

Understanding RWAs

Real-world assets ('RWAs') are assets that are represented on blockchains. This is achieved through a process called 'tokenisation', where blockchain-based smart contracts are leveraged to create digital tokens that represent ownership or rights associated with the underlying asset.

Virtually any asset can become an RWA through this tokenisation process. The nature of these assets can be physical (e.g. real estate, fine art, precious¹ metals), financial (e.g. equities, corporate bonds, fiat currencies) or intangible (e.g. intellectual property, insurance).

To date, the vast majority of RWA activity has centred around financial assets, with the largest ones being USD-backed stablecoins (e.g. USDC) as well as tokenised U.S. Treasuries and other cash equivalents (e.g. BlackRock's BUIDL fund).

Key Benefits

Relative to legacy systems, the key benefits of RWAs are as follows:

Cost savings: Smart contracts can reduce the extent to which financial intermediaries are involved in the asset-management process, lowering operational costs for issuers and fees for users.

Greater transparency: Public blockchains are exceptional at maintaining a secure, immutable record of ownership and transactions. This is beneficial because it could result in more streamlined audit and compliance processes, reduced fraud, and improved trust between parties.

Enhanced market efficiency: Certain RWAs can be traded 24/7 from anywhere in the world. Also, because RWAs can be fractionalised (i.e. ownership of the underlying asset is represented by multiple tokens instead of one), more investors can gain access to assets they otherwise could not afford, such as real estate. (Worth noting, in practice, access to many RWAs remains limited due to regulatory uncertainty.)

An Investor-Friendly Narrative

RWAs are one of the strongest investment themes of this bull market. This is largely because most major banks and financial institutions are experimenting with RWAs in some capacity. For example, BlackRock, the world's largest asset manager, has been particularly optimistic about RWAs, with its CEO predicting them to be "the next generation for markets."

Despite there being a long list of unanswered questions regarding how value accrues to RWA tokens, news headlines can be enough to drive prices higher. For example, BlackRock's launch of BUIDL in March caused many RWA tokens to rally by more than 100%, even though they had no connection to the product.

BTC Snapshot ¹	\$ ('000)
12-month high	73.4
12-month low	25.1
Price (30 May 2024)	68.2

Key Market Metrics ¹	
BTC Dominance	50.1%
ETH Price	\$3,750
Total Crypto Market Cap	2.68T
Alt-Coin Market Cap	1.32T

RWA Projects to Watch

For a visualisation of the various categories and projects that constitute the RWA sector, see [this recently updated ecosystem map](#) by Tokeny.

Ondo Finance (ONDO)

Ondo is a platform that offers RWAs associated with financial assets, starting with cash equivalents. Its flagship offering is OUSG, the world's first tokenised U.S. Treasuries product launched in early 2023. Ondo also offers USDY, a tokenised yield-bearing note backed by short-term U.S. Treasuries. Both products are available across multiple blockchains, including Ethereum and Solana.

Looking ahead, Ondo aims to tokenise the various other types of financial assets that exist beyond cash equivalents. It is doing so by building Ondo Global Markets to address the ongoing lack of secondary-market liquidity that has hindered the adoption of RWAs tied to many financial assets (e.g. public securities). Ondo Global Markets was [announced](#) in late February, and the team has yet to share an estimated release date.

Chainlink (LINK)

Too often, Chainlink is narrowly defined as the 'leading price oracle'. While this is true, it fails to capture the extent to which Chainlink has expanded in recent years. One of these areas of expansion has been RWAs. For example, in May, the Depository Trust and Clearing Corporation (DTCC)—the world's largest securities settlement system—[reported](#) on a pilot project it conducted with Chainlink and several major U.S. financial institutions (e.g. BNY Mellon, JP Morgan).

This pilot attempted to standardise the provision of net asset value (NAV) data of funds across blockchains, using Chainlink's Cross-Chain Interoperability Protocol (CCIP). As per [the DTCC's report](#), "CCIP is the only cross-chain protocol that offers defense-in-depth security." (For more on how financial institutions (e.g. Swift, ANZ) are using CCIP, go to page 7 of the report.)

The full mainnet release of CCIP is expected very soon. The protocol soft-launched in mid-2023 after years of development, marking a continued expansion for Chainlink far beyond its origins as a price oracle for the DeFi sector.

