Kenanga Investors

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RIDING THE TOKENISATION WAVE

The Edge Malaysia (Wealth)

The presence of tokenised assets in Malaysia remains insignificant despite their exponential growth globally. But all this could change rapidly in the next five years, especially when it comes to bonds and unit trusts.

Tokenised assets are real world assets represented by digital tokens on a blockchain. They can be stocks, bonds, real estate, commodities like gold or more.

Investors with a cryptocurrency (crypto)wallet int heir smartphone might be able to trade not only digital assets but also traditional assets in tokenised form. The line between the "new" and the "old" is fast blurring.

An indication of this emerged during MyFintech Week, Malaysia's flagship financial technology event, which was held in August. In his opening speech, Bank Negara Malaysia governor Datuk Seri Abdul Rasheed Ghaffour announced that the central bank will publish a discussion paper on asset tokenisation by the end of the year.

Sitting on stage with Abdul Rasheed during a panel session titled "Navigating the Fintech Frontier" was Securities Commission Malaysia (SC) chairman Datuk Mohammad Faiz Azmi.

Mohammad Faiz said the regulator wants the size of the digital asset market to grow to 8% of the equity market, without giving a specific timeline. Its current market size, five years after the first digital asset exchange (DAX) licence was issued, is roughly1% of the equity market.

Mohammad Faiz also signalled that the regulator is adopting a more liberal approach for the DAXs to list digital tokens on their platforms for trading. “The other thing we are thinking about is, why be a nanny? Let’s put the onus on the players to figure out which (digital tokens] they want to offer clients. We are kind of shifting the regulatory perspective on that."

During the same session, two other panellists—Monetary Authority of Singapore (MAS) managing director Chia Der Jiun and Hong Kong Monetary Authority chief executive Eddie Yue — elaborated on the policies and intentions of each jurisdiction with regard to stablecoins, another form of blockchain-based tokens with values pegged to specific currencies.

A day later, Kenanga Investment Bank Bhd released its white paper titled "Project Juara: Malaysia's Asset Tokenisation Opportunity", jointly authored by Saison Capital Pte Ltd, Helicap Labs Pte Ltd (Helix) and Satori Research Ltd.

Saison Capital is the venture-capital arm of Japan-based Credit Saison, which invests in early-stage companies; Helix is a blockchain-based tokenisation start-up founded in 2023, while

Satori Research is a liquidity provider, market maker and algorithmic trader for digital assets.

Just how big could tokenised assets grow in the next five years? Kenanga and its co-authors tag it at US$43 billion.

According to Project Juara's estimation, bonds and sukuk are the front runners in tokenisation. Tokenised corporate bonds could garner a market size of US$13.5 billion by 2030 while government bonds could hit US$10.9 billion. This is followed by Islamic financial products, mainly sukuk (US$9 billion) and unit trust funds (US$6billion).

In total, bonds are expected to take up US$33.4 billion, or 78% of the estimated total tokenised asset market size in Malaysia by 2030, according to the report.

Saison Capital partner Qin En Looi says the figure is a conservative estimate based on international growth trends for each asset class. The actual growth could be a lot higher.

"Back in 2020, tokenised asset [market size] was only at US$50 million. As at Aug 7 this year, the figure was at US$25 billion (RM106 billion). This figure excludes stablecoins and consists mainly of US Treasuries (UST) and [corporate] bonds. The market has grown by about 500 times globally in the past five years. We benchmark the growth in Malaysia against this and made an estimation on each asset class," he says.

GAINING TRACTION

Globally, widely tokenised assets re the UST, money market instruments, private credit and specific commodities, such as gold, says Helix co-founder and CEO Jitendra Singh Jaitawat.

"The first breed [of asset class] that always gets tokenised is fixed income instrument. It is a natural fit due to its yield generating characteristic [where yields can be automatically distributed to token holders via smart contracts]," he explains.

On the local front, the SC introduced its regulatory sandbox in October last year to encourage securities tokenisation and spur innovations in the capital market. It also announced a collaboration with Khazanah Nasional Bhd to explore the issuance of tokenised bonds.

Several industry players say they expect Khazanah's tokenised bonds to be the first tokenised product in the market, partly due to the status, size and capability of the sovereign wealth fund. They believe that the Khazanah project will take time as its success is vital and Khazanah will have to decide on fundamental issues, such as which blockchain it wants to use to issue its tokens.

However, Hann Liew, co-founder and CEO of digital asset fund management firm Halogen Capital, says traditional assets — be they bonds or equities — can be easily tokenised through a unit trust fund structure. It is the lowest hanging fruit for asset tokenisation.

Why? Liew says assets, whether bonds, equities, real estate or gold, are already fractionalised into smaller units within a fund. For instance, a bond fund breaks down bond issuances, typically worth several million ringgit per lot in the primary market, into much smaller units for retail investors to access. A real estate investment trust (REIT)does the same to real estate. The key difference lies in the underlying blockchain technology.

A unit trust fund is also known as a collective investment scheme that allows investors with similar objectives to pool their money to be invested in a portfolio of securities, including bonds and equities.

These securities are usually bought in large aggregated transactions with the fund house's master or omnibus trading account, instead of each investor's individual account. The securities are then fractionalised and assigned to each unit holder, while the calculation and recording of the "units" are done internally by the fund managers and trustees.

Liew says the fractionalising of "units" does not involve the transfer of actual shares or bonds from one central depository system (CDS) account or authorised depository institution (ADI) account to another, which involves interacting with the existing systems of Bursa Malaysia and Bank Negara, which is why tokenisation can be done more easily within a unit trust fund structure.

"The next step is merely to adopt blockchain technology, so you don't just rely on the trustee to do the calculations for the units. You rely on (computer] codes. Rather than using the word 'units', you use 'tokens'. It is the lowest hanging fruit in my opinion," he explains.

Liew's words are backed by action. He says Halogen Capital has tokenised its Halogen Shariah Ringgit Income Fund, a fixed income fund. The process started as early as 2023when the company received funding from the SC's Digital Innovation Fund (Digid), which was setup toco-fund innovative projects to allow new and competitive propositions in the Malaysian capital market.

"We're piloting the project. The tokenised version of our fixed income fund has already been running for six months internally. All the tokens now are sitting in the wallet controlled by our trustee without being distributed to the users," Liew says, adding that those tokens are ready to be deployed and traded once the regulations permit.

It is not just the emerging and boutique fund houses that are looking into tokenising unit trust funds. Kenanga Investors Bhd, a long-established and reputable fund house, is actively looking at tokenising its money market fund, says Datuk Wira Ismitz Matthew DeAlwis, its CEO and executive director.

"We are exploring tokenising our money market funds through some live case studies. It is a process that is still in its early stages. As we go along, we are in consultation with the regulators about the regulations surrounding tokenised assets, before we make our next decision," he says.

While they may not garner much attention, digital tokens are already in use locally for fundraising purposes. BidNow, a Malaysian auction platform, raised RM10 million from 469 investors last year through the pitchIN Token Crowdfunding (TCF) platform.

The second project raising funds on the TCF platformisFrac, a company that specialises in helping enterprises tokenise real-world assets, according to the pitchIN official website. As at Aug 12,ithad raised RM1.54 million from 13 investors, exceeding its minimum fundraising target of RM1.5 million.

PitchIN and Kapital DX Sdn Bhd (KLDX) are currently the only two initial exchange offering (IEO) platforms licensed by the SC, allowing them to facilitate fundraising activities for start-ups and companies by issuing digital tokens.

KLDX's official website shows it has conducted seven primary listings, with the sole issuer being Integra Healthcare, a healthcare solutions provider. The most recent listing was the Integra Health-T9, a fixed-income instrument with a minimum funding amount of RM1 million and a profit rate of 8%.

STABLECOIN AS HOT AS AI

Elsewhere, the adoption of asset tokenisation is growing, especially for stablecoins, according to C K Ong, chief operating officer of SBI Digital Markets, a Singapore-based digital solution provider regulated by MAS that is actively involved in asset tokenisation services.

Stablecoin, or tokenised cash — mostly backed by flat currency or government debt paper— is taking the world by storm as Hong Kong passed its Stablecoin Bill in May, followed by the US passing its Genius Act in July that set up a regulatory regime for stablecoins.

“There is a lot of interest in stablecoins. It's almost as hot as AI (artificial intelligence) now," Ong says. SBI Digital Markets is a subsidiary of SBI Digital Asset Holdings, the digital asset arm of Japanese financial conglomerate SBI Group.

The latest trend surrounding stablecoin is how issuers can distribute yields to token holders.

Depending on the regulations of a specific jurisdiction, stablecoin issuers may back their digital tokens with fiat currency or government debt papers that pay interest periodically. The interest can be distributed to stablecoin token holders.

"However, if interest is distributed directly to the token holders, the regulators might look at them as securities and subject them to different sets of regulations," he says.

So, industry players are coming up with solutions, such as enrolling clients under a "different programme" that entitles them to monetary returns.

Over the years, Ong has realised that the demand and risk appetite for tokenised assets can vary widely, which led SBI Digital Markets to tokenise niche assets for specific groups of clients, like intellectual property.

“I’m trying to structure more specialised products that are harder for the bigger institutions like banks or asset managers to do. These are the more ‘exotic' alternative products."

At the moment, Ong says stablecoin remains less explored by banks for obvious reasons, including cybersecurity and legal risk.

In Malaysia, Blox Blockchain Sdn Bhd (Blox) is the only stablecoin issuer that has announced its product to the public while engaging with regulators.

Blox's MYRC,the ringgit stablecoin backed by the fiat currency at a one-to-one ratio, had 644 users that went through its know-your customer process as at July18. They transacted a total of RM53.18 million MYRC, with a total of RM1.16 million MYRC circulating in the market during the corresponding period.

Blox isn't a regulated entity and the MYRC is not legal tender, but the company has been engaging with regulators and is a participant of the PayNetFintech Hub, Malaysia's first fintech-focused community and accelerator programme.

Blox co-founder and chief financial officer Ashwin Chockalingam says the firm continues to engage with Bank Negara for updates regarding the Digital Asset Innovation Hub launched in June. The hub aims to provide a controlled environment for fintech companies and innovators to test new products and services, such as programmable payments and ringgit-backed stablecoins, according to news reports.

While industry players agree that asset tokenisation is a major trend globally, SBI Digital Markets' Ong says it’s still early days — the reason being transaction volumes in many of these tokenised assets remain thin.

"A lot of people say this year is the year of tokenisation. But I don't see the industry showing a lot of transactions and trading volumes.! think it's just the start, rather than ‘the year’. I think it'll take another three to five years for adoption to pick up significantly," he opines.

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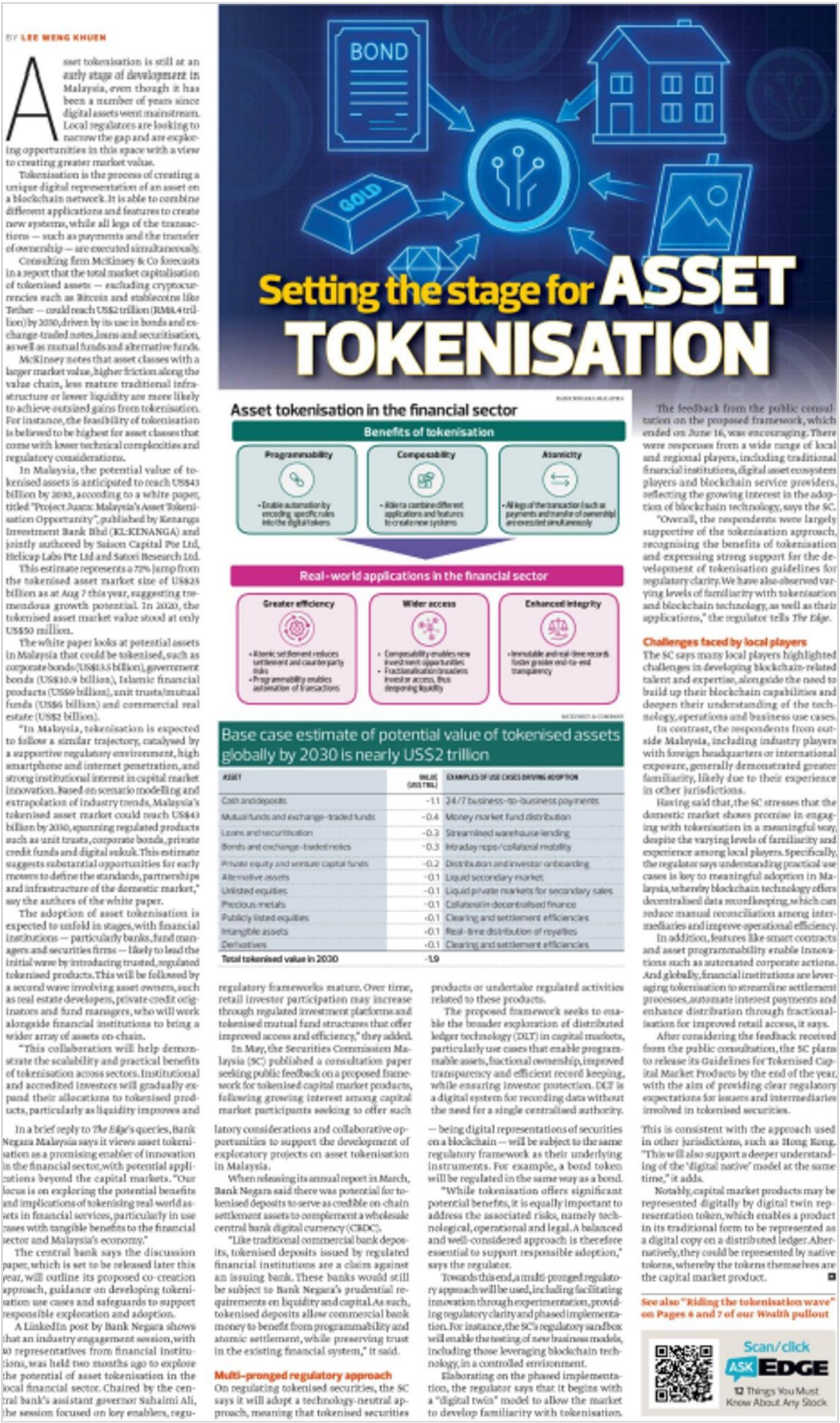
Source:

The Edge Malaysia (Wealth, 25 August 2025)

Additional relevant articles relating to "Project Juara: Malaysia's Asset Tokenisation Opportunity":

Setting the stage for asset tokenisation
(25 August 2025)



BY LEE WENG KHUEN

Setting the stage for ASSET TOKENISATION

Asset tokenisation is still at an early stage of development in Malaysia, even though it has been a number of years since digital assets went mainstream. Local regulators are looking to narrow the gap and are exploring opportunities in this space with a view to creating greater market value.

Tokenisation is the process of creating a unique digital representation of an asset on a blockchain network. It is able to combine different applications and features to create new systems, while all legs of the transactions — such as payments and the transfer of ownership — are executed simultaneously.

Consulting firm McKinsey & Co forecasts in a report that the total market capitalisation of tokenised assets — excluding cryptocurrencies such as Bitcoin and stablecoins like Tether — could reach US$2 trillion (RM8.4 trillion) by 2030, driven by its use in bonds and exchange-traded notes, loans and securitisation, as well as mutual funds and alternative funds.

McKinsey notes that asset classes with a larger market value, higher friction along the value chain, less mature traditional infrastructure or lower liquidity are more likely to achieve outsized gains from tokenisation. For instance, the feasibility of tokenisation is believed to be highest for asset classes that come with lower technical complexities and regulatory considerations.

In Malaysia, the potential value of tokenised assets is anticipated to reach US$43 billion by 2030, according to a white paper, titled "Project Juara: Malaysia's Asset Tokenisation Opportunity", published by Kenanga Investment Bank Bhd (KL:KENANGA) and jointly authored by Saison Capital Pte Ltd, Helicap Labs Pte Ltd and Satori Research Ltd.

This estimate represents a 72% jump from the tokenised asset market size of US$25 billion as at Aug 7 this year, suggesting tremendous growth potential. In 2020, the tokenised asset market value stood at only US$50 million.

The white paper looks at potential assets in Malaysia that could be tokenised, such as corporate bonds (US$13.5 billion), government bonds (US$10.9 billion), Islamic financial products (US$9 billion), unit trusts/mutual funds (US$6 billion) and commercial real estate (US$2 billion).

"In Malaysia, tokenisation is expected to follow a similar trajectory, catalysed by a supportive regulatory environment, high smartphone and internet penetration, and strong institutional interest in capital market innovation. Based on scenario modelling and extrapolation of industry trends, Malaysia's tokenised asset market could reach US$43 billion by 2030, spanning regulated products such as unit trusts, corporate bonds, private credit funds and digital sukuk. This estimate suggests substantial opportunities for early movers to define the standards, partnerships and infrastructure of the domestic market," say the authors of the white paper.

The adoption of asset tokenisation is expected to unfold in stages, with financial institutions — particularly banks, fund managers and securities firms — likely to lead the initial wave by introducing trusted, regulated tokenised products. This will be followed by a second wave involving asset owners, such as real estate developers, private credit originators and fund managers, who will work alongside financial institutions to bring a wider array of assets on-chain.

"This collaboration will help demonstrate the scalability and practical benefits of tokenisation across sectors. Institutional and accredited investors will gradually expand their allocations to tokenised products, particularly as liquidity improves and regulatory frameworks mature. Over time, retail investor participation may increase through regulated investment platforms and tokenised mutual fund structures that offer improved access and efficiency," they added.

In May, the Securities Commission Malaysia (SC) published a consultation paper seeking public feedback on a proposed framework for tokenised capital market products, following growing interest among capital market participants seeking to offer such products or undertake regulated activities related to these products.

The proposed framework seeks to enable the broader exploration of distributed ledger technology (DLT) in capital markets, particularly use cases that enable programmable assets, fractional ownership, improved transparency and efficient record keeping, while ensuring investor protection. DLT is a digital system for recording data without the need for a single centralised authority.

The feedback from the public consultation on the proposed framework, which ended on June 16, was encouraging. There were responses from a wide range of local and regional players, including traditional financial institutions, digital asset ecosystem players and blockchain service providers, reflecting the growing interest in the adoption of blockchain technology, says the SC.

"Overall, the respondents were largely supportive of the tokenisation approach, recognising the benefits of tokenisation and expressing strong support for the development of tokenisation guidelines for regulatory clarity. We have also observed varying levels of familiarity with tokenisation and blockchain technology, as well as their applications," the regulator tells *The Edge*.

Challenges faced by local players

The SC says many local players highlighted challenges in developing blockchain-related talent and expertise, alongside the need to build up their blockchain capabilities and deepen their understanding of the technology, operations and business use cases.

In contrast, the respondents from outside Malaysia, including industry players with foreign headquarters or international exposure, generally demonstrated greater familiarity, likely due to their experience in other jurisdictions.

Having said that, the SC stresses that the domestic market shows promise in engaging with tokenisation in a meaningful way, despite the varying levels of familiarity and experience among local players. Specifically, the regulator says understanding practical use cases is key to meaningful adoption in Malaysia, whereby blockchain technology offers decentralised data record keeping, which can reduce manual reconciliation among intermediaries and improve operational efficiency.

In addition, features like smart contracts and asset programmability enable innovations such as automated corporate actions. And globally, financial institutions are leveraging tokenisation to streamline settlement processes, automate interest payments and enhance distribution through fractionalisation for improved retail access, it says.

After considering the feedback received from the public consultation, the SC plans to release its Guidelines for Tokenised Capital Market Products by the end of the year, with the aim of providing clear regulatory expectations for issuers and intermediaries involved in tokenised securities.

In a brief reply to *The Edge*'s queries, Bank Negara Malaysia says it views asset tokenisation as a promising enabler of innovation in the financial sector, with potential applications beyond the capital markets. "Our focus is on exploring the potential benefits and implications of tokenising real-world assets in financial services, particularly in use cases with tangible benefits to the financial sector and Malaysia's economy."

The central bank says the discussion paper, which is set to be released later this year, will outline its proposed co-creation approach, guidance on developing tokenisation use cases and safeguards to support responsible exploration and adoption.

A LinkedIn post by Bank Negara shows that an industry engagement session, with 80 representatives from financial institutions, was held two months ago to explore the potential of asset tokenisation in the local financial sector. Chaired by the central bank's assistant governor Suhaimi Ali, the session focused on key enablers, regulatory considerations and collaborative opportunities to support the development of exploratory projects on asset tokenisation in Malaysia.

When releasing its annual report in March, Bank Negara said there was potential for tokenised deposits to serve as credible on-chain settlement assets to complement a wholesale central bank digital currency (CBDC).

"Like traditional commercial bank deposits, tokenised deposits issued by regulated financial institutions are a claim against an issuing bank. These banks would still be subject to Bank Negara's prudential requirements on liquidity and capital. As such, tokenised deposits allow commercial bank money to benefit from programmability and atomic settlement, while preserving trust in the existing financial system," it said.

Multi-pronged regulatory approach

On regulating tokenised securities, the SC says it will adopt a technology-neutral approach, meaning that tokenised securities — being digital representations of securities on a blockchain — will be subject to the same regulatory framework as their underlying instruments. For example, a bond token will be regulated in the same way as a bond.

"While tokenisation offers significant potential benefits, it is equally important to address the associated risks, namely technological, operational and legal. A balanced and well-considered approach is therefore essential to support responsible adoption," says the regulator.

Towards this end, a multi-pronged regulatory approach will be used, including facilitating innovation through experimentation, providing regulatory clarity and phased implementation. For instance, the SC's regulatory sandbox will enable the testing of new business models, including those leveraging blockchain technology, in a controlled environment.

Elaborating on the phased implementation, the regulator says that it begins with a "digital twin" model to allow the market to develop familiarity with tokenisation. This is consistent with the approach used in other jurisdictions, such as Hong Kong. "This will also support a deeper understanding of the 'digital native' model at the same time," it adds.

Notably, capital market products may be represented digitally by digital twin representation token, which enables a product in its traditional form to be represented as a digital copy on a distributed ledger. Alternatively, they could be represented by native tokens, whereby the tokens themselves are the capital market product.

See also "Riding the tokenisation wave" on Pages 6 and 7 of our Wealth pullout

Asset tokenisation in the financial sector

Benefits of tokenisation

- **Programmability** — Enable automation by encoding specific rules into the digital tokens
- **Composability** — Able to combine different applications and features to create new systems
- **Atomicity** — All legs of the transaction (such as payments and transfer of ownership) are executed simultaneously

Real-world applications in the financial sector

- **Greater efficiency** — Atomic settlement reduces settlement and counterparty risks; Programmability enables automation of transactions
- **Wider access** — Composability enables new investment opportunities; Fractionalisation broadens investor access, thus deepening liquidity
- **Enhanced integrity** — Immutable and real-time records foster greater end-to-end transparency

Base case estimate of potential value of tokenised assets globally by 2030 is nearly US$2 trillion

ASSET	VALUE (US$ TRIL)	EXAMPLES OF USE CASES DRIVING ADOPTION
Cash and deposits	~1.1	24/7 business-to-business payments
Mutual funds and exchange-traded funds	~0.4	Money market fund distribution
Loans and securitisation	~0.3	Streamlined warehouse lending
Bonds and exchange-traded notes	~0.3	Intraday repo/collateral mobility
Private equity and venture capital funds	~0.2	Distribution and investor onboarding
Alternative assets	~0.1	Liquid secondary market
Unlisted equities	~0.1	Liquid private markets for secondary sales
Precious metals	~0.1	Collateral in decentralised finance
Publicly listed equities	~0.1	Clearing and settlement efficiencies
Intangible assets	~0.1	Real-time distribution of royalties
Derivatives	~0.1	Clearing and settlement efficiencies
Total tokenised value in 2030	**~1.9**	

Stablecoins a 'critical enabler' for tokenised asset ecosystem, says SC
(25 August 2025)

Stablecoins a 'critical enabler' for tokenised asset ecosystem, says SC

Companies linked to stablecoins have seen massive gains globally on the back of supportive regulatory frameworks towards this new emerging technology.

This comes as US President Donald Trump signed the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act of 2025 to develop a regulatory regime for stablecoins, which could enter mainstream use for sending and receiving payments. For perspective, the stablecoin market has expanded 62% to US$269 billion (RM1.14 trillion) over the past one year, according to tracker DeFiLlama.

While the Securities Commission Malaysia (SC) has not recognised stablecoins as capital market products under the regulator's proposed framework, jurisdictions such as Japan and Singapore have begun recognising them, underscoring the critical role of regulated stablecoins in financial innovation.

Japanese start-up JPYC, for one, will issue its first stablecoin pegged to the yen later in the year, which will be fully convertible to the yen and backed by domestic savings and Japanese government bonds. Demand is expected to come from institutional investors, hedge funds and family offices in Japan, according to a Reuters report.

The *Financial Times* reported that the European Union was speeding up its plans for a digital euro on a public blockchain after the US passed its stablecoin law.

In response to queries from *The Edge*, SC says the availability of tokenised settlement vehicles is a critical enabler for the broader tokenised asset ecosystem.

"This will support more efficient settlement processes and facilitate investment in tokenised capital market products and digital assets," it says. The commission also highlights the launch of the Digital Asset Innovation Hub by Bank Negara Malaysia in June this year, which focuses on programmable money and ringgit-based stablecoins.

Unlike traditional cryptocurrencies, a stablecoin's price is not set by supply and demand, but a range of mechanisms is employed to ensure the price remains pegged to that asset.

Stablecoins are typically pegged to a fiat currency and offer faster and cheaper transactions. As a result, they can be used as a means of payment, subject to the effectiveness of their value stabilisation mechanism.

According to Kenanga Investment Bank's white paper titled "Project Juara: Malaysia's Asset Tokenisation Opportunity", stablecoins are a foundational building block for any tokenised financial system. Without a reliable, on-chain settlement layer, many of the promised efficiencies of asset tokenisation — such as atomic settlement, 24/7 transaction windows and real-time fund flows — remain theoretical.

"Stablecoins close this gap, functioning as digital cash within tokenised networks", according to the white paper.

Late last year, Singapore announced plans to advance tokenisation in financial services. Through Project Guardian, it is facilitating the commercialisation of products and services by connecting a broader set of participants' products and services across multiple currencies and assets.

"Malaysia is moving in the same direction. SC's recent engagement with licensed institutions around stablecoin issuance reflects a proactive stance — recognising that stablecoins will be essential infrastructure, even if regulated under different statutes," the white paper noted.

With a market value of US$167 billion, Tether has emerged as the largest stablecoin and the fourth-largest digital asset globally, just after Bitcoin (US$2.26 trillion), Ethereum (US$506.3 billion) and XRP (US$170.6 billion), according to Coingecko data.

USDC, valued at US$67.8 billion, is another stablecoin that has made it to the top 10 digital assets list.

Nonetheless, there are concerns about the booming stablecoin market, as stablecoins could be exploited as a new tool for fraudulent activities and create greater risks to the financial system. As such, a more comprehensive framework is needed to safeguard the interests of all stakeholders.

— *By Lee Weng Khuen*

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Top 10 cryptocurrencies by market cap

CRYPTOCURRENCY	PRICE ON AUG 20 (US$)	ONE-YEAR PRICE CHANGE (%)	MARKET CAP (US$ BIL)
Bitcoin	113,507.00	86.3	2,259.0
Ethereum	4,190.8	56.9	506.3
XRP	2.87	371.2	170.6
Tether*	1.00	0	167.0
BNB	834.20	46.7	116.2
Solana	181.30	23.2	97.8
USDC*	1.00	0	67.8
Lido Staked Ether	4,222.50	58.0	37.2
TRON	0.35	143.5	33.1
Dogecoin	0.21	104.4	32.3

*Stablecoin

FINANCIAL STABILITY BOARD

Overview of digital assets

	PRIVATELY ISSUED AND BACKED BY ASSETS	PRIVATELY ISSUED AND NOT BACKED BY ASSETS
Instrument	Stablecoin	Exchange tokens: used as a means of exchange or for investment (for example, Bitcoin, Ethereum)
		Security tokens: may provide rights (such as ownership, repayment of a sum of money or entitlement to future profits)
		Utility tokens: can be redeemed for access to a specific product or service
Store of value	Value is backed by assets (for example, fiat currency, commodity) or stabilised by controlling the market supply of the stablecoin	No formal backing for its value and subject to market forces
Medium of exchange	May be used as a means of payment subject to effectiveness of value stabilisation mechanism	Unlikely to be widely used as a means of payment due to various limitations (for example, high price volatility, vulnerability to cyber threats, scalability issue)
Unit of account	May be denominated in fiat currency (for stablecoins backed by fiat currency)	Has its own unit of account

MCKINSEY & CO

Stablecoins offer transformative capabilities that address key limitations of legacy payment systems

	LEGACY PAYMENT RAILS	STABLECOIN
Speed	One to five business days	Nearly instant settlement
Cost	• International wire: US$15 to US$50 per transaction • Automated clearing house: US$0.20 to US$1.50 per transaction • Credit card: 1.5% to 3.5% of transaction	Less than US$0.10 per transaction
Cross border	Relies on correspondent or domestic banking system; additional foreign transaction fees	Borderless, minimal or non-existent foreign transaction fees
Automation and programmability	• Manual interventions, settlement frictions • Limited application programming interface and programmability capabilities	Fully digital, smart-contract-enabled programmability
Security	• Established banking standards • Employs technology to mitigate fraud risk	Cryptographically secure and irreversible but catastrophically vulnerable to wallet or key theft risks
Transparency	Limited visibility into transaction steps	Fully transparent transaction reporting on blockchain
Settlement risks	Intermediary or correspondent dependency risks	Peer-to-peer, with no intermediary risks
Availability	Banking hours or days constraints	Fully operational 24/7/365

This material has not been reviewed by the Securities Commission Malaysia.

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