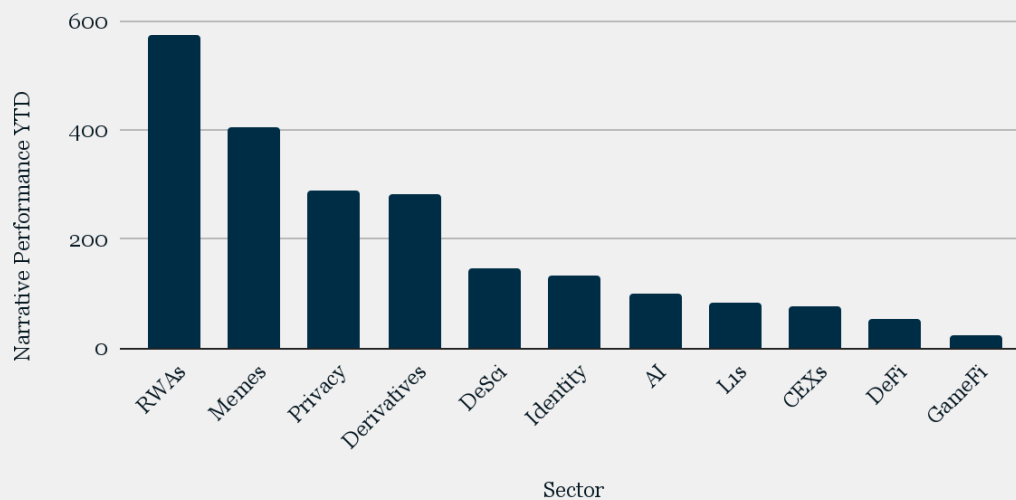


Figure (2) - RWA Narrative YTD Performance

One element that separates the tokenization industry from other sectors at present is the reliance on retail interest to drive the industry sector forward. Despite the opportunities that tokenization offers to retail investors (e.g. earning yield on tokenized commodities), institutions have seemingly taken far greater interest than retail investors, as outlined by the bullish predictions made by various institutions.

Predicted Web3.0 Growth

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Predicted Growth of Tokenization

Major institutions have made their stances clear on asset tokenization with significantly bullish predictions:

- Standard Chartered predicts there will be \$30tn USD of tokenized assets by 2034 [6].
- BCG predicts \$16tn USD of tokenized illiquid assets by 2030.
- Citi predicts \$5tn USD of tokenized digital securities by 2030.
- McKinsey predicts \$2tn USD of tokenized digital securities by 2030.

At the time of writing the total number of financial-centric tokenized public-chain RWAs (e.g. tokenized U.S treasuries, commodities) totals approximately \$13.59bn USD (excluding stablecoins) [7].

Leveraging data from the entire valuation of such RWAs alongside prediction numbers from institutions, the CAGR rates in the figure below demonstrate exceptionally high annualized predictive increases, demonstrating the anticipated market expansion of the tokenization industry.

CAGR Results From Institution Predictions

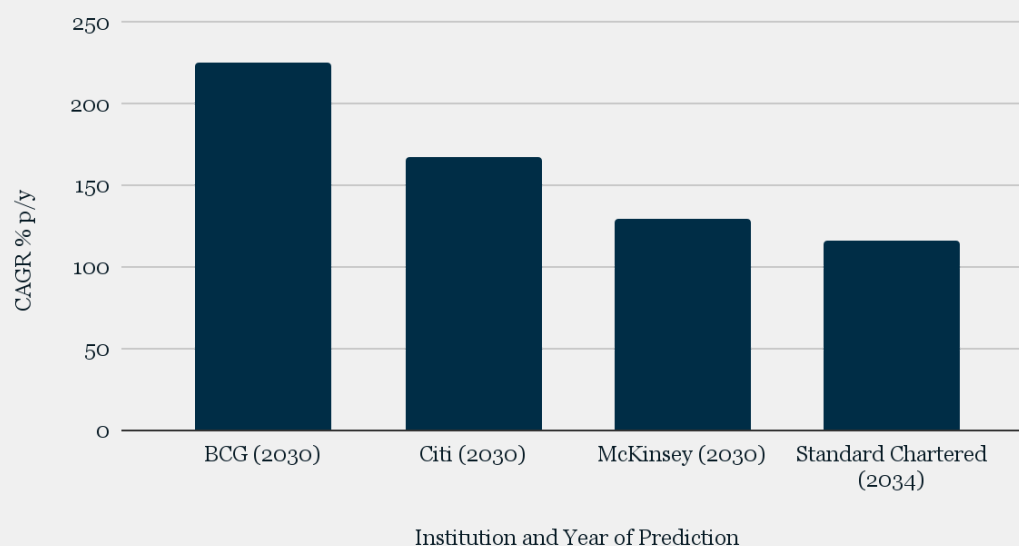
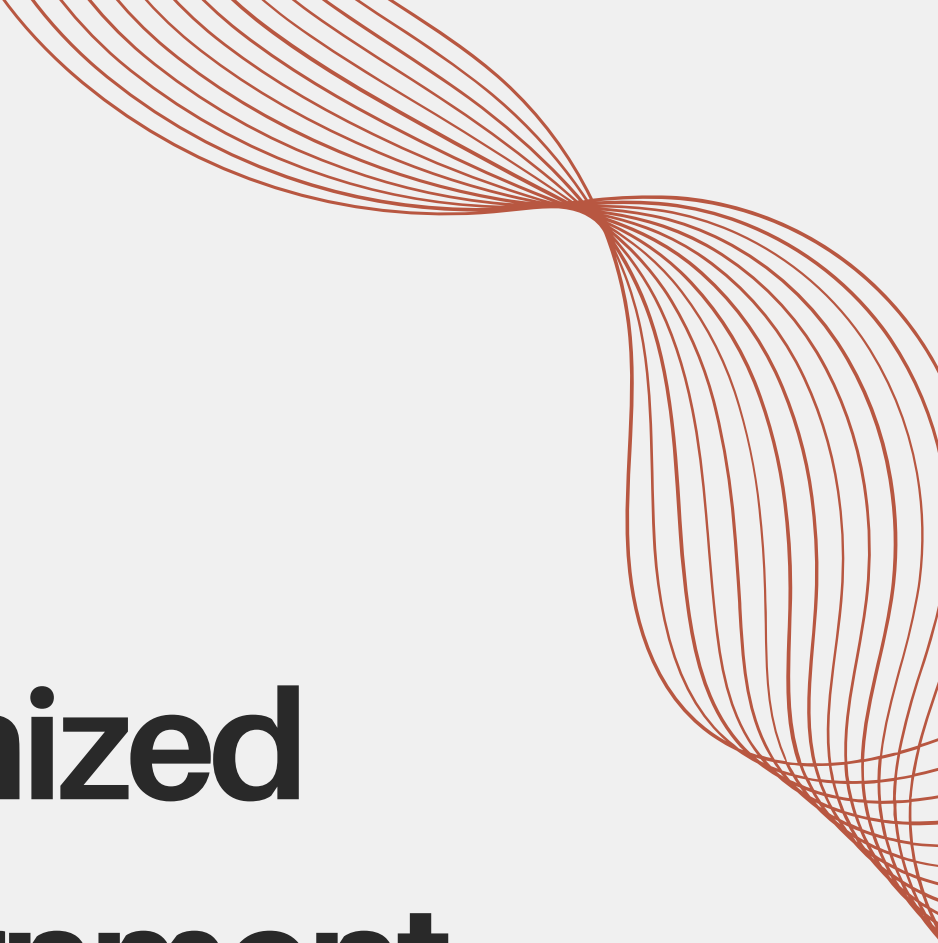


Figure (3) - CAGR Results From Institutional Predictions

The resounding mood within the traditional finance space is that tokenization is coming. This year we have begun to witness more institutions confirm this sentiment publicly through announcements of new initiatives. Such an example is UBS launching its first tokenized investment fund on Ethereum [8].

The predicted growth of the tokenization industry is exponential. Some public-chain tokenization industry sectors are already beginning to see exponential growth, in particular tokenized government securities.



Tokenized Government Securities Growth

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Growth of Tokenized Government Securities

At the start of 2024, tokenized government securities had a market capitalization of \$877.96m USD [9]. Now that figure stands at \$2.36bn USD, a significant increase of approximately +169.10%.

AUM In Tokenized Government Securities

Data From 21.co || Dune.xyz

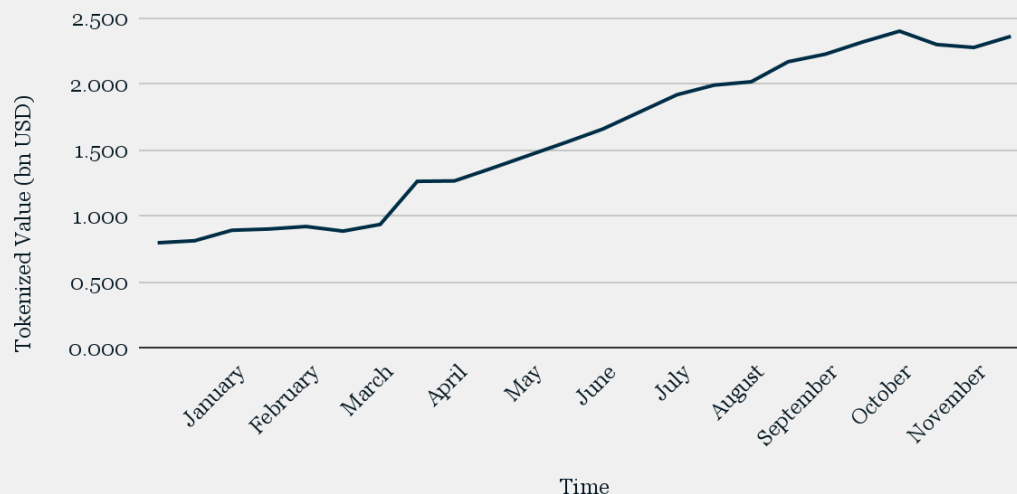


Figure (4) - AUM In Tokenized Government Securities

Within the tokenized government securities sub-sector, the majority of products revolve around US-related products. Of the underlying assets for the tokenized government securities below, 96.56% of them are centric to US government underlying assets.

AUM of Tokenized Government Securities

Data From 21.co

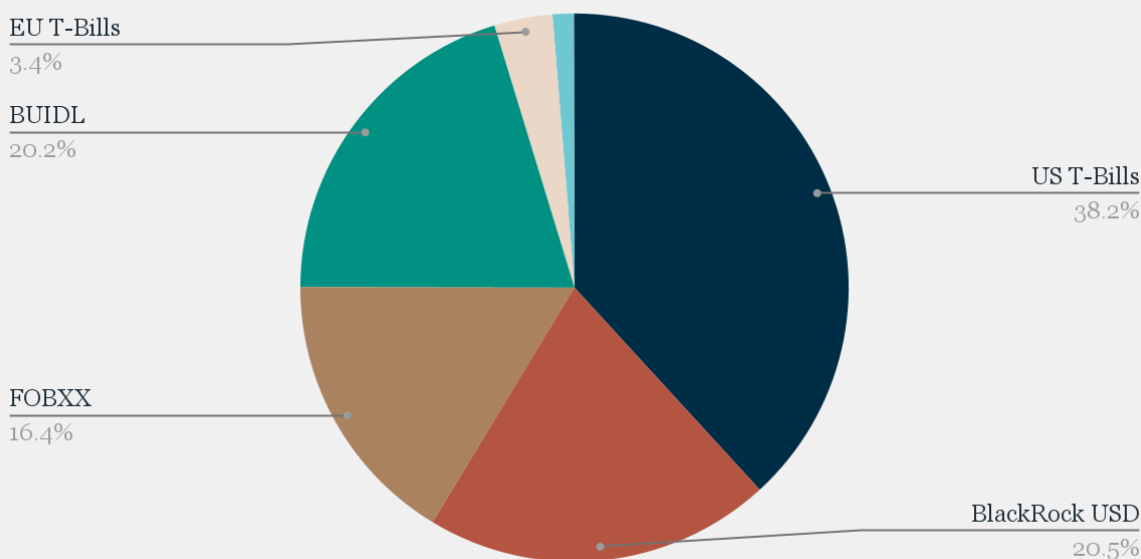


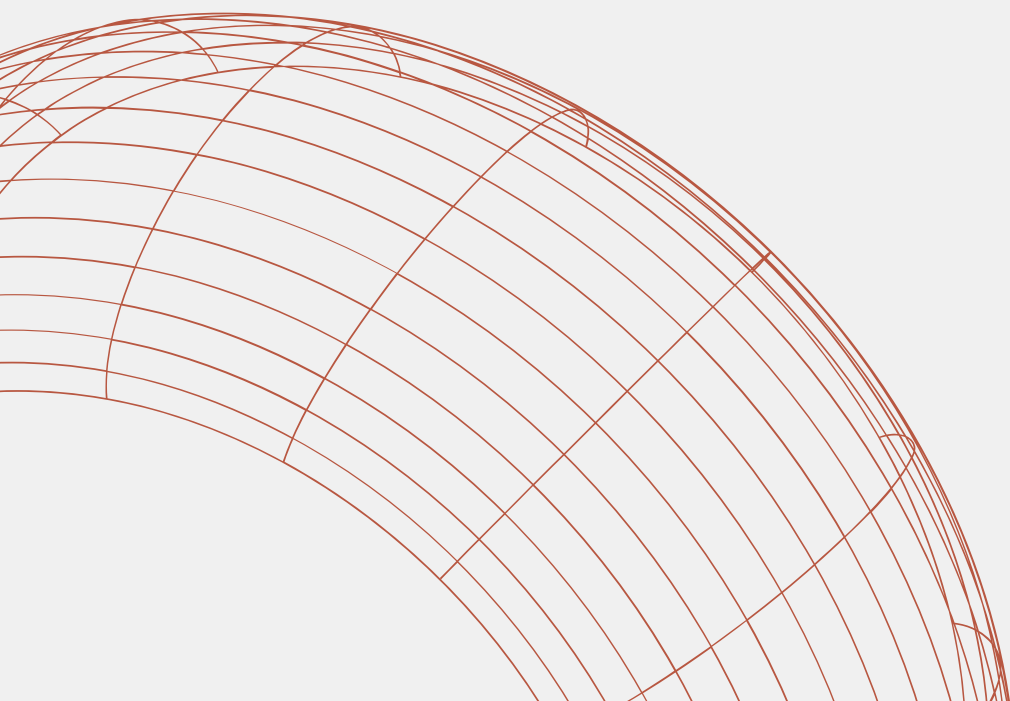
Figure (5) - AUM of Tokenized Government Securities

The two data points above demonstrate that US assets are dominating the tokenized government securities sub-sector and are ultimately responsible for sector growth. Furthermore, there have been signs that this dominance and continued interest will persist, as demonstrated by the successful \$30m fundraising by El Salvador's digital asset issuer NexBridge in Q4 2024 [10].

As US government-tokenized securities see tremendous growth, we have witnessed the emergence of new financial products, underpinned by tokenized assets.

Emergence Of Stablecoins

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Stablecoins Emergence

The dominance of the two primary stablecoin issuers Circle and Tether has continued from 2023 to 2024. Currently, USDT holds a market cap dominance of 69.62% [11], with USDC and USDT holding a collective dominance of 92.46%.

Market Capitalization of Stablecoins

Data From DeFi Llama

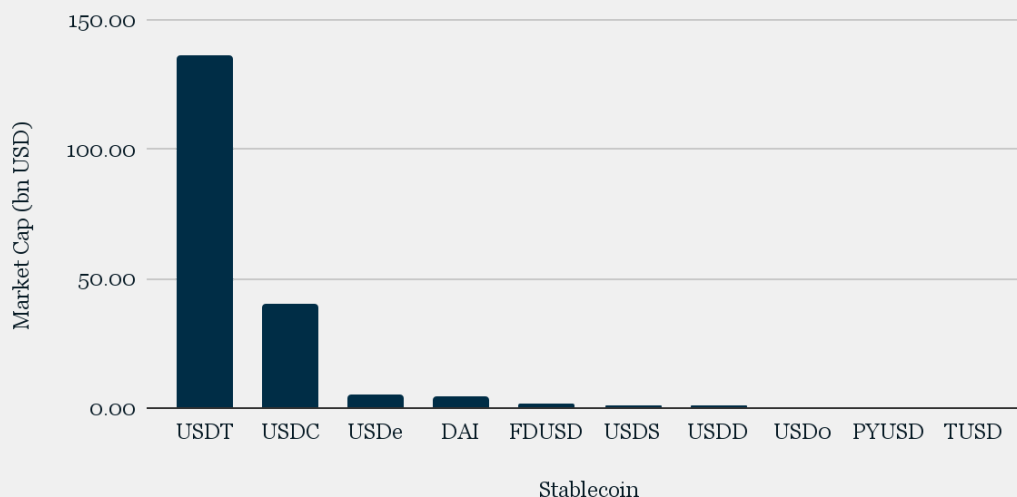


Figure (6) - Market Capitalization of Stablecoins

Despite these dominant statistics, there have been collective opinions that a change is required in the stablecoin industry sector. This came after Tether released its Q3 attestation report, stating that the company had hit \$7.7bn USD profit since the start of 2024 [12]. At their current rate, it would place Tether on track to generate over \$10bn USD of profit across the whole of 2024. Despite this profitability, users holding USDT receive no APY and can only earn yield through lending mechanisms. This has seen the emergence of yield-bearing stablecoins backed by US treasuries such as USDM (Mountain Protocol) and USDY (Ondo Finance).

USDY currently offers an APY of 4.65% and has a TVL of \$453.62m USD [13]. The TVL of USDY has grown by +591.39% over the past year, as demonstrated in the figure below. For reference, the market capitalization of USDT has grown by +48.80%, the market capitalization of DAI is down -34.60%, and the growth of the stablecoin market as a whole is up +50.72%.

USDY Total Asset Value

Data From RWA.xyz

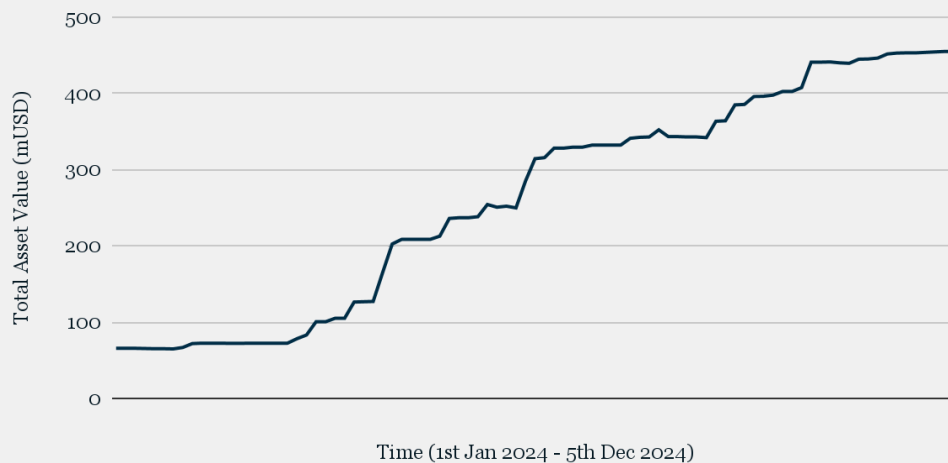


Figure (7) - USDY Total Asset Value

It is clear that there is demand for yield-bearing stablecoins due to the increase in total asset value. Despite this, there are currently only 7,026 addresses that hold USDY, making an average address size of \$64,546.54 USD. This is x18.17 the average size of the 38,464,217 Tether holding addresses [14]. The reason behind this is due to USDY being an extremely attractive proposition to Web3.0 foundations. With foundations holding significant amounts of stablecoins for extended periods to support decentralized protocols, the ability to earn +4.65% over 0% is an extremely attractive proposition as it can increase runway or fund new initiatives while keeping capital on-chain.

With USDY, despite the stablecoin being available on multiple low-fee, high TPS L1s and L2s; 55.9% of USDY market capitalization is on Ethereum.

USDY Market Capitalization by Network

Data From RWA.xyz

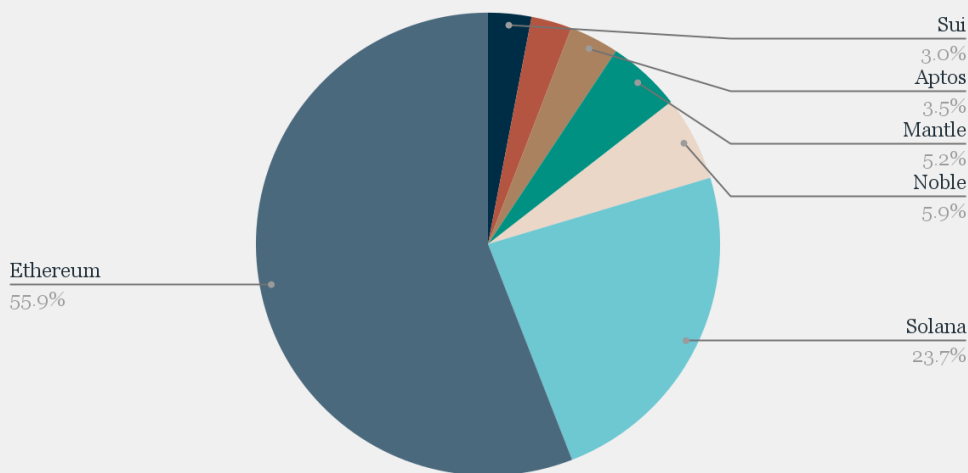
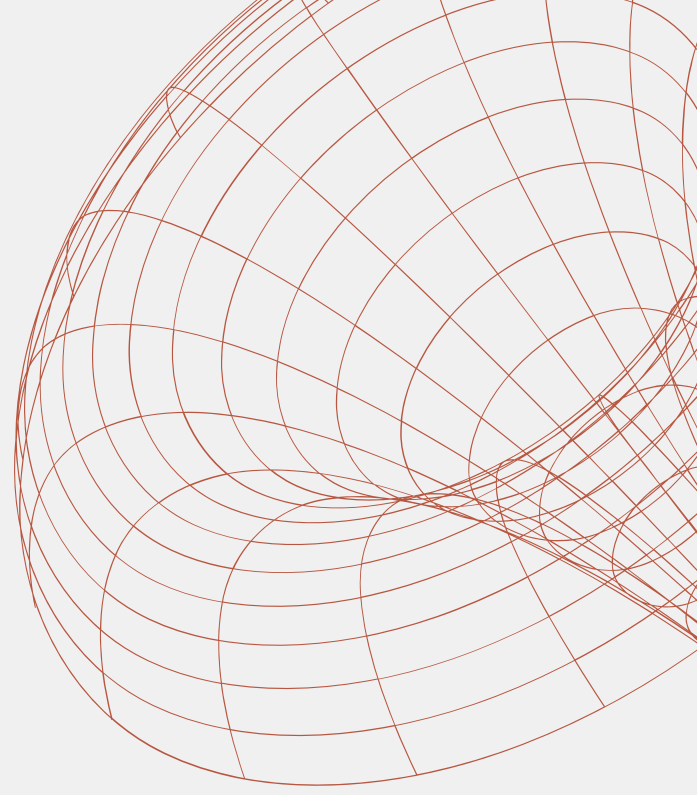


Figure (8) - USDY Market Capitalization

This is a clear demonstration of faith towards Ethereum by entities holding USDY.



Utilization Of Ethereum

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Utilization of Ethereum Network

Various tokenized assets are primarily or solely utilizing Ethereum over alternative blockchains. From the tokenized asset classes displayed in the figure below, only with tokenized bonds does Ethereum not hold the network market capitalization majority.

Use of Ethereum for Tokenized Asset Classes

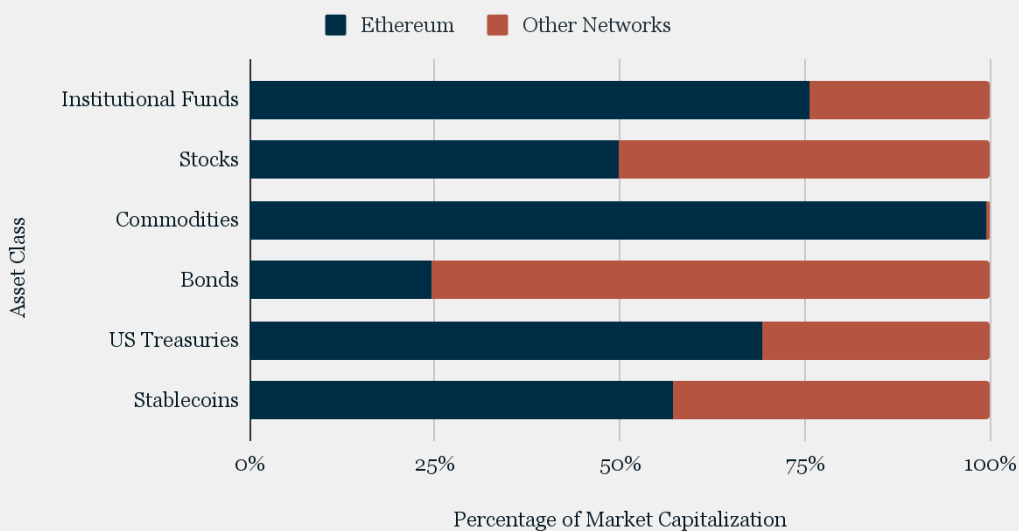


Figure (9) - Use of Ethereum for Tokenized Asset Classes

The total market capitalization of tokenized RWAs on the Ethereum network (excluding fiat collateralized stablecoins and including asset classes such as real estate) has increased from \$1.90bn USD to \$3.25bn USD, marking an increase of +71.05%. The value of all chains reached a total of \$4bn USD in December. This significant inflow of capital to the Ethereum network means that tokenization could be a major value driver and become an increasingly important element of the Ethereum ecosystem.

VC

**Tokenization
Investments**

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VC Tokenization Investments

Since Q1 2024, tokenization-related investments have gained significant momentum. In Q1 2024, tokenization made up just 1% of VC capital invested [15]. The total invested overall into crypto and blockchain-related companies from VCs via private deals in Q1 was \$2.49bn USD. This amount increased by \$0.71bn USD to \$3.2bn USD invested in Q2 2024 [16], with investments into tokenization-related companies now making up 4% of VC capital invested, quadrupling over one quarter. In Q3, the total VC investment amount fell back to \$2.4bn USD [17], along with investment into tokenization-related companies falling to approximately 2% of total VC capital invested.

The amount of private investment into tokenization companies has been low throughout 2024. However, tokenization companies are pulling in a significant number of investments, even if the deal size is low. In Q3 2024, tokenization had the 5th highest number of dealflows from 18 categories measured. This saw more tokenization companies raise capital than companies in categories such as AI (crypto-related), privacy, L1s, and enterprise blockchain solutions.

Share of Crypto VC Deal Count by Category Q3 2024

Data From Galaxy Research

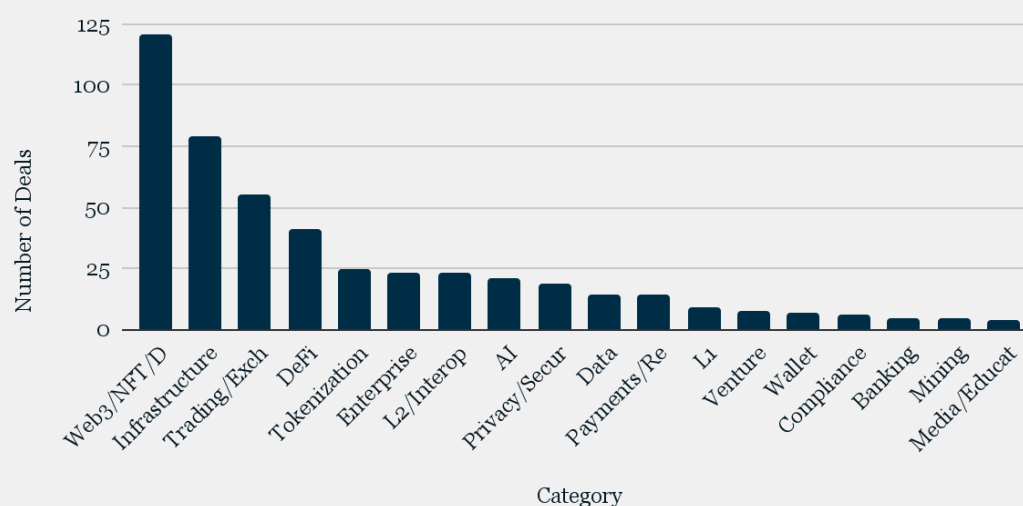
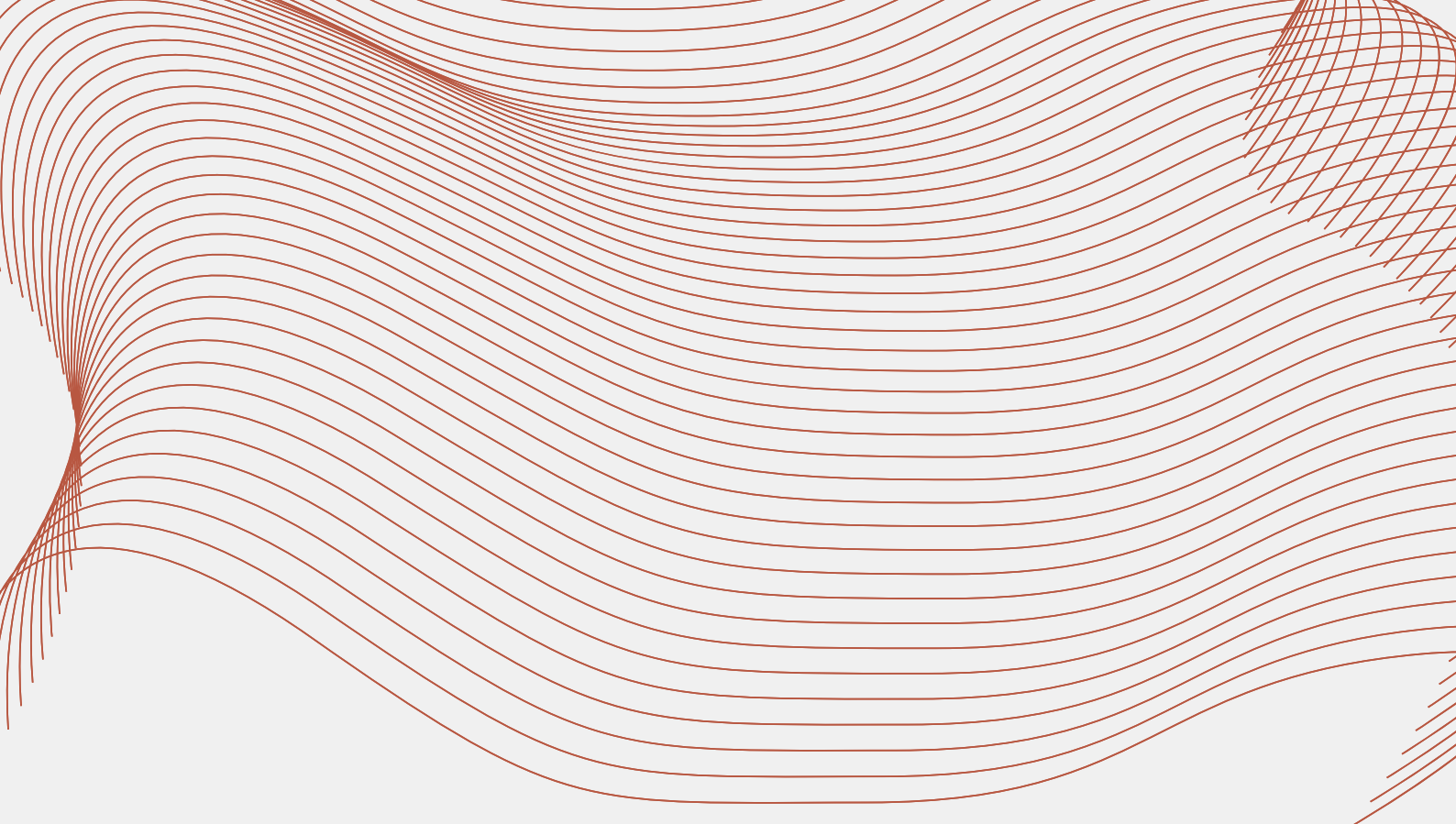


Figure (10) - Share of Crypto VC Deal Count by Category Q3 2024

One of the reasons the tokenization sector is gaining momentum when measured by a range of factors including private sale investments is due to clarity of regulations and accelerated acceptance by institutions and government. Over the past six months, some notable actions by such entities are:

- Singapore announced they are working on fund tokenization regulation [18].
- Hong Kong regulators launched a tokenization pilot [19].
- State Street announced they will launch a full-service digital platform for institutional investors [20].
- 21X secured regulatory approval to launch a tokenization platform under the EU's DLT Pilot Regime [21].

Furthermore, there has been increased clarity on legal structures and regulations for offshore entities, most notably the Cayman Islands and British Virgin Islands over recent years, with results showing in 2024.



Cayman Islands & BVI

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CI & BVI - Absorbing Tokenization

There are nine major stablecoin providers who leverage the British Virgin Islands, acting as the joint most popular domicile for asset issuers alongside the USA. When evaluating various tokenization asset classes, the following domiciles are leveraged:

Domicile Selection of Tokenized Asset Providers

Data From RWA.xyz

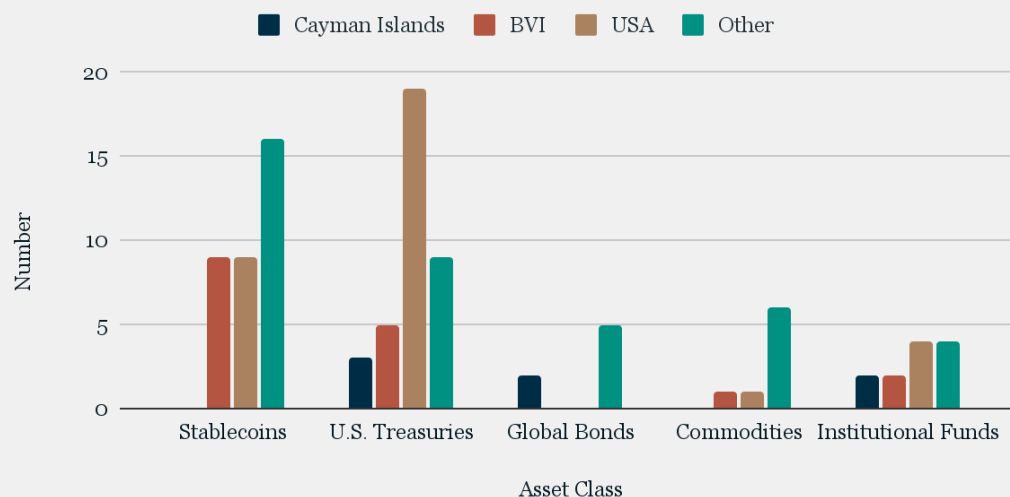


Figure (11) Domicile Selection of Tokenized Asset Providers

While the USA remains the most commonly selected domicile for tokenized asset providers, digital asset funds have flocked to the Cayman Islands. Currently, almost two-thirds of digital asset funds are domiciled in the Cayman Islands [22], as shown below.

Domicile of Digital Asset Hedge Funds

Respondents of PWC Report

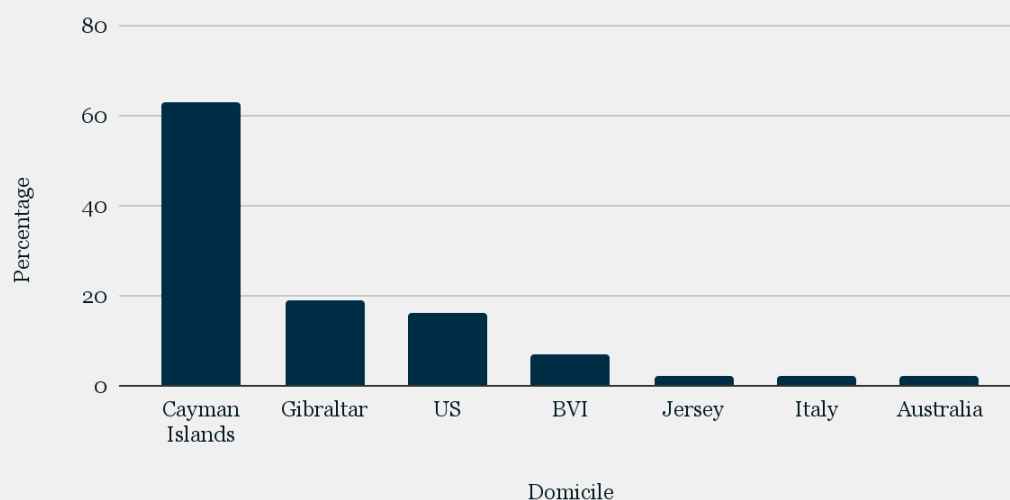


Figure (12) - Domicile of Digital Asset Hedge Funds

The BVI and Cayman Islands are becoming increasingly prominent in both tokenization, the Web3.0 foundation space, and currently lead the way for digital asset hedge funds. One major contributing factor has been the successful introduction and adoption of the VASP Act in 2021 (Cayman Islands) and 2022 (BVI).

The success of regulatory frameworks for the BVI and Cayman Islands appears to have been a kickstarter for wider global regulatory frameworks, which is likely to lead to wider global adoption of tokenized assets. Yet despite continued efforts to create a sound regulatory space, 56% of digital asset hedge funds see regulatory uncertainty as the key risk for digital assets (tokenized assets included).

What Digital Asset Funds See as the Key Risk for Digital Assets

Data From PWC

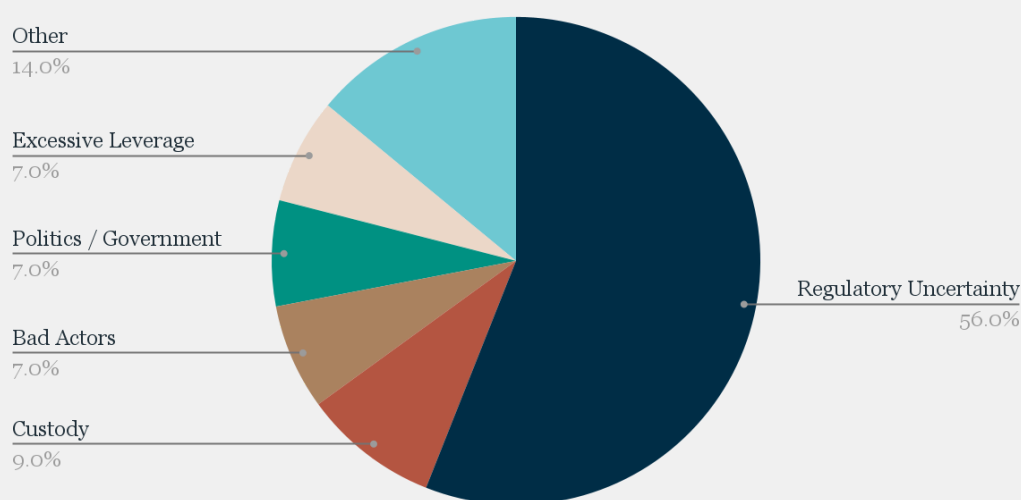


Figure (13) - What Digital Asset Funds See as the Key Risk for Digital Assets

From the above, it is clear that further regulatory efforts are required not just from a tokenization standpoint, but the wider digital asset space.



Conclusion

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Conclusion

In summary, this report finds the following:

New Financial Products are Incoming: With the success of USDY, it is increasingly likely that new financial products that leverage tokenized assets will come to fruition over the coming years.

Increased Acceptance: Tokenization has reached the final stage of acceptance prior to widestage adoption. Governments and major institutions from across the globe have publicly voiced their support for the sector. Subsequently, increased participation from such parties could be expected.

Positive Momentum: There is a significant amount of momentum behind the tokenization sector currently. By evaluating financial growth, traction, interest, and private round investment trends; the industry is clearly moving in a positive direction.

Considering the points above, it is clear that 2024 has been a positive year for the financial-centric tokenized RWAs, placing the industry in a positive position for 2025.

Final Word

The year 2024 was not the genesis of the tokenization industry. Rather it represents the year tokenization was publicly recognized to have revolutionary capabilities, subsequently seeing a major increase in adoption. While tokenization is being actively deployed and developed across a range of industries such as carbon credits and real estate; financial-centric tokenized RWAs have acted as the leader in the global adoption of tokenization. Only time will tell if the predictions made by institutions will come to fruition and whether the growth of the tokenization industry will continue. However, if the industry continues on its current path, there is tremendous growth and significant opportunities ahead.

Contact

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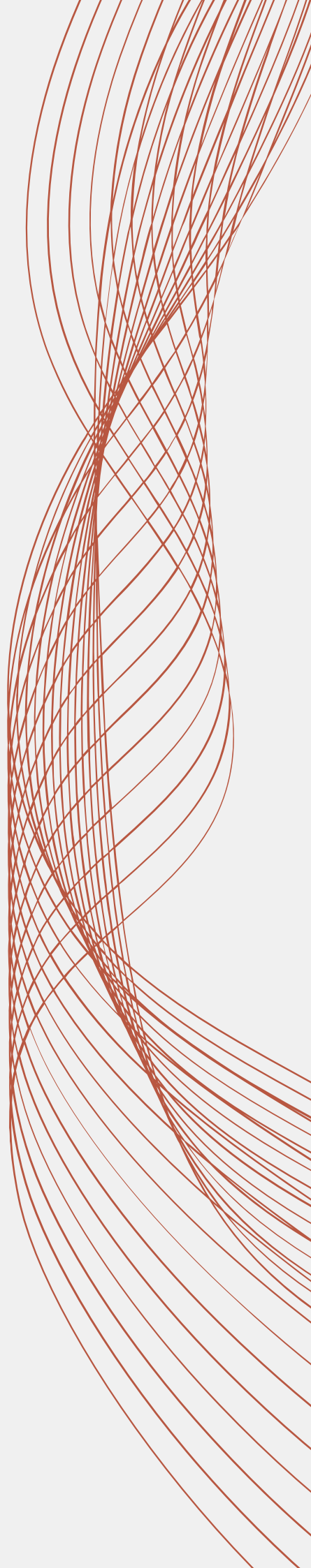
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