

Global Study of Digital Securities Ecosystem

Frankfurt School Blockchain Center and BlockState conducted a study about the state of the global digital securities / security token ecosystem



Berlin, Oct 30, 2019 (Issuewire.com) - [Frankfurt School Blockchain Center](#), a think-tank and research center which investigates implications of blockchain technology, crypto assets and distributed ledger technology for companies, and [BlockState](#), the Swiss security token issuance provider, conducted [a study about the global digital securities ecosystem](#) in an effort to bring more transparency to the fairly young, yet rapidly developing industry. The study analyses players along the value chain of security token issuance including blockchain infrastructure providers, issuance providers, banking service providers, and investors, highlighting a range of factors indicative of their maturity.

Digital securities are often hailed as a new paradigm in capital market infrastructure due to their ability to create a more efficient financial market, in particular with regards to general operational efficiency, transparency of transactions and its potential to disintermediate and automate the complex and fragmented system of service providers and processes of current financial markets. All of the above factors translate into a reduction of costs and, in turn, an improvement in access to capital markets for both issuers as well as investors.

"Today's globalized financial markets have grown immensely from their early days of digital infrastructure in the 1970s on to a vastly complex system of interdependent networks, players, processes and technologies, culminating in distributed ledger technology", says Paul Claudius, Founder and CEO at BlockState, "With the introduction of a new technology like blockchain that simplifies many aspects, it introduced a huge number of new market entrants. With this study, we want to shed some light on the global who-is-who of the security token ecosystem."

"The security token ecosystem is evolving at a rapid pace. Besides the many new projects emerging in

the industry, incumbent players are adopting the new technology” says Philipp Sandner, Head of the Frankfurt School Blockchain Center. “Keeping a close eye on this market and creating transparency is essential, as every security will be digitized on a blockchain and be represented by a security token in the near future.”

While the potential of the technology is widely appreciated and we are seeing an increasing number of applications, namely Security Token Offerings (STOs), a few of the most awaited building blocks are still in development: secondary exchanges that support the regulated trading of digital securities are still mostly in the development. The most anticipated digital security exchanges are those created by existing securities exchanges that already support large trading volumes and investor bases like the Swiss stock exchange’s SDX. The first regulated digital security exchanges are expected to go live in 2020.

From a geographical perspective, the market is unfolding on a truly global scale, despite a tendency to concentrate around a few geographic focal points. In particular the known global leaders in finance, startup and tech ventures like the United States, Germany and Switzerland are attracting entrepreneurs, talent and represent locations with a high concentration of tokenisable assets, naturally positioning them as leaders in the adoption of security token services.

Further findings:

- **Players:** In a global context, the US dominates the space, with more than **4 times as many companies (83)** working with digital securities as the 2nd country in the list, Germany. Germany is the leading player in Europe, with 20 companies taking an active role in the ecosystem. Particularly when it comes to issuance providers (10 companies), **Germany proves its role as a European pacesetter** in the FinTech scene.
- **Financing: 71% of investors** that were identified to have participated in the funding of security tokens or security token related companies **are traditional (non-blockchain specific) investors.**
- **Infrastructure:** Infrastructure providers majorly count on public consensus models for their technology (63% of protocols), while other projects employ private consensus models in order to provide improved security and privacy.

Outlook: While there may be a scarcity of operational secondary markets at the moment, **nearly one-fourth of all secondary markets (46 projects)** are either still developing solutions or are awaiting regulatory approval.

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