

## VIDEO TRANSCRIPT – DIGITAL ASSETS: THE NEXT STEP

The definition of a digital asset is greatly challenged within the marketplace and industry and not easy always to grab hold of.

A digital asset is any asset, whether tangible or intangible, that can be captured electronically and transferred between counterparties.

There are a significant number of digital assets but we like to look at things in three categories.

Tokenised assets, digitally native issued assets and digital cash.

A tokenized asset is a traditionally issued asset that is converted, at a later date, into a token.

A token could represent a share in a company, an allocation of units in a bond or a fund, or it could be something more esoteric like a race car or art where we're tokenizing the traditional asset in that form.

By tokenizing an asset, we're not changing the asset itself – it keeps its original form – we're just changing how that asset is held and digitally transferred in terms of value and workflow.

This is seen as a key step in terms of digitalisation of our marketplaces where current legislation and legal agreements require certain assets to be issued in certain ways but then the benefits of electronic markets can be applied to them further downstream.

A natively issued digital asset is where the legal form of the asset is issued directly into a digital ecosystem or environment.

For this to happen, both the legal and regulatory framework has to recognise the asset in its digital issued state.

We're also starting to see a significant amount of exchanges producing capabilities for both private placement and digital asset issuance. This is happening across Europe – Switzerland, Germany for example – but also in the US and Asia.

As digital marketplaces and ecosystems evolve, one critical element in the future will be digital cash. Digital cash is required to create settlement within these infrastructures and really, truly get the benefit out of the digital environments.

Digital assets bring significant benefits to both the end investor and any participant within the value chain. The asset itself will be transferable immutably between counterparties, improving trust and liquidity within market segments. They also provide significant efficiency within the marketplace themselves as well where they'll be minimal reconciliation points between counterparties.

Although there's a lot to do with both the technology, the regulatory and legal structures, the upside is huge and we're really excited – at Northern Trust – about the opportunities digital assets and digital markets will bring over the next few years.

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### IN THIS VIDEO:

In the first of a series of videos, we look at Digital Assets and the potential benefits and efficiencies that this emerging asset class offers the financial services industry.

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