

Looking beyond cryptocurrency, what kind of digital assets are your clients looking to invest in? What's the scope of that term these days?

Michael Demissie: We take an expansive view of digital assets. We see cryptocurrency as the opening act of a much larger trend of asset digitisation including cash, securities, or other financial assets. Cryptocurrencies happen to be the tip of the spear.

Not surprisingly, most of the interest and client demand today is for crypto. And, as clients are getting into the space, we will be by their side, providing the core services for which they've come to rely on us, from fund services to custody, to execution, cash services, and everything else required for digital assets. Crypto is the starting point. And as they navigate this new space, trust is important, and they trust us to have the necessary expertise, resources, discipline and rigour.

Are your existing customers looking for the service from you or is it new sets of institutional investors?

MD: It's both. Our existing clients are looking for an integrated experience between digital and traditional assets. We will be the bridge that brings these two worlds together and creates a seamless experience for them. And new clients are coming to us because of our core expertise and our commitment to the digital asset space. The short answer is we're seeing it from both angles.

How much of what is expected of your digital asset custody is new? How much could you adapt from your mainstream existing products?

MD: There are aspects that are absolutely based on, and really dependent on, our experience with traditional assets: understanding how to manage risk, understanding of compliance, regulatory expectations, and reporting requirements, to name a few.

That said, the asset itself brings nuances. The safekeeping of digital assets means safekeeping the private keys that are instrumental in moving these assets. In some ways, we are safeguarding code.

Where does the expertise come from for those new aspects of the service?

Bringing comfort to the unfamiliar

Michael Demissie, head of digital assets and advanced solutions, BNY Mellon, discusses the bank's growing role in supporting institutional clients looking to enter the digital asset arena.



Is there expertise you can draw on in-house? Do you acquire it? Do you partner? How do you go about getting that?

MD: We look at it in three parts. We tap into our existing talent with a deep and rich understanding of client requirements to start with. We then add new talent with special domain

expertise, whether that is in AI, blockchain, or digital assets. The third part of the puzzle is continuously seeking out innovators, potential collaborators, large and small, that complement our strengths. So, we have a dedicated Digital Partnerships team that scans the horizon and connects us to the right firms.



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Looking at all that innovation, do you see any of it feeding back into the traditional custody world?

MD: I'm glad you asked because we also ask ourselves this question. These new capabilities don't necessarily need to be confined just to the “new world”. How we look at cyber risk, all the automation opportunities and the smart contract

capabilities that are available with the blockchain technology can absolutely help us modernise our traditional services.

Tokenisation in particular would seem to have disruptive potential then?

MD: Exactly. Tokenisation is something that we're very excited about. If we

have digital representation of various forms of assets, those assets can benefit from being on a digital rail. What does that mean? It means mobility of the assets, fractionalisation of the assets and transparency of the records. You can imagine how this could impact private markets and illiquid and complex assets.

The second dimension to that is smart contracts, which would allow us to automate business rules with self-executing code. Smart contracts have the power to simplify processes, reduce costs and truly scale services. We believe that's going to be truly transformative. You can imagine, for instance, interest payments for a debt instrument and other routine activities being codified and fully automated with a smart contract. That has a massive potential within the traditional space.

I know Bitcoin and its price movements still get a lot of attention, but when you look at the fundamentals, in terms of the changes that are happening and the new models that are emerging, they could really reshape the future.

This new functionality that you've acquired and you're implementing comes alongside other technologies such as AI and machine learning, to take two examples. Is there a logical, coordinated way you can bring all of that together, or are these basically specific siloed projects for you?

MD: We're very much focused on the outcome, the outcome for the clients, employees and shareholders. We don't start out with the technology. We look at the specific outcomes that we want to accomplish and say, “All right, how do we achieve these, what's the right technique?” What's the best solution? We would weave in the machine learning/AI expertise, the blockchain technology, to really help us do that.

As I touched on earlier, we're fortunate to have attracted a highly talented and diverse set of practitioners, who are motivated in bringing meaningful change to the capital markets. But one thing I would stress is that for all these new capabilities that we're discussing, it's also important to have leadership that is really committed to driving innovation and taking bold actions to move us forward.