

The Executive Guide to **Digital Asset Adoption**

AlphaPoint

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Introduction

Understanding Digital Assets

A “digital asset” is essentially anything that has been created and stored digitally. Digital assets must be identifiable/discoverable and also provide some form of value to a business or person.

Digital assets can include raw data, images, video and even written content, all of which will have some value to the person or organization that created them. However, following the invention of the blockchain and Bitcoin – the first cryptocurrency – in 2009, the term “digital assets” has been increasingly used to describe digital items that have undergone [tokenization](#)¹.

Today, when most people refer to digital assets they are usually discussing cryptocurrency and NFTs (Non-Fungible Tokens). For the purpose of this ebook, we will only be referring to cryptocurrency, stablecoins and CBDCs (Central Bank Digital Currencies).

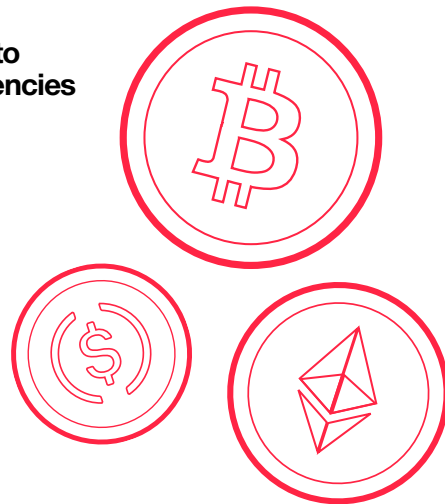
The Benefits of Digital Assets

Typically when most C-suite executives think about digital assets and the blockchain, they are only thinking about their financial implications and use cases. However, digital assets are highly versatile and can also be used for a number of other applications outside of the financial sector.

For example, digital assets have the capacity to solve many of the common transparency challenges executives face when implementing B2B2C models. Digital assets can be used to create [smart contracts for real estate](#), providing a seamless experience for both buyer and seller². Meanwhile in healthcare, a combination of tokenization, digital assets and the blockchain can facilitate the secure transfer of medical records, ensuring that patients receive uninterrupted care even when changing their family doctor.

Compared to fiat currency, there are a wide range of benefits to using digital assets and adopting them within your organization. Two of the most commonly discussed

Crypto Currencies



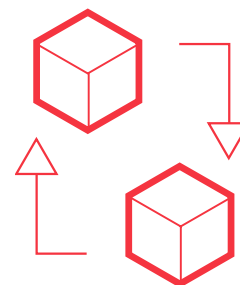
NFT



Smart Contract



Blockchain



¹Blockchain Council (2022) | [What Is Tokenization? A Complete Guide](#)

²Hedera (2023) | [Smart Contracts Real Estate](#)

benefits of digital assets are their speed and decentralized status, but what exactly does that mean?

Fiat currency is, of course, heavily regulated and requires centralized institutions such as banks and governments to approve or facilitate transactions. By comparison, digital assets (except CBDCs) are decentralized, which means that they aren't controlled by any one individual or organization.

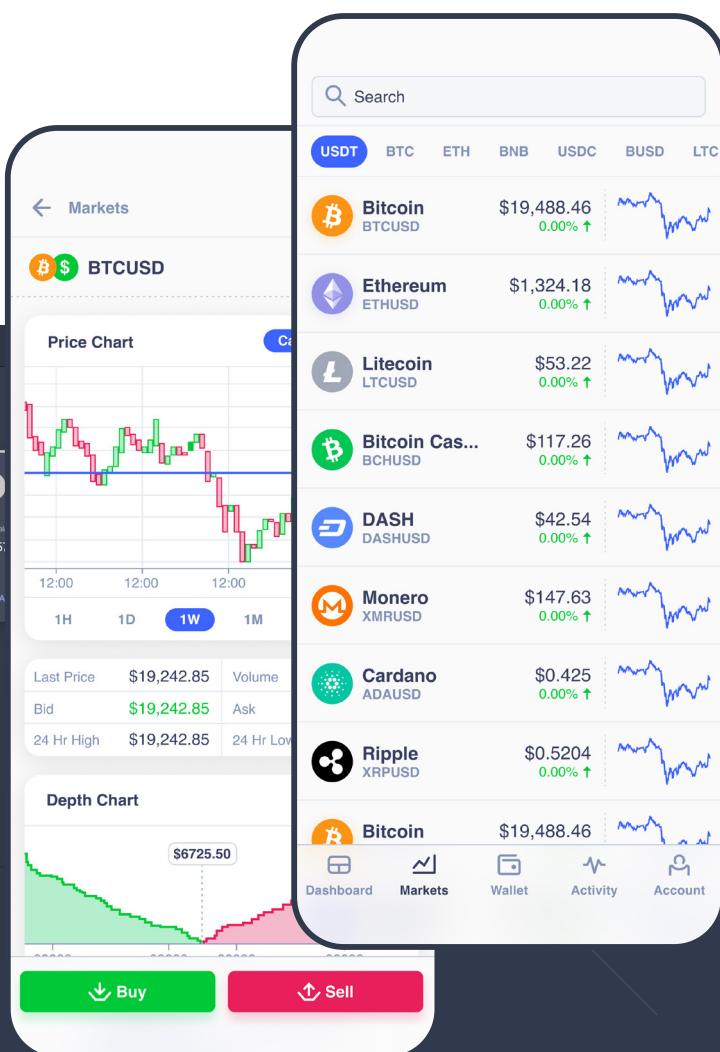
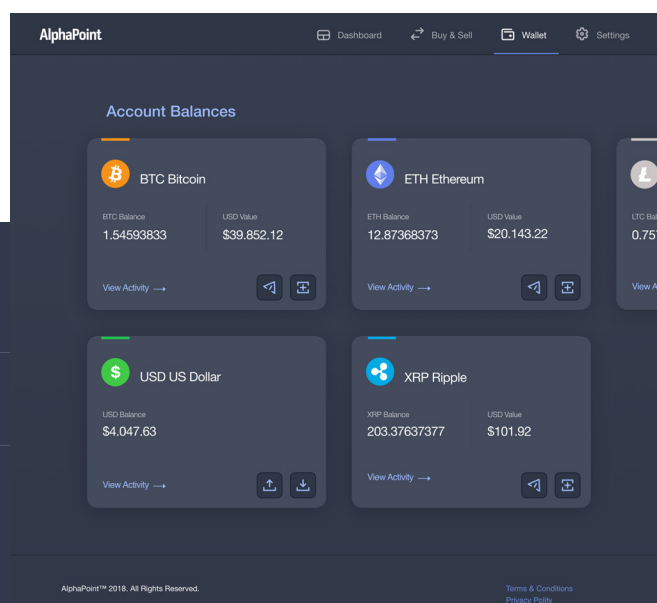
While most businesses and individuals choose to use third party exchange platforms to better facilitate trading digital assets, theoretically, digital asset owners can directly execute transactions with each other, without the need for a bank or intermediary.

Furthermore, when transferring large sums of money (especially across borders), there is often a delay and a significant cost involved in getting the funds to the desired party. Conversely, digital asset transactions are virtually instantaneous.

In addition to speed and decentralization, another benefit of digital assets is their security. All digital assets are secured in by a complex technique known as [cryptography](#), which makes it highly difficult for hackers and other unauthorized third parties to manipulate the data³.

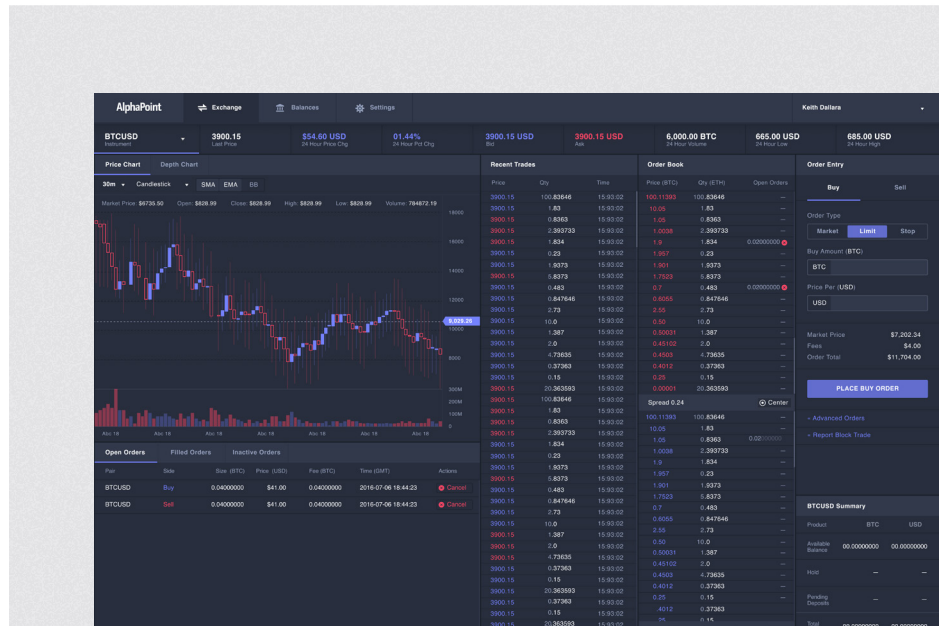
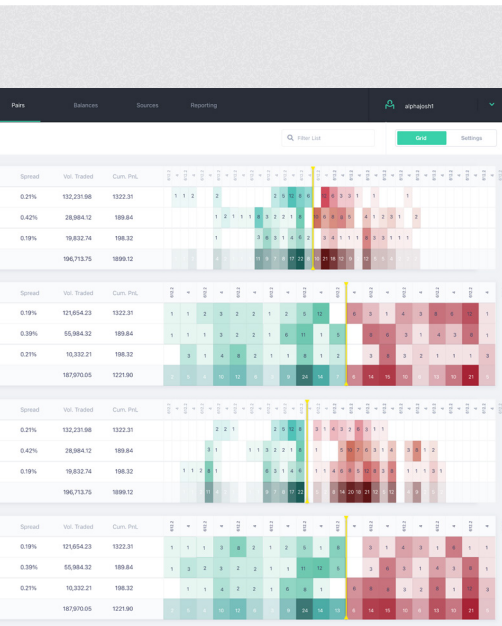
Despite the enormous potential of digital assets, there are various challenges that need to be addressed before a financial institution can begin exploring digital assets.

In this ebook, we will be revealing more about the future of finance, and the various challenges you will need to overcome as part of your digital asset adoption journey.



The Future is Digital

Due to their numerous use cases and growing popularity, we believe that digital assets are the future of finance. As we previously highlighted, the multiple benefits of digital assets mean that they have the potential to [revolutionize the payment industry](#).



Why Financial Institutions Must Care?

There is undoubtedly great interest in cryptocurrency and other digital assets around the world. Notably, according to [NBC news polls](#), one in five Americans have invested, traded or otherwise used crypto⁴. Digital assets therefore, are no longer the technology of tomorrow, but are instead, the technology of today.

Research from the U.S. Office of Financial Research revealed that the total value of the crypto market surged

to roughly [US \\$2 trillion](#) in 2021, up from \$100 billion only three years ago⁵. Meanwhile, the same report showed that companies conducted more than [2 billion transactions](#) in virtual currency (totalling \$1.4 trillion) within 2021. By comparison, in 2020 only 586 million transactions were conducted, with a total value of \$193 billion.

2020 → **2021**

586 Million Transactions
\$193 Billion in Volume

2021

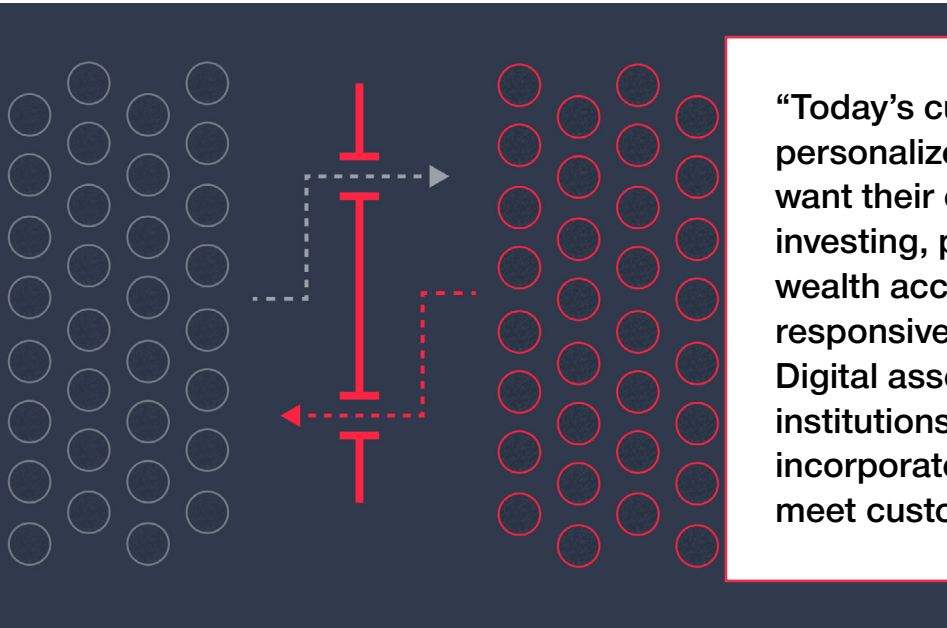
2 Billion Transactions
\$1.4 Trillion in Volume

⁴CNBC (2022) | One in five adults has invested in, traded or used cryptocurrency, NBC News poll shows

⁵Office of Financial Research (2023) | OFR Data Analysis Shows High Growth, High Concentration in Digital Asset Market

Admittedly, while several Americans have dabbled in crypto, 56% of those surveyed said they feel neutral or unsure about the crypto industry due to its largely unregulated nature. Therefore, if crypto is to be used by financial institutions and become mainstream, it must also become more transparent and offer a seamless experience for consumers. However, “seamless” and “crypto” don’t always go hand-in-hand, as transactions can be [volatile](#) due to the fluctuating valuations⁶.

Despite these setbacks, there is a concerted effort by enthusiasts to utilize digital assets such as stablecoins and government-backed CBDCs to mitigate the volatility of unregulated cryptocurrencies.



“Today’s customers expect intuitive and personalized services. Above all, customers want their experiences with banking, investing, payments and all aspects of their wealth accretion and management to be responsive to their expectations and needs. Digital assets can be deployed by financial institutions to achieve competitiveness and incorporate new services and features to meet customers’ needs.”

Reba Beeson

General Counsel at AlphaPoint

Major financial service firms such as [Blackrock](#) already care about crypto and are actively venturing into digital asset adoption.⁷ As such, if your organization is still sitting on the fence and unsure if digital asset adoption⁷ is right for you, then you could be missing out on a potentially lucrative new business vertical and competitive advantage.

The Importance of Crypto

“At AlphaPoint we believe that financial services can be revolutionized by digital assets and could have a major impact on the way they are delivered to customers, providing more accessibility, efficiency and lower costs.”

Igor Telyatnikov
CEO at AlphaPoint

Certain cryptocurrencies such as Bitcoin have already transcended from a previously niche product to a well known entity that is used by millions of people around the world. We believe that it is only a matter of time until digital assets are considered by financial institutions as no longer a nice-to-have but a necessity.

⁶Storm2 (2023) | Why Is Bitcoin So Volatile?

⁷Bloomberg: What Goes Up (2023) | BlackRock Shakes Up the Bitcoin ETF Race

Regulatory & Implementation Challenges

Despite the numerous benefits and advantages of digital assets, there are a handful of challenges that you must be aware of if you're aiming to undergo digital asset adoption.

Regulatory Challenges:

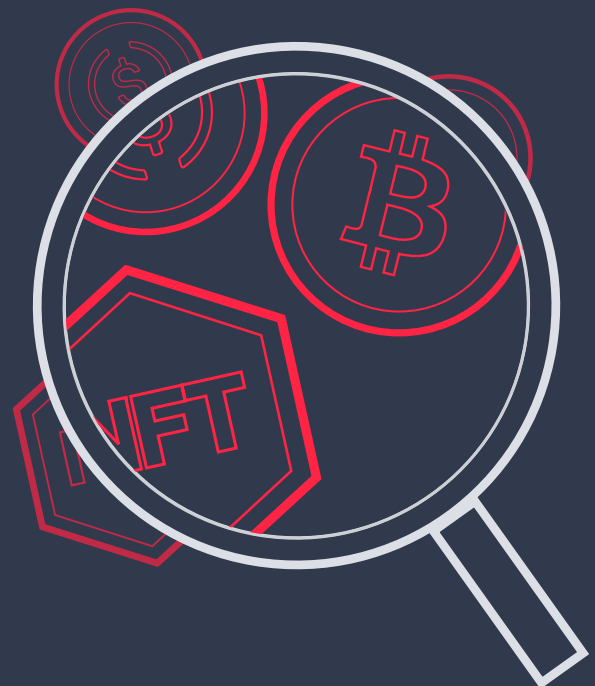
As with fiat currencies, anti-money laundering and counter terrorism measures are two of the most significant regulatory challenges facing digital assets. Unsurprisingly, governments and regulators are concerned that cryptocurrencies are being used for illegitimate purposes.

While this perception shouldn't deter you from utilizing digital assets, it would be prudent to also invest in RegTech (regulatory technology) to ensure that your organization remains compliant when handling cryptocurrencies. Reba highlights that:

“Compliance technology has advanced substantially. As such, financial institutions are now able to track fraudulent behavior and react by freezing accounts.”

Incidentally, blockchain is one of the key technologies that has enabled RegTech to grow. Thanks in large part to its transparent record-keeping, RegTech has enabled financial institutions to safely adopt digital assets without violating AML and KYC regulations.

At present, there is no single, global regulatory framework for digital assets, as governments and regulators have been playing catch up against the rapid innovation in financial services⁸. However, in 2024, this may change with the introduction of the Markets in Crypto-Assets Regulation⁹.



⁸PwC (2023) | Global Crypto Regulation Report 2023

⁹European Securities and Markets Authorities (2023) | Markets in Crypto-Assets Regulation (MiCA)

Interoperability Challenges:

While nearly every currency in the world is interchangeable with one another, the same can't be said for digital assets and most importantly, the blockchains that they are built upon.

Despite immense interest in digital assets, there is a considerable fragmentation which has inadvertently led to interoperability challenges between competing blockchains.

In the context of blockchain technology, interoperability refers to a blockchain's capacity to exchange data with other blockchains. For example, any activity that takes place on an organization's blockchain is documented and can be represented on another blockchain provided that they choose the right approach that is interoperable with the other blockchain¹⁰. As highlighted by Tom Zschach, Chief Innovation Officer at Swift,

“It's vital that new networks carrying digital assets and existing networks can interoperate with each other.”¹¹



Government Initiatives:

Due to their volatility, unregulated status and decentralized nature, central banks tend to dislike cryptocurrencies¹². However, as illustrated by last year's Executive Order by the President of the United States, and the intentions of multiple governments, there is a concerted push towards utilizing Central Bank Digital Currency (CBDC).^{13 14 15}

CBDC is a more secure digital asset as it is merely the digital form of a particular country's fiat currency. Issued by central banks, CBDC is intended to be legal tender and operates on a secure, transparent blockchain network.



¹⁰World Economic Forum (2023) | Blockchain toolkit: Interoperability

¹¹Swift (2022) | Digital assets: The next frontier of finance

¹²IBM (2022) | Why central banks dislike cryptocurrencies

¹³The White House (2022) | Executive Order on Ensuring Responsible Development of Digital Assets

¹⁴Atlantic Council (2023) | Snapshot: Which countries have made the most progress on CBDCs so far in 2023

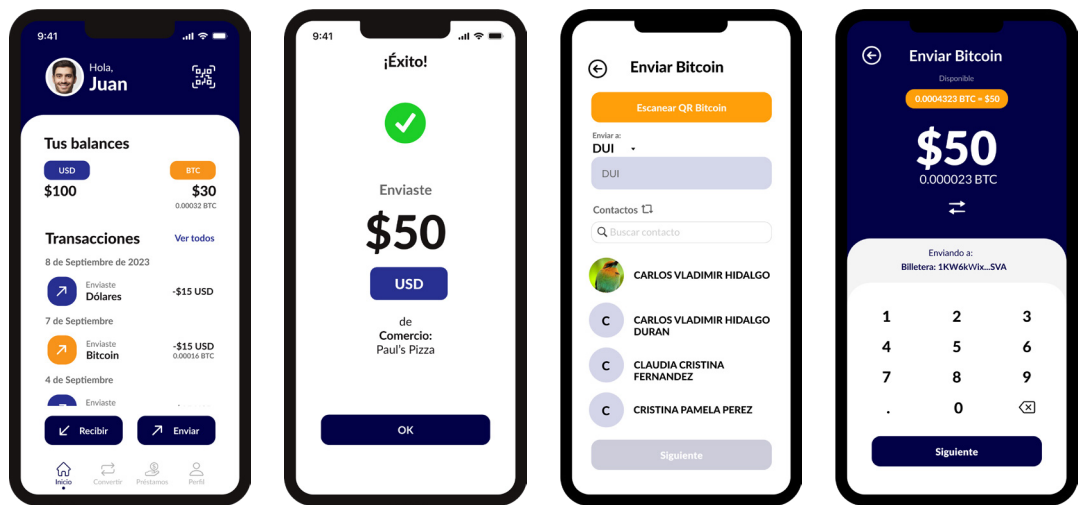
¹⁵IBM (2023) | Central Bank Digital Currency (CBDC) and blockchain enable the future of payments

Realizing the Potential: Use Cases of Digital Assets

At AlphaPoint, we have extensive experience of helping organizations and governments undergo digital transformations and adopt digital assets. Below is just a selection of the many enterprises we have helped:

Chivo Wallet

Chivo



Chivo Wallet is the official Bitcoin and Dollar wallet of the Government of El Salvador and the world's first national crypto wallet.

In late-2021, the Salvadoran government partnered with AlphaPoint to support the frontend and backend infrastructure that powers Chivo. As part of our remit, we provided and integrated the entire ecosystem of the wallet; including the mobile application, merchant website portal, call-center support software, and administrative console. Our build focused on security and scalability.

Our joint integration was a success, with millions of citizens onboarding with the application — more than any other financial application in a country with a previously 70% unbanked population. **In just a single year after launching Chivo and adopting Bitcoin as legal tender, there was a 10.3% GDP increase, the highest private sector investment increase since 1960 and a 30% increase in tourism.**^{16,17,18}

AlphaPoint's software system is trusted by reputable government sources, such as the Government of El Salvador, with the Press Secretary of the Presidency of the Republic of El Salvador stating: **“AlphaPoint has all the world experience to offer technological solutions, financial services and access to Bitcoin for millions.”**^{19”}

“El Salvador and President Bukele are truly leading globally with this first major experiment in Bitcoin adoption at a country-wide level. No one else has attempted to execute a project of this size. We at AlphaPoint are honored to be involved in the process and provide the scalable and reliable solutions needed for this massive undertaking. The Chivo application is currently supporting millions of Salvadorans, many for their first time accessing financial services.”

Igor Telyatnikov
CEO at AlphaPoint

[Learn More](#)

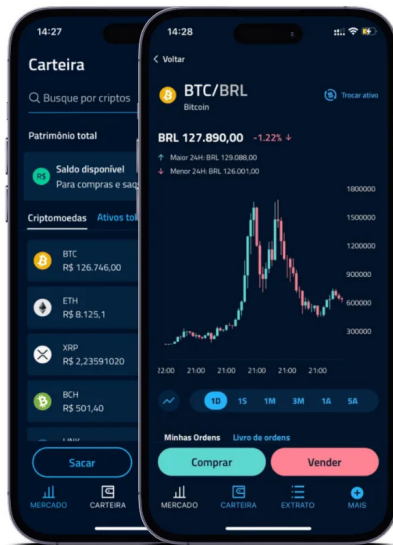
Coinext

With over 90,000 registered users on the platform and total market share consistently ranking within the top five nationally, Coinext is among the largest cryptocurrency exchanges operating in Brazil.

Coinext launched only four months after starting their partnership with AlphaPoint, and our white label software helped the company to scale operations quickly, resulting in them being identified as the “2018 Exchange With Most New Market Share” by a prominent market analysis report.

[Read More](#)

coinext



“It was clear that AlphaPoint was the most organized and established company in the space. We are still very satisfied with the decision we made, and I think we’re good partners, working through challenges and growing together.”

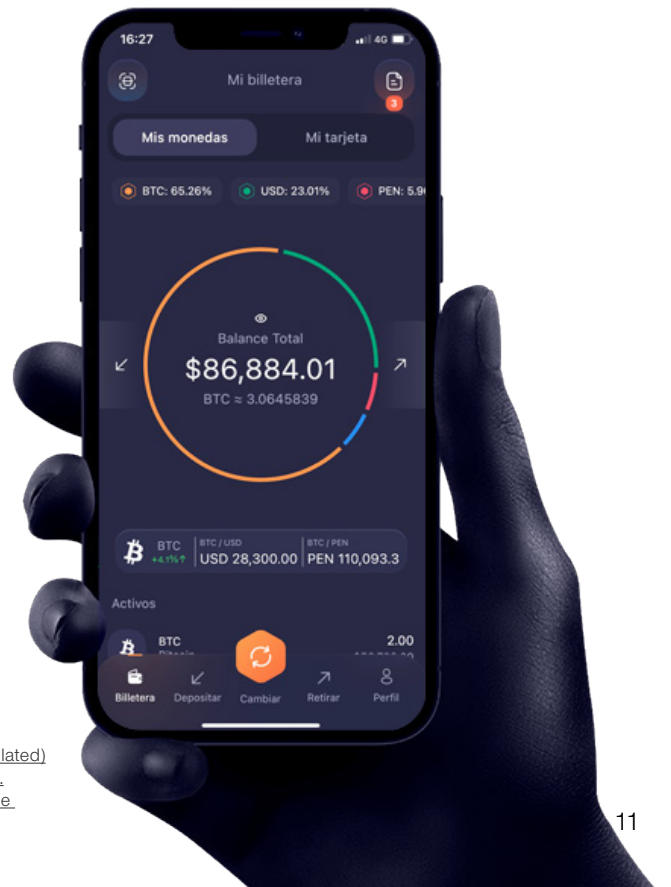
José Artur Ribeiro
CEO & Founder of Coinext

Banexcoin

Banexcoin

Based in Lima, Peru, Banexcoin is a digital platform for exchanging cryptocurrencies and fiat money in Latin America. AlphaPoint’s white label exchange software powers the platform, providing an operating framework that safeguards customer information through advanced digital architecture and enhanced security protocols.

[Read More](#)



¹⁶X (Twitter) - Nayib Bukele (El Salvador President) | GDP grew by 10.3% in 2021

¹⁷Forbes (2022) | Private sector investment in El Salvador reaches its highest since 1960 (translated)

¹⁸El Salvador in English (2022) | El Salvador’s tourism has grown by 30% since the Bitcoin Law.

¹⁹Presidency of the Republic of El Salvador (2022) | AlphaPoint company joins forces to provide technology to Chivo Wallet, the world’s first national digital wallet (translated)

How to Build an Effective Digital Asset Adoption Strategy

While there is no singular, 'one-size-fits-all' approach, the key to building an effective digital adoption strategy lies within identifying and addressing three key areas: stakeholders, the market and regulation.

Educating Stakeholders:

Educating stakeholders is essential when launching digital assets as discovered by our Peruvian-based client Banexcoin. When building and launching their exchange in 2018, their focus was primarily on building an intuitive product. However, they soon realized that this was just half of the job.

While the user experience is of course incredibly important, educating stakeholders and providing simpler onboarding is essential if your exchange or digital asset solution is to reach beyond the initial tech-savvy adopters.

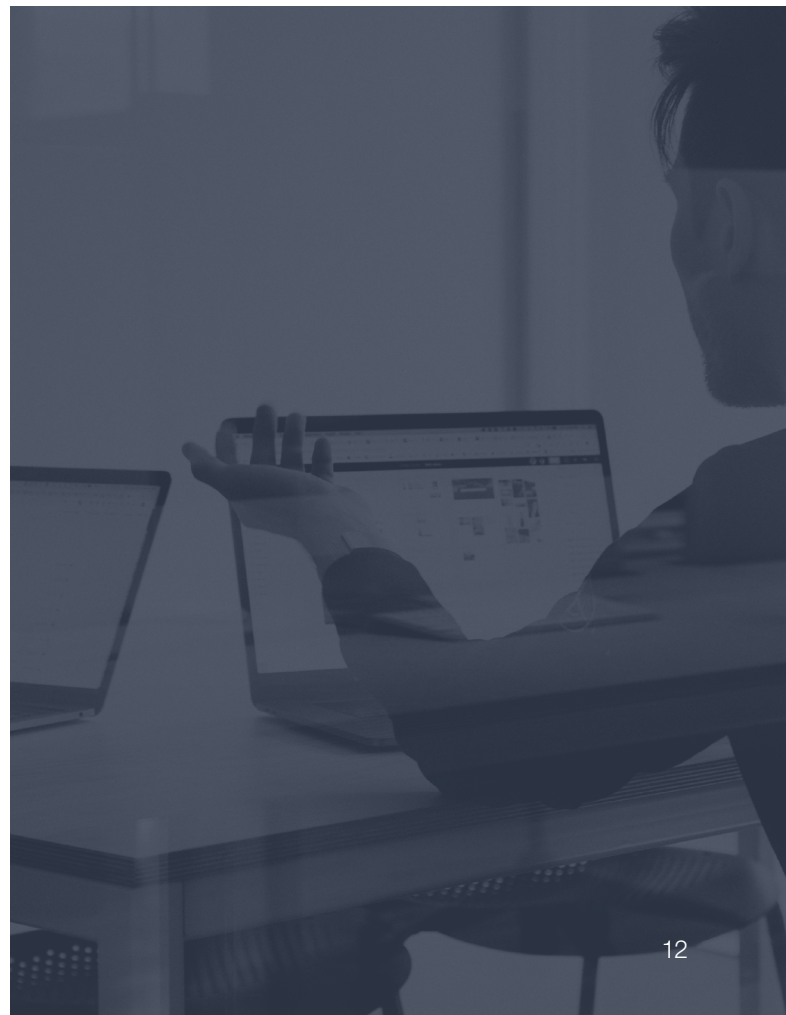
As highlighted by José De Velasco, Product Manager of Banexcoin, general knowledge of crypto remains limited among Peruvians. Many are intrigued by crypto as an investment but skeptical due to volatility and the lack of regulation. Therefore, educating those looking to invest while providing them with an easy, simple and safe platform to do so was a necessity.

”

“As we have grown in Peru, our goal is to continue educating and evangelizing crypto usage. We have done this successfully through our mobile app, website, and additional crypto products that increase adoption and allow us to expand into new countries.”

José De Velasco

Product Manager of Banexcoin



The Bull and the Bear:

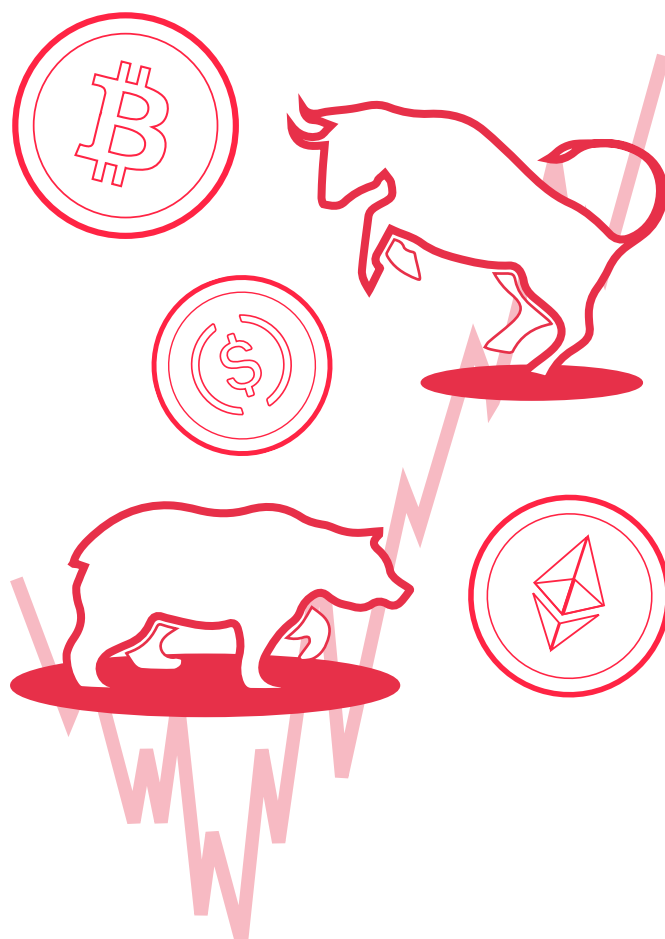
Banexcoin was launched in a bull market which helped them successfully onboard several customers with high transaction volumes. Comparatively meanwhile, the current bear market has seen transaction volumes decline.



“During this bear market, we see it as an opportunity to optimize processes, develop new products and prepare for the next bull market (expected with Bitcoin’s halving in April 2024). We will be ready to meet market demands and onboard new customers. Therefore, it’s crucial to keep building now.”

José De Velasco

Product Manager of Banexcoin



SHAPING THE FUTURE: LATAM'S CRYPTO LANDSCAPE

According to a [survey](#) by Mastercard, 51% of LATAM consumers have made a transaction with crypto.²⁰ As a result, there is a sizable crypto community in Peru, Chile, Colombia, and countries like Venezuela and Argentina, all of which have had high inflation of their respective fiat currencies in recent years.

The [International Monetary Fund](#) believes that both the Caribbean and Latin America have major growth potential for digital asset adoption with four LATAM nations ranking in the top 20 of the [Global Crypto Adoption Index](#).^{21,22}

SHAPING THE FUTURE: DIGITAL ASSET ADOPTION ACROSS THE APAC

Cryptocurrency adoption in the Asia-Pacific region has been arguably even more ground-breaking, with six out of the 10 top nations in the 2022 Global Crypto Adoption Index being Asian.

Despite crypto being banned, China ranked at number 10. Meanwhile, Thailand, Pakistan, India and the Philippines came 8th, 6th, 4th and 2nd respectively.

Vietnam was the first place nation for the [second consecutive year](#), demonstrating extremely high purchasing power and population-adjusted digital asset adoption²³. Cryptocurrency is [common](#) in Vietnam and the Philippines with 21% and 20% of the population having used or owned cryptocurrency²⁴.

²⁰PR Newswire (2022) | Latin America's crypto conquest is driven by consumers needs

²¹International Monetary Fund (2023) | Interest in Central Bank Digital Currencies Picks Up in Latin America and the Caribbean While Crypto Use Varies

²²Chainalysis (2022) | The 2022 Global Crypto Adoption Index

²³Chainalysis (2021) | The 2021 Global Crypto Adoption Index

²⁴World Economic Forum (2021) | These are the countries where cryptocurrency use is most common

Regulation and Compliance:

HOW LATAM IS REGULATING CRYPTO

Despite certain digital assets such as cryptocurrency being widely unregulated at a global level, there is a concerted effort in countries such as Argentina, Brazil and Peru to implement crypto asset regulations²⁵. Recently, Peru issued a new decree to help address concerns over cryptocurrency-related money laundering and terrorist financing²⁶. In the new decree, all crypto exchanges in the country must comply with AML regulations. In a nation where an average of only two out of ten people have a bank account, Peru has enormous potential for digital assets to address inflationary risks and promote financial inclusion.²⁷

Banexcoin believes that Peru's proposed crypto regulations will benefit companies like theirs and provide end-users the vital reassurance they need from the government.

Like many digital asset enterprises, Banexcoin is using AML, KYC and anti-terrorism measures for institutions and end-users. By proactively implementing these types of measures pending release of a regulatory framework, they aim to shape reasonable policy and gain trust amongst the among Peruvians. Many are intrigued by crypto as an investment but skeptical due to volatility and the lack of regulation. Therefore, educating those looking to invest while providing them with an easy, simple and safe platform to do so was a necessity. population. Banexcoin endeavors to continue leading the industry through innovation and strategic partnerships to drive mainstream adoption.

CRYPTOCURRENCY REGULATION IN THE APAC REGION

Cryptocurrency regulation in the Asia-Pacific region is fairly inconsistent, with some countries banning the technology outright, while others such as Japan have embraced it wholeheartedly.²⁸

China is one of the most notable nations to have completely banned crypto mining.²⁹ However, despite the ban, there are a number of ongoing illegal mining operations.³⁰

In a similar trend to Peru, cryptocurrency in the Philippines meanwhile, has become a cheaper way to send money in and out of the country, especially for the large, unbanked population.³¹

Lastly, in Indonesia, crypto is generally not as accepted as a means of payment, despite a reported 280% rise in crypto investors and a select number of cryptocurrencies having been recognised as trading commodities.³²



²⁵The Times of India (2022) | Peru introduces its first cryptocurrency regulation

²⁶CryptoTV Plus (2023) | Peru Fights Cryptocurrency Money Laundering and Terrorism Financing

²⁷The World Bank (2014) | Peru, where the population lives largely without banks

²⁸Coin Telegraph (2016) | Japan Officially Recognizes Bitcoin and Digital Currencies as Money

²⁹Coin Telegraph (2021) | Bitcoin mining in China set for 'stricter supervision' due to carbon concerns

³⁰CNBC (2022) | Bitcoin production roars back in China despite Beijing's ban on crypto mining

³¹McKinsey & Company (2023) | Philippines' unmet banking needs

³²Forkast (2021) | Indonesian regulators play catch-up as crypto investment soars

Seizing the Future of Finance

Did you know that the global digital transformation market is expected to exceed [\\$1 trillion by 2025?](#)³³ At AlphaPoint we have helped more than 150 customers around the world embrace digital assets. As such, we are uniquely positioned to help your organization do the same.

Digital asset adoption is even being considered by traditional institutions, such as the Bank of England through its [digital pound](#).³⁴



Cryptocurrency is proving to be immensely popular in developing regions such as [Southeast Asia](#) and in particular, [Latin America](#).^{35,36} Across the LATAM region approximately 70% of the population are unbanked with no access to savings accounts, or underbanked (have bank accounts but lack access to credit cards and loans).³⁷

Regardless of your location, if your organization is undergoing digital transformation, then digital asset adoption is an absolute necessity if you wish to future-proof your business and remain competitive.

³³[Global Newswire \(2020\) | The World's Digital Transformation Industry 2020-2025: Trends, Opportunities and Competitive Landscape](#)

³⁴[The Bank of England \(2023\) | The digital pound](#)

³⁵[Forbes \(2023\) | Why Emerging Southeast Asia Is Crypto Friendly](#)

³⁶[FTI Consulting \(2023\) | Institutionalization of Crypto in Latin America](#)

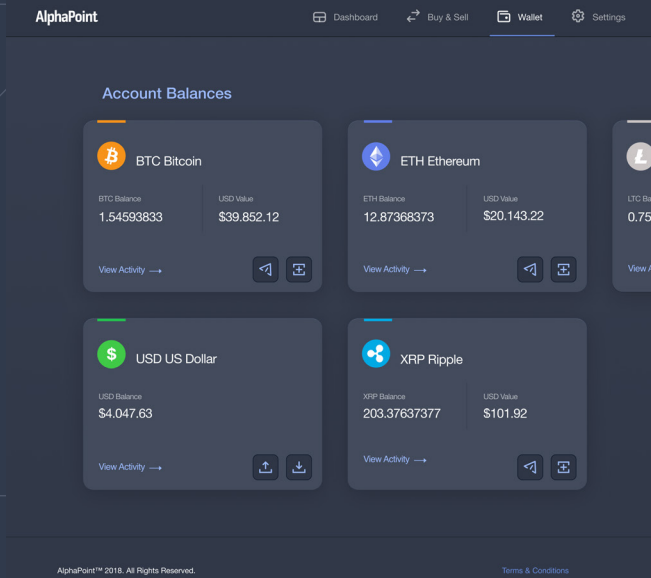
³⁷[Microsoft \(2023\) | 'We have to solve the problem': How three fintechs are boosting financial inclusion in Latin America](#)

About AlphaPoint

AlphaPoint is a global financial technology company providing digital asset infrastructure to power the next generation of financial marketplaces, payment networks, and banking.

Our secure, scalable and customizable digital asset trading platform has enabled over 150 customers in 35 countries to launch and operate crypto markets, including the first nationalized crypto ecosystem in El Salvador.

Interested to see how the AlphaPoint platform can help your organization embrace digital assets? Request a demo today to learn more!



Note: The information in this eBook is provided as general market commentary and does not constitute investment advice. We encourage you to do your own research before acting on any digital assets investment or strategy.