

Unlocking Australia's \$24b Digital Finance Opportunity

The Economic Impact Potential of Digital Finance Innovation in Australia Report

The global financial system has reached a pivotal juncture. We are witnessing a once-in-a-generation transformation where Digital Finance is moving beyond a peripheral innovation – it is becoming a foundational layer of the global financial system.

Against this backdrop, Australia stands at a critical inflection point. While our advanced payment infrastructure and mature financial markets provide a natural headstart to capitalise on Digital Finance applications reaching scale overseas, the window to capture a competitive advantage is narrowing to harness tokenisation to:

 Generate substantial economic and productivity gains	 Foster innovation	 Transform and strengthen our financial system	 Secure a competitive role in the rapidly evolving global digital finance ecosystem
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Digital Finance Innovation Enables

<p>Better Markets</p> <p>From more efficient trading, settlement and capital allocation.</p> <p> \$10 billion a year</p>	<p>Better Payments</p> <p>From faster, lower cost payments, particularly across borders.</p> <p> \$8 billion a year</p>	<p>Better Assets</p> <p>From enhanced asset functionality, collateral efficiency and automated compliance.</p> <p> \$6 billion a year</p>
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Australia is on Track to Capture Only a Fraction of the Potential Economic Gains

On its current trajectory, Digital Finance innovation is expected to unlock around \$1 billion per year of economic gains by 2030 - less than 5% of the estimated full potential.

Regulatory barriers and uncertainty and co-ordination challenges are the primary constraints identified by industry (consistent with findings from Australian policy forums and international evidence).

Opportunity to Accelerate Economic Gains by 2030

The report also shows a strong opportunity for Australia to bring forward a much larger share of the economic gains through:

- targeted, innovation-enabling policy and regulatory reforms
- combined with stronger collaboration across industry, regulators, and government.

The recommended path focuses on addressing the most material constraints to adoption and creating the enabling conditions for tokenised markets, payments, and assets to scale safely.

Australia's Digital Finance Innovation Economic Gain Potential

 **\$24 billion** per year (approx. 1% of GDP) + downstream economic effects likely to exceed this baseline

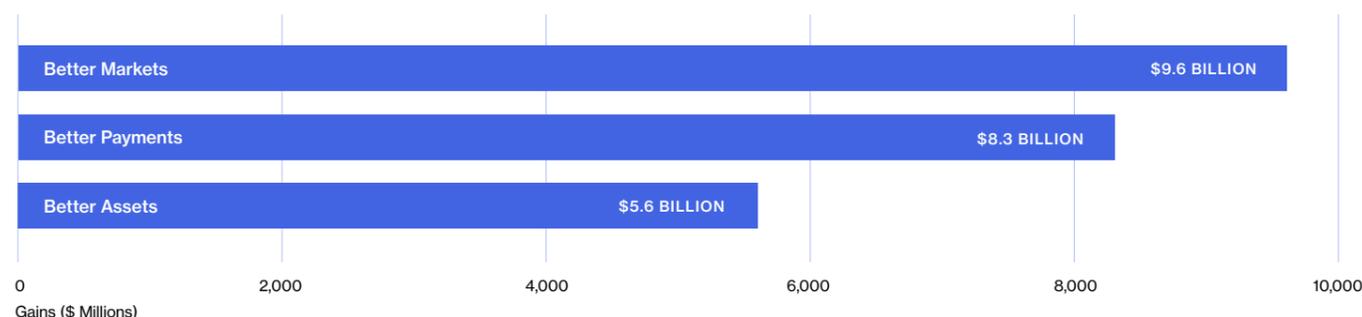
Global Digital Finance Innovation Economic Gain Potential

 **\$4 trillion+** per year

Asset Classes with the Highest Potential for Australian Economic Gain

Report shows greatest efficiency gains from tokenisation likely to come from improving the performance of high-turnover asset classes where even small reductions in frictions compound across enormous transaction volumes.

 Foreign exchange \$7.2 BILLION P.A.	 Debt and equity \$2.1 BILLION AND \$2.4 BILLION P.A.	These gains come from reduced transaction and settlement costs, improved capital and collateral efficiency, reduced operational and compliance costs, and new marketplaces that unlock previously unrealised gains from trade. Estimates show the potential of the full-scale tokenisation of financial and real-world assets in Australia.
 Investment funds \$2.2 BILLION P.A.	 Other real-world assets such as commodities and real estate \$0.5 BILLION AND \$1.5 BILLION P.A.	



Accelerating the Digital Finance Dividend: Where Policy Support can help Unlock Economic Value Sooner

Analysis identifies the following key policy priorities, based on Australian industry survey data and the most significant categories of economic gain.

Other policy priorities, including a digital asset taxonomy with clear and consistent definitions, regulatory guidance on FMI licensing, and the regulatory framework for stablecoins are also identified in the report.



Establish a dedicated Digital Financial Market Infrastructure (DFMI) sandbox to support transitions from pilot to production

The multi-regulatory agency sandbox could support the evolution of DFMI licensing, provide a stage-gated path to production for tokenised financial market use cases and build on Australia's strengths (including Project Acacia) and international best practice. It would formalise ongoing collaboration between regulators and industry participants in testing and scaling Digital Finance innovations.



Evolve the licensing framework for tokenised financial markets and DFMI

This would complete the fourth pillar of a modern Digital Finance regulatory architecture. Australia has made important progress on regulation and guidance for digital assets, tokenised money, and consumer protections, but evolving the financial markets and DFMI licensing pillar remains an important enabling step.



Deploy foundational infrastructure, including tokenised Government bonds and wholesale Central Bank Digital Currency in the DFMI sandbox

The data suggests these foundational components would enable the development of tokenised markets, collateralised lending and related services. They can help coordinate sequencing across industry participants, reducing fragmentation and accelerating the transition to a digital financial system.

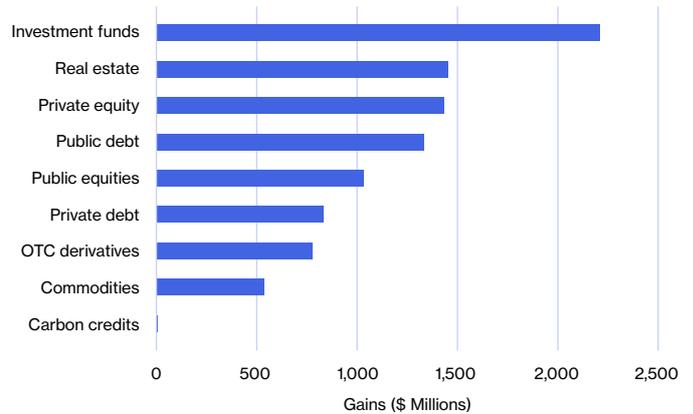
Better Markets, Better Payments, Better Assets



Better Markets

\$10 BILLION ANNUALLY

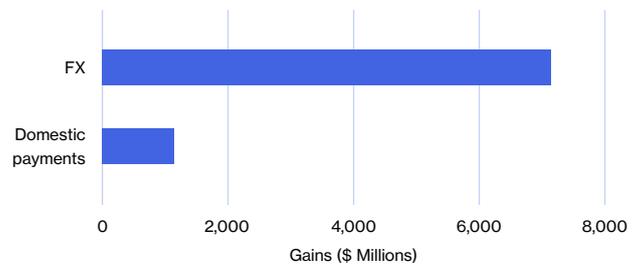
Better markets improve the way assets trade. Atomic settlement and improved post-trade processes can reduce settlement risk and operational costs and unlock trapped collateral. Digital asset markets can broaden investor access and mobilise liquidity to illiquid assets through efficient Digital Financial Market Infrastructure (DFMI). Automated market makers, which match buy and sell orders on-chain, can also increase liquidity and narrow the bid-ask spreads in several asset classes.



Better Payments

\$8 BILLION ANNUALLY

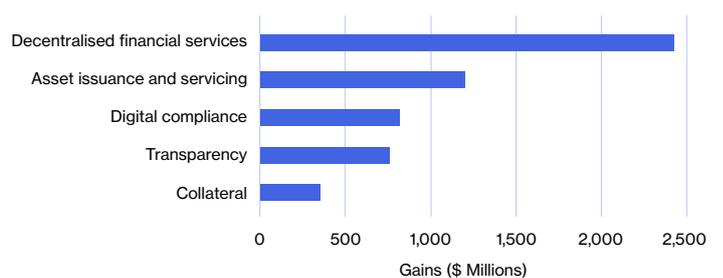
Better payments improve the way we pay for goods and services. Tokenised money in the form of wholesale CBDCs, stablecoins and deposit tokens can streamline cross-border and domestic transactions and enable new programmable payment functionality. Potential gains are larger in cross-border payments, where tokenised money transfers can reduce reliance on correspondent banks, decrease FX spreads, free up nostro balances, and reduce back-office expenses. Domestically, regulated stablecoins could benefit small merchants that currently pay the highest card scheme fees.



Better Assets

\$6 BILLION ANNUALLY

Better assets have enhanced functionality. Tokenisation can increase the transparency, usability, flexibility, and divisibility of assets and enable automation of many processes such as servicing, issuance, and compliance. Assets with lower levels of transparency, such as corporate bonds and private equity, could also benefit from enhanced transparency, potentially attracting cheaper financing and lower trading costs. Assets locked up as collateral could be better utilised, improving liquidity and balance sheet efficiency.



Notes – Digital Finance Innovation

In this report, 'Digital Finance innovation' refers to the application of technologies and practices that transform how assets trade and financial services are delivered. Central to this is tokenisation, which stores digital representations of assets called tokens on decentralised ledgers, enabling efficient and accurate recording of ownership and transfer.

Estimation Approach

- Approach uses an economic framework that measures the gains that arise between counterparties in the exchange of value.
- Report systematically analyses Australian markets, assets, and payments, drawing data from many primary sources, academic studies, and industry analysis.
- Estimates include cost savings e.g. transaction costs, capital tied up in margin or settlement processes, streamlining of financial compliance and asset servicing, risk reductions through atomic settlement, and gains from increased trade of illiquid assets.

Read More

To read the full report, see the DFCRC website: dfcrc.com.au/resources

About this Report

This report was independently authored by the Digital Finance Cooperative Research Centre (DFCRC), in collaboration with the Digital Economy Council of Australia (DECA). The research was made possible through the financial support of OKX.



About the Digital Finance Cooperative Research Centre

As a participant in the Australian Government's Cooperative Research Centres Program, DFCRC's mission is to unlock the significant economic potential of digital finance innovation for Australia by bringing together industry, government and research.