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Tokenized Funds: The Third Revolution in Asset Management Decoded

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tokenization, the third revolution in asset management, offers the potential for billions of dollars in value for both financial institutions and end investors, according to the latest whitepaper, “Tokenized Funds: The Third Revolution in Asset Management Decoded” co-developed by Boston Consulting Group (“BCG”), Aptos Labs, and Invesco.

Having garnered more than US\$2 billion in assets under management (AUM) as of late 2024 ^[1], BCG estimates that tokenized fund AUM could reach 1% of global mutual funds and exchange-traded funds (ETF) AUM in just seven years ^[2]. This would imply an AUM of more than US\$600 billion by 2030. “We see a pattern of growing investor demand in the tokenized funds space,” said David Chan, Managing Director and Partner at BCG. “Over the coming period, we expect that trend to continue, especially when regulated on-chain money such as regulated stablecoin, tokenized deposit, and central bank digital currency (CBDC) projects materialize.”

The whitepaper highlights that tokenized funds are witnessing a potential investment demand of approximately US\$290 billion ^[3], with the prospect of trillions more as traditional financial institutions such as asset managers and wealth managers embrace on-chain money adoption. The surge is credited to the unique opportunity for these institutions to attract new investor pools, protect existing ones, and enhance business offerings with tokenized funds. There will also be innovative fund distribution opportunities through secondary tokenized brokerage and embedded investing. Managers will be able to enhance their distribution models, use smart contracts to tailor fund composition, and create hyper-personalized portfolios.

“On-chain money introduces two important features – programmability and atomic settlement with tokenized assets – which serves as a catalyst for growth in tokenized funds” said Alexandre Tang, Head of Institutions, APAC at Aptos Labs. “Once up and running, tokenized funds can offer advantages such as 24/7 secondary transfers and fractionalization, a lower threshold for investing, and instant collateralization if regulatory guardrails are put in place.”

This whitepaper offers industry professionals an insightful glimpse of the emerging market in fund tokenization, highlighting what the technology can achieve in practice, the incentives for end investors and financial institutions, a potential inflection point for rollout, and strategies for fund managers to capture value. Also noteworthy is the importance of regulations, which will help pave the way for the revolution.

“Wealth and asset managers are navigating a changing technological landscape in how funds are distributed,” said Ken Lin, Head of Hong Kong and Southeast Asia Intermediary Business at Invesco. “The establishment of regulatory guidelines and global standards can help create a solid foundation for a frictionless, globally interconnected industry.”

“Fund tokenization has the potential to transform the asset management industry. Recognizing this, markets worldwide, including Asian financial centers like Hong Kong, are accelerating efforts to capture the opportunity. This includes initiatives to actively promote real-world asset tokenization and develop a digital money ecosystem, such as Project e-HKD+ and Project Ensemble launched by the Hong Kong Monetary Authority (“HKMA”),” David Chan added. “We hope this whitepaper will be instrumental in pushing the tokenized finance ecosystem forward, reducing adoption costs for businesses venturing into fund tokenization.”

The full version of the whitepaper is available [here](#).

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About Aptos Ascend

Aptos Ascend is a business unit within Aptos Labs, dedicated to co-creating the future of finance in partnership with ecosystem stakeholders. By harnessing the cutting-edge capabilities of the Aptos Network, Aptos Ascend plays a pivotal role in bringing public-permissioned blockchain technology to financial institutions, helping to reshape the landscape of modern finance in cost efficient and compliance manner.

The Aptos Network is a Layer 1 blockchain, renowned for its breakthrough technology and Move programming language. Aptos Network is designed to continuously evolve, deliver exceptional performance, and reinforce user security safeguards. It is the first blockchain to achieve sub-second end-to-end (E2E) latency, setting a new standard in blockchain performance.

As of September 2024, Aptos Labs facilitated the launch of key tokenized financial products, including Brevan Howard's Master Fund, Hamilton Lane's Senior Credit Opportunities Fund, BlackRock's ICS Money Market Fund, and Franklin Templeton's Onchain Money Market Fund. Additionally, Aptos Labs is the only company focused on developing applications on a public blockchain participating in the Hong Kong Monetary Authority's (HKMA) Project e-HKD+, a collaboration with BCG and Hang Seng Bank, focused on exploring the commercial viability of settling tokenized funds against central bank digital currencies (CBDCs) and tokenized deposits on public-permissioned blockchains. Aptos Labs has also invested into various digital assets FinTech, including Securitize and RD Technologies. For more information, visit aptosascend.com.

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[1] AUM consists of funds issued by BlackRock, Franklin Templeton, WisdomTree. Data as of October 2024

[2] Exchange-traded funds (ETFs) reached about 1% of total fund AUM within 7 years of the launch of the first one in 1993. With features rivaling ETFs, tokenized funds could potentially reach 1% of total AUM by 2030, implying more than US\$600 billion in AUM. Tokenized funds could scale even higher if clear and low-friction conversion pathways are established for converting (tokenizing) existing mutual funds and ETFs

[3] Includes potential demand of about US\$160 billion from owners of stablecoins, about US\$120 billion from owners of DeFi protocol, and about US\$12 billion from tokenized real-world assets (RWAs). For detailed information, please refer to the full report

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