

3iQ Web3 Tokenization Market Research Report

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Table of Contents

1. Executive Summary
2. Overview of Tokenized Securities Dashboard
3. Competitive Landscape for Security Token Issuers
 - Security Token Issuers Market Share
 - Growth of Security Tokens Market Cap
 - The Emergence of Blackrock's BUIDL Fund
 - Product Summary
4. Status of the RWA Market: Tokenized T-Bills
 - Introduction to Tokenized T-Bills
 - Comparison with Stablecoins
 - Liquidity and Duration Considerations
 - Investor Considerations
 - Comparison of Traditional Bonds vs. Tokenized T-Bills in DeFi
5. The Case for Tokenized Equities: A Revolution in Asset Ownership
 - Key Advantages of Tokenized Equities
6. Comparative Analysis: Tokenized vs. Traditional Equities
7. Challenges and Considerations
8. Conclusion
9. References

Executive Summary










This report delves into the rapidly evolving landscape of tokenized securities and Real World Assets (RWAs) within the Web3 ecosystem. Tokenized financial instruments, including Treasury Bills (T-Bills) and equities, promise a transformative shift in traditional finance markets by harnessing blockchain technology to address long-standing limitations. In particular, tokenized assets enhance accessibility, transparency, and efficiency for both retail and institutional investors by eliminating intermediaries and reducing transaction costs. The analysis highlights how tokenization can facilitate global market access to investments and provide a market landscape.

Tokenized T-Bills are leading the initial wave of this transformation, offering an alternative to traditional stablecoins and attracting DeFi investors seeking low-risk yield opportunities. By being structured as securities with increased regulatory oversight, these tokenized assets introduce a new layer of trust and security to decentralized finance, presenting a compelling choice for risk-averse investors. The report also discusses the untapped potential of tokenized equities, emphasizing how fractional ownership, programmability, and integration with DeFi platforms could redefine asset ownership and market participation.

A thorough assessment of the competitive landscape reveals key players like Blackrock, Ondo Finance, and Hashnote, each driving the market forward with innovative products. The emergence of Blackrock's BUIDL Fund has sparked a wave of institutional interest and investment in tokenization, validating its relevance for both traditional finance (TradFi) and decentralized finance (DeFi) players. This report offers a comparative analysis of traditional investment vehicles against digital assets, demonstrating how tokenization can enhance liquidity, reduce settlement times, and provide cost savings—all of which contribute to a more inclusive and efficient financial system.

Overview of Tokenized Securities Dashboard




























Information extracted from Steakhouse Financial's Dune dashboard tracks onchain data in real time on tokenized securities, covering project specifics, market cap, growth trajectory, and product summaries. Key elements include:

- **Asset Types:**  for equity-related and  for bond-related.
- **Blockchain Protocols:**
 -  Ethereum
 -  Gnosis Chain
 -  Polygon
 -  BNB Chain
 -  Base
- **Permission Structure:**  indicates highly permissioned assets, while  denotes permissionless assets.

Competitive Landscape for Security Token Issuers

Security Token Issuers Market Share

Securities Tokens - Issuers Summary

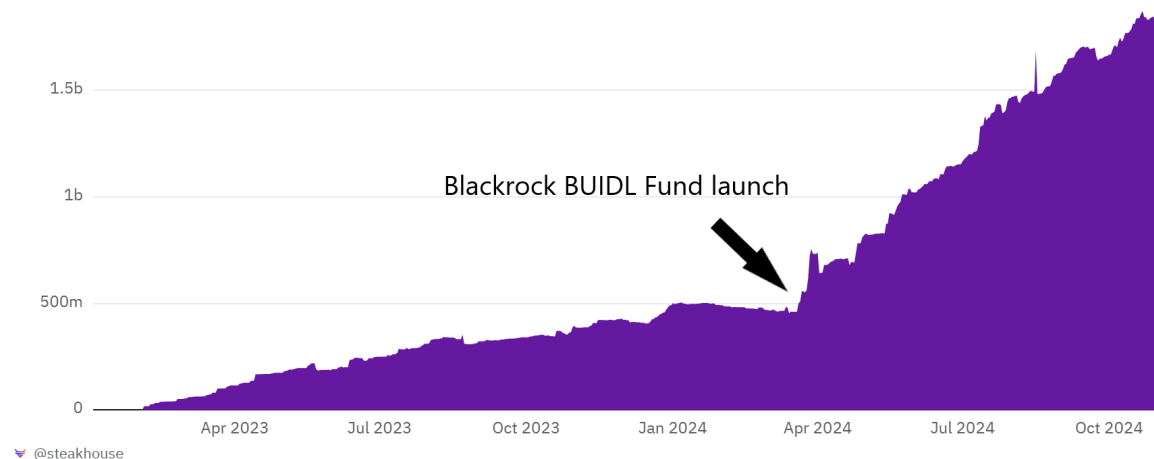
Issuer	Market Cap	Market Share	# Products	Chains	Permissionless
BlackRock	525,502,032	29.48%	1		
Ondo	405,849,488	22.77%	3	 	 / 
Hashnote	381,975,297	21.43%	1		
Spiko	108,474,302	6.09%	4	 	
Superstate	105,537,029	5.92%	1		
OpenEden	95,356,573	5.35%	2		
Mountain	55,523,784	3.12%	4	  	
Anemoy	37,041,358	2.08%	3		
Franklin Templeton	23,899,147	1.34%	3	 	
Backed	18,396,389	1.03%	8	  	
Matrixdock	17,721,181	0.99%	1		
Maple	6,701,416	0.38%	2		
Swarm	483,873	0.03%	11		
TrueFi			1		

An analysis of the competitive landscape shows market dominance by issuers. Key players include:

- **Market Share:**
 - Blackrock: 29.48%
 - Ondo Finance: 22.77%
 - Hashnote: 21.43%

Growth of Security Tokens Market Cap

Securities Tokens - Daily Global



Tokenized RWAs are an emerging asset class, marked by steady growth since April 2023. Currently valued at approximately \$1.77 billion, this asset class is still in its early stages, representing less than 1% of the crypto total market cap.

The Emergence of Blackrock's BUIDL Fund

Announced in March 2024, the growth trajectory of security tokens underscores Blackrock's commitment to digital asset markets and further bolsters their leadership in tokenized fixed-income products. The Blackrock BUIDL Fund aims to drive innovation in blockchain technology, supporting projects and companies developing tokenized assets and other blockchain-based financial products.

Product Summary

Securities Tokens - Products Summary

Issuer	Product	Description	Asset Type	Underlying	Market Cap	Market Share
BlackRock		BlackRock USD Institutional Digital Liquidity Fund	Bonds	T-Bills	525,502,032	29.50%
Hashnote		Hashnote Short Duration Yield Coin	Bonds	T-Bills	381,975,297	21.45%
Ondo		Ondo U.S. Dollar Yield	Bonds	T-Bills	220,059,210	12.35%
Ondo		Ondo Short-Term U.S. Government Bond Fund	Bonds	SHV	185,790,277	10.43%
Superstate		Superstate Short Duration US Government Securities Fund	Bonds	T-Bills	105,537,029	5.93%
OpenEden		OpenEden TBILL Vault	Bonds	T-Bills	95,356,573	5.35%
Spiko		Spiko EU T-Bills Money Market Fund	Bonds	EUTR	63,937,473	3.59%
Mountain		Mountain Protocol USD	Bonds	T-Bills	42,667,201	2.40%
Spiko		Spiko US T-Bills Money Market Fund	Bonds	USTR	39,496,840	2.22%
Anemoy		Anemoy Liquid Treasury Fund 1	Bonds	T-Bills 3M	31,128,694	1.75%
Franklin Templeton		Franklin OnChain U.S. Government Money Fund	Bonds	F0BXX	21,741,556	1.22%
Matrixdock		Matrixdock Short-term Treasury Bill	Bonds	T-Bills	17,721,181	0.99%
Mountain		Mountain Protocol USD	Bonds	T-Bills	9,216,831	0.52%
Maple		Maple Cash Management Pool USDC	Bonds	T-Bills	6,701,366	0.38%
Backed		Backed ERNX € Ultrashort Bond UCITS ETF	Bonds	ERNX	6,602,799	0.37%
Backed		Backed GOVIES 0-6 months EURO investment grade	Bonds	C3M	4,912,735	0.28%
Anemoy		Anemoy Liquid Treasury Fund 1	Bonds	T-Bills 3M	4,500,000	0.25%
Spiko		Spiko EU T-Bills Money Market Fund	Bonds	EUTR	3,982,448	0.22%
Backed		Backed Stock Coinbase	Equity	COIN	2,529,051	0.14%
Backed		Backed IB01 \$ Treasury Bond 0-1yr	Bonds	IB01	2,319,410	0.13%
Mountain		Mountain Protocol USD	Bonds	T-Bills	2,180,516	0.12%
Franklin Templeton		Franklin OnChain U.S. Government Money Fund	Bonds	F0BXX	2,157,591	0.12%
Mountain		Mountain Protocol USD	Bonds	T-Bills	1,459,236	0.08%
Backed		Backed IBTA \$ Treasury Bond 1-3yr	Bonds	IBTA	1,097,265	0.06%

The current state of the tokenized securities market is dominated by the fixed-income market, particularly T-Bills. Notably, Blackrock, Hashnote and Ondo's products hold substantial market share, particularly with T-Bill-backed offerings, underscoring the sector's potential to expand within the DeFi landscape as tokenization gains wider acceptance.

Equity Tokenization: The tokenized equity landscape still remains an untapped market with Backed Finance as the only player in the sector currently representing equity a significantly smaller market share of 1.03%.

Status of the RWA Market: Tokenized T-Bills

Introduction to Tokenized T-Bills

Tokenized T-Bills launched in DeFi in 2023, providing risk-free yields akin to traditional finance T-Bills. These products offer a regulated alternative to stablecoins.

Comparison with Stablecoins

Tokenized T-Bills differ from stablecoins in:

- **Yield Provision:** Similar returns to T-Bills, whereas most stablecoins offer no yield.
- **Transparency and Regulation:** Structured as securities, enhancing oversight.
- **Structural Stability:** Issued by Special Purpose Vehicles (SPVs), reducing bankruptcy risk.

Liquidity and Duration Considerations

Challenges in tokenized T-Bills include:

- **Liquidity Constraints:** Redemption depends on asset sales, potentially causing delays.
- **Duration Sensitivity:** Subject to interest rate impacts, with short durations helping mitigate rate effects.

Investor Considerations

Key points for investors include:

- **Regulatory Compliance:** Adherence to KYC/AML protocols.
- **Transparency:** Preference for SPVs backed by audits.
- **Fees and Performance:** Minting and redemption fees may affect returns.

Comparison of Traditional Bonds vs. Tokenized T-Bills in DeFi

Feature	Traditional Bonds	Tokenized T-Bills in DeFi
Yield Provision	Yield is typically derived from fixed interest rates, which are influenced by issuer credit ratings.	Offers yields similar to traditional T-Bills but accessible within DeFi protocols, providing additional yield opportunities through staking or lending.
Transparency and Regulation	Limited transparency; typically reliant on traditional custodians and intermediaries for record-keeping.	Full transparency through blockchain. Issued as securities under regulated structures, enhancing compliance and reducing risk.
Accessibility	Often requires substantial initial investment and is accessible only during market hours.	Fractional ownership available; accessible globally 24/7 through DeFi platforms, with low minimum investment thresholds.
Settlement Speed	Settlement takes 1-2 days (T+1 or T+2), depending on market jurisdiction and intermediaries involved.	Near-instantaneous settlement on blockchain, enhancing liquidity and reducing counterparty risk.
Liquidity and Redemption	Bonds may be sold on secondary markets but face lower liquidity, with potential delays in selling.	Highly liquid within DeFi; tokenized T-Bills can often be used as collateral, increasing redemption and liquidity options.
Structural Stability	Backed by traditional institutions; subject to institutional stability and credit risk.	Issued via Special Purpose Vehicles (SPVs), reducing risks related to issuer bankruptcy and enhancing stability for holders.

Feature	Traditional Bonds	Tokenized T-Bills in DeFi
Collateralization in DeFi	Bonds are challenging to use as collateral outside of traditional finance.	Tokenized T-Bills can be collateralized within DeFi, providing additional liquidity for users through lending protocols.
Regulatory Compliance	Governed by traditional securities regulations, often varying by region.	Structured to comply with securities laws, including KYC/AML processes on many DeFi platforms, offering a regulated digital alternative.
Fees	Brokerage, custodial, and fund management fees are common and can be high.	Generally lower fees, with transparent costs for minting and redemption, as well as minimal or no custodial fees.

The Case for Tokenized Equities: A Revolution in Asset Ownership

Executive Summary

Tokenized equities represent digital and fractional ownership of traditional stocks, providing benefits such as accessibility, efficiency, liquidity, and cost savings. These assets allow global access, real-time transactions, and decentralized custody, addressing many traditional market limitations.

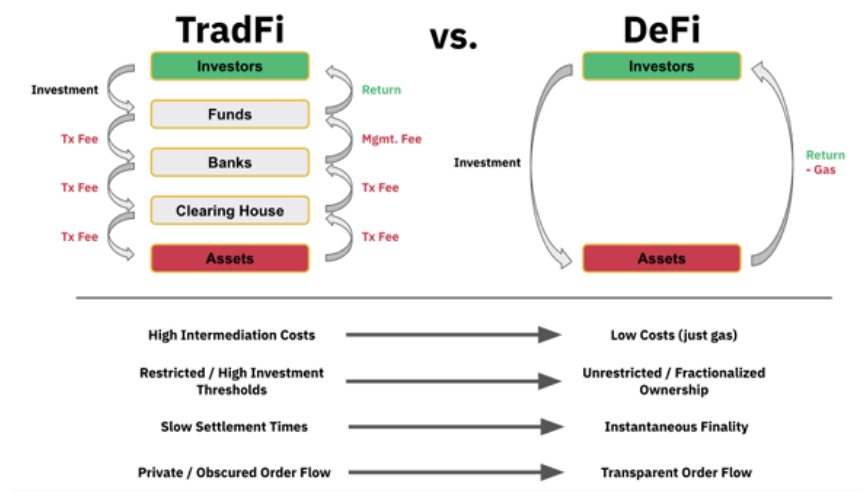
Key Advantages of Tokenized Equities

- Enhanced Accessibility and Global Reach:** Fractional ownership and 24/7 trading open global markets to investors.
- Increased Liquidity and Market Efficiency:** Fractionalization broadens the investor base; blockchain enables nearly instant transaction settlement.
- Cost Savings for Investors and Issuers:** Fewer intermediaries reduce transaction costs.
- Transparency and Security:** Immutable records and real-time auditing improve accuracy and reduce fraud.
- Programmability and Automation:** Smart contracts automate dividends, voting, and compliance.
- Broader Utility through DeFi Integration:** Tokenized equities can serve as collateral in DeFi, offering staking options for passive income.

Comparative Analysis: Tokenized vs. Traditional Equities

Feature	Tokenized Equities	Traditional Finance Equities
Accessibility	Fractional ownership, global access	Limited by region and market hours

Feature	Tokenized Equities	Traditional Finance Equities
Trading Hours	24/7 on blockchain exchanges	Restricted to market hours
Transaction Settlement	Near-instantaneous	T+2
Fees and Costs	Lower, fewer intermediaries	Higher, with multiple intermediaries
Transparency	Full blockchain transparency	Limited to broker accessibility
Security	Immutable records, real-time monitoring	Custodial, often reliant on intermediaries



Challenges and Considerations

Despite their potential, tokenized equities face challenges:

1. **Regulatory Compliance:** Regulatory compliance has been a serious issue due to stringent policies or a lack of clear guidelines for cryptocurrencies, especially in the U.S. Aligning tokenized equities with global securities laws is essential to ensure lawful issuance and trading.

2. **Market Maturity:** The underlying infrastructure for Real World Assets (RWAs) hadn't been established before, limiting the growth of tokenized equities. Tokenized T-Bills have introduced a framework for other RWAs, demonstrating how blockchain can handle traditional assets.
 3. **Custody Solutions:** Institutions face challenges in securely storing digital assets due to the complex nature of these assets, regulatory uncertainties, and the integration of blockchain technology into traditional financial systems, but as institutional custody products mature, these challenges will be mitigated.
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Conclusion

Tokenization of traditional financial instruments marks a critical juncture in the evolution of financial markets. As this report outlines, tokenized assets such as T-Bills and equities offer compelling advantages that align well with the global shift towards decentralized and accessible financial systems.

Tokenized T-Bills are already establishing a foothold in the DeFi ecosystem by combining regulated structure with DeFi functionality, addressing the need for secure and transparent yield-bearing assets. The advantages of tokenized equities extend further, unlocking new dimensions of liquidity, fractional ownership, and programmability that can benefit a broader array of investors and use cases.

The market is still in its early stages, facing hurdles such as regulatory clarity, custody solutions, and infrastructure development. However, as these challenges are addressed, tokenized securities have the potential to form a significant part of both TradFi and DeFi ecosystems. Tokenization is set to become a fundamental aspect of the global financial landscape, encouraging the convergence of digital assets with traditional investment frameworks. For institutional and retail investors alike, this emerging asset class promises enhanced flexibility, transparency, and global accessibility, reshaping the future of asset ownership and management.

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