Cryptoassets have emerged as an investable alternative asset class, with new product offerings from traditional financial service providers and growing allocations by institutional investors.

**Institutionalization of cryptoassets**

Growing regulatory clarity has supported the rise in institutional adoption. In March 2021, Canada became the first country to permit cryptoasset ETFs. Further, the Investment Industry Regulatory Organization of Canada and Canadian Securities Administrators have clarified the applicability of regulatory requirements for cryptoasset trading platforms. The Office of the Comptroller of the Currency, national banking regulator in the United States, has provided guidance on banks acting as a custodian for cryptoassets and stablecoins. Moreover, three cryptonative companies have obtained national banking charters and two charters in the State of Wyoming.

Traditional financial service providers have increased their products offerings. Payment providers – Visa, Mastercard and Square – have integrated cryptoasset payments into their platforms. The Chicago Mercantile Exchange (CME) has become the largest regulated trading venue for cryptoasset derivatives. Asset managers have issued investment products, which collectively amassed more than $1 billion in assets under management. Several firms have entered the space by acquiring startups with specific cryptoasset expertise, such as PayPal acquiring custodian Curv, and Japanese bank SBI acquiring cryptoasset market making firm B2C2.

In parallel, cryptonative companies have matured significantly. Their services – such as custody, trade execution and financial reporting – now mirror traditional finance. By hiring industry experts and forming strategic partnerships, these firms have onboarded many institutional clients.

Together, these developments have led to material adoption by institutional investors. Since mid-2020, many family offices, strategic investment arms and hedge funds have gained exposure to cryptoassets. Corporate treasuries of publicly traded companies, most notably MicroStrategy, Square and Tesla, have made allocations. Additionally, global insurers, Mass Mutual and New York Life, have announced exposure. Common investment rationales include a hedge against inflation, an innovative technology play, many arbitrage opportunities available and allocations by other traditional investors.

**Cryptoasset industry by the numbers**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Cap of Bitcoin</strong></td>
<td>$910B</td>
</tr>
<tr>
<td><strong>Coinbase IPO</strong></td>
<td>$104B</td>
</tr>
<tr>
<td><strong>Monthly Trading Volume</strong></td>
<td>$968B</td>
</tr>
<tr>
<td><strong>CME BTC Volume</strong></td>
<td>$89B</td>
</tr>
<tr>
<td><strong>Regulated Investments</strong></td>
<td>$41B</td>
</tr>
<tr>
<td><strong>Total Stablecoin Supply</strong></td>
<td>$128B</td>
</tr>
<tr>
<td><strong>BTC Daily Mining Revenue</strong></td>
<td>$38M</td>
</tr>
<tr>
<td><strong>Corporate Treasuries</strong></td>
<td>$7B</td>
</tr>
</tbody>
</table>

**Additional Notes:**

- The Chicago Mercantile Exchange (CME) has become the largest regulated trading venue for cryptoasset derivatives.
- Asset managers have issued investment products, which collectively amassed more than $1 billion in assets under management.
- Several firms have entered the space by acquiring startups with specific cryptoasset expertise, such as PayPal acquiring custodian Curv, and Japanese bank SBI acquiring cryptoasset market making firm B2C2.

**Strategies for Cryptoasset Exposure**

<table>
<thead>
<tr>
<th>Institutional investors</th>
<th>Financial services</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Direct allocation</td>
<td>- Custodial offerings</td>
</tr>
<tr>
<td>- Investment products</td>
<td>- Payment integrations</td>
</tr>
<tr>
<td>- Publicly traded equities</td>
<td>- Securities underwriting</td>
</tr>
<tr>
<td>- Investing in Venture Capital</td>
<td>- Issuing investment</td>
</tr>
<tr>
<td>funds</td>
<td>products</td>
</tr>
</tbody>
</table>
Key adoption challenges

Developing a strategic vision: Outlining a roadmap designed to build progressive exposure to the cryptoasset industry.

Establishing internal controls: Designing business and IT processes and controls to protect data and support secure operations.

Securing cryptoassets: Establishing an internal or external solution to safeguard an institution’s or its clients’ cryptoassets.

Accounting and financial reporting: Applying industry standard practices for accounting and reporting of cryptoassets under IFRS, GAAP and ASPE.

Vendor assessment: Analyzing the competitive landscape for service providers, strategic partnerships and acquisition targets.

Developed globally. Delivered locally.

KPMG’s national cryptoasset practice is positioned to support institutional investors and financial services firms in developing their strategy for adopting cryptoassets. Our deep experience spans the spectrum of considerations throughout your journey:

How we can help

KPMG’s national cryptoasset practice is positioned to support institutional investors and financial services firms in developing their strategy for adopting cryptoassets. Our deep experience spans the spectrum of considerations throughout your journey:

Developed globally. Delivered locally.

We have developed a suite of solutions, frameworks, alliances and proven credentials to support clients in their cryptoasset and blockchain initiatives. Our global network of member firms is comprised of over 120+ partners and professions from over 30 different countries. KPMG’s cryptoasset capabilities provide an integrated offering across our tax, audit and advisory services.

Globally, we have supported clients with an extensive range of cryptoasset engagements – educational workshops, vendor assessments, treasury allocation guidance, readiness assessments, technical control gap remediation, compliance testing, SOC attestations, custody service offerings and financial audits.

Citations

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Note: All data included as of June 15, 2021 and all prices are reported in Canadian Dollars.

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