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Financial titans position themselves in the digital currency revolution

Amidst the digital age, traditional financial giants such as asset managers and investment banks are undergoing a remarkable transformation. They are responding to the development of cryptocurrencies and other digital assets by realigning their strategies and securing a position in the digital financial ecosystem.

Not long after Hong Kong recently took measures to establish itself as a trading hub for digital assets, prominent Wall Street figures are also positioning themselves in this dynamic sector. Just as SEC Chairman Gary Gensler initiated his typical and controversial "regulation by enforcement" approach, prominent names in the industry announced new projects.

Regulated US exchange for Bitcoin & Co.

Wall Street giants such as Charles Schwab, Citadel Securities, and Fidelity Digital Assets have jointly launched "EDX Markets," a trading platform for digital assets. According to their own statements, their goal is to serve the growing demand for trading digital assets while ensuring a secure, compliant, and liquid trading environment.

EDX Markets, initially enabling spot trading with Bitcoin (BTC), Ether (ETH), Litecoin (LTC), and Bitcoin Cash (BCH), sets itself apart from other exchanges with its "non-custodial" approach. Instead of directly holding customers' assets, EDX acts as a platform where participating companies negotiate pricing and business execution. Once prices are agreed upon, the parties proceed to transfer funds amongst themselves to complete the transactions. According to the founding team's statements, this "OTC" approach is superior to traditional cryptocurrency exchanges.

Acceleration of institutional crypto adoption on a global scale

The involvement of major US financial institutions such as Fidelity Digital Assets, Charles Schwab, and Citadel Securities indicates that institutional acceptance of crypto assets is increasing. Moreover, the recent regulations introduced in Hong Kong, which opened cryptocurrency trading to retail customers, along with the openness of the Securities and Futures Commission (SFC) towards this new asset class, are likely to significantly strengthen institutional acceptance of crypto assets in the region.

In the EU, the introduction of the European crypto framework known as MiCA represents a crucial set of regulations, providing financial institutions with legal guidelines for dealing with digital assets. For instance, Deutsche Bank has expressed its ambitions to develop its own crypto custody solution, targeting major institutional clients such as pension or investment funds. This further demonstrates the growing interest and acceptance of crypto assets among institutional players on a global scale.

Established asset managers apply for Bitcoin ETF

BlackRock, the world's leading asset manager with $9.5 trillion in assets under management, has initiated a partnership with Coinbase, the leading cryptocurrency exchange in the US, to establish an exchange-traded fund (ETF) for Bitcoin. The iShares Bitcoin Trust, created by BlackRock, is expected to trade on Nasdaq, with custody of the funds handled by the Bank of New York Mellon, one of the most prestigious and oldest financial institutions in the US.

In addition to BlackRock, numerous other players in the market, who had previously applied for Bitcoin

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ETFs, have renewed their applications. These applicants include renowned institutions from the traditional financial sector, such as Fidelity, WisdomTree, VanEck, Valkyrie Digital Assets, Galaxy Digital, and Invesco.

Over the past few years, the SEC has rejected dozens of applications for a Bitcoin spot ETF, citing concerns about fraud prevention and investor protection. Controversially, however, a leveraged Bitcoin ETF was approved in June.

With the renewed flood of applications from reputable and highly regulated actors like BlackRock, the pressure on the criticized regulatory authority is likely to increase, pushing them to potentially grant approval in the near future.

Bitcoin ETF only the beginning

The substantial investments in infrastructure and the ETF applications by these prominent institutions clearly demonstrate the growing demand for the new asset class, driven in no small part by customer interest. Despite the SEC's cautious stance, the industry is making significant progress, and it is unlikely that the regulatory authority can resist heavyweight players like BlackRock indefinitely.

A portion of the trillions of dollars in managed assets is expected to flow into digital assets over time. Bitcoin is just the beginning. Ethereum, the second-largest cryptocurrency by market capitalization, has already been attracting institutional investor attention for some time, especially due to the ability to generate passive income through "staking."

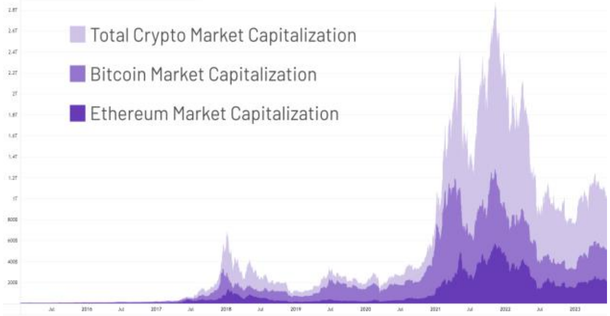

Figure 1: Total crypto market capitalization | Source: Digital Asset Solutions AG, Tradingview

For instance, Fidelity Digital Assets has already expanded its platform to facilitate trading and custody of Ether (ETH) for institutional investors. The company identified a sustained customer demand for investments in digital assets beyond Bitcoin and recognized the need for a diversified range of products and solutions.

If the first Bitcoin ETF receives approval in the United States, the logical consequence would be the introduction of additional ETFs. These could be backed by Ether and other high-capitalization cryptocurrencies.

A comparison of the expected capital that can flow into the market through financial giants hints at the potential: Besides Bitcoin, alternative cryptocurrencies could experience significant price increases, considering the current total market capitalization.