



Blockchain Digital Assets: Fad, Disruption or Strategic Driver?

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Diligent Institute seeks to help corporate leaders be more effective by providing cutting-edge insights on corporate governance, by amplifying the voices of diverse corporate leaders, and by broadly sharing all that we are learning about modern governance practices. Founded in 2018, Diligent Institute serves as the global corporate governance research arm and think tank of Diligent Corporation, the largest SaaS software company in the Governance, Risk and Compliance (GRC) space. We produce original research both on our own and in collaboration with partners, including institutions of higher education and thought leaders in the corporate governance space. We produce over a dozen reports each year, ranging from our monthly [Director Confidence Index](#), which measures how corporate directors are feeling about the economy, to in-depth reviews of issues such as ESG (environment, social, governance) practices, to our AI-powered [Corporate Sentiment Tracker](#) that analyzes data from thousands of public sources to discern what's on the minds of corporate leaders. Diligent Institute is funded solely by Diligent Corporation.

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About Silicon Valley Directors' Exchange (SVDX)

Silicon Valley Directors' Exchange (SVDX) is a non-profit organization established to develop and deliver insightful and actionable director education, encourage and facilitate conversations among directors on important and current issues, and provide “director only” opportunities for dynamic interaction and connections between board members living in the San Francisco Bay Area. SVDX works in cooperation with universities, corporate governance centers, and other organizations to better serve both public and private boards. Events and programs include both in-person and virtual sessions that tackle hot topics and current issues facing boards with a hands-on and practical approach informed by director experience. These and similar sessions are infused with data-driven research provided by our many affiliated academic faculty and business partners.

Learn more at www.svdx.org.



The Rise of Blockchain Digital Assets

The market for blockchain digital assets (BCDAs) like cryptocurrencies, non-fungible tokens (NFTs) and more began in 2009 with the creation of Bitcoin, the first publicly used method of trade that encompassed decentralized control, user privacy, blockchain-based record keeping and built-in scarcity. In 2012, WordPress then became the first large retailer to accept Bitcoin in payment, followed shortly thereafter by Expedia, Microsoft and Tesla, among others.¹

In the last few years in particular, BCDAs have leapt into the spotlight. Entire countries, such as El Salvador and the Central African Republic, have approved crypto as legal currency.² Big names in the business world have cited their fondness for crypto, with the most notable example perhaps being Elon Musk, who purchased US \$1.5 billion in Bitcoin in 2021.³ Meanwhile, there is a growing movement around the world for employees to be able to invest in cryptocurrencies as part of their 401(k) plans, opening companies up to a litany of risks.⁴

Methodology

In an effort to learn more about how directors were thinking about BCDAs and incorporating them into company strategy, we surveyed 232 corporate leaders from May 3 to May 19, 2022, spanning both public and private companies across a variety of industry groups. In this report, we analyze the responses we received from 187 corporate directors. About 60% of our director respondents represent public companies, with the

As BCDAs become more mainstream, both to business and to society as a whole, the Diligent Institute and the Silicon Valley Directors' Exchange were interested in better understanding how directors were thinking about them as they pertain to their roles and responsibilities in the boardroom. We surveyed 187 public and private company directors globally to learn more about how well directors understand BCDAs and whether or not directors believe they will be important to strategy now and in the future.

Our survey shed light on the following questions:

- How well do directors understand developing trends around BCDAs?
- Where, if anywhere, do directors get their information on BCDAs?
- How important do directors believe BCDAs will be to company strategy, now and in the future?
- What do directors think the future holds for BCDAs in terms of regulation? Will regulators continue to restrict their usage?

remaining 40% representing private companies. About 60% of our respondents represent companies based in the United States, with 40% representing companies located in other regions around the world. The survey was promoted globally to Diligent and SVDX contacts. A full demographic breakdown can be found in the Appendix.

1. [A timeline of the history of cryptocurrency](#), TechGuide.com, August 31, 2021

2. [Central African Republic just approved Bitcoin as an official currency. El Salvador's experience shows it may be a bumpy ride](#), Chloe Taylor, FORTUNE, April 28, 2022

3. [Bitcoin's 50% crash erases all of Elon Musk's gains on Tesla balance sheet](#), Shawn Tully, FORTUNE, May 11, 2022

4. [Bitcoin Is Coming to Your 401\(k\). But Your Employer Probably Won't Let You Invest in It](#), Andrew R. Chow, Time, May 4, 2022

Key Findings



Directors rated their boards' understanding of BCDAs at only a 4 on our 10-point scale.



Only 27% of directors believe that perceived regulatory reticence toward BCDAs will damage global competitiveness in their region.



56% of directors get information on BCDAs from their own independent research, with 54% getting information from third-party experts or consultants.



74% of directors believe that the Securities and Exchange Commission (SEC) and similar regulatory bodies will continue to materially tighten regulation of cryptocurrency in the next 1–2 years.



40% of directors agree or strongly agree that the ability to understand and strategically incorporate BCDAs will be important to their company's global competitiveness in the future.

Director Understanding of BCDAs

As a niche, complex and ever-changing area of digital innovation, we wanted to learn more about whether directors felt they understood BCDAs and where they were getting their information from.

Do Directors Think Their Boards Understand BCDAs?

When asked to rate their board's level of understanding of BCDAs, directors rate their boards at a 4 out of 10, where "1" indicates that the board does not understand these at all and "10" means that they understand them completely. A mere six directors rate their board's understanding at a 10 out of 10.

Directors Rate Their Boards' Level of Understanding of BCDAs at a 4 Out of 10



For comparison, the Diligent Institute asked a similar question in a May 2022 report, [Sustainability in the Spotlight: Board ESG Oversight and Strategy](#), conducted in partnership with [Spencer Stuart](#). On that survey, directors rate their boards' ESG competency and fluency at a 7 on our 10-point scale.

In the comments section, directors expand on this lack of understanding. One public company director based in the United States who prefers to remain anonymous notes that BCDAs are, "Not well understood. The benefits are not clear. We will likely not use them in the foreseeable future." This director rates their board's understanding of BCDAs at a 2.

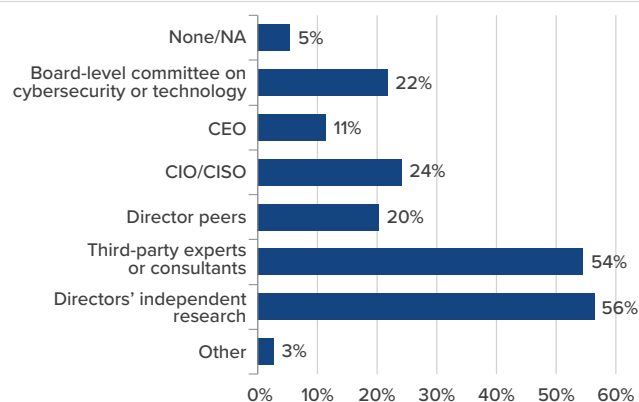
"The survey results point to an awareness on the part of directors that there is yet a lot to learn and understand about blockchain digital asset implications. That is the good news. More challenging is the need for a clearer consistent source of helpful information (strategic and practical) for directors on this topic moving forward."

Daniel Siciliano, Chairman of SVDX

Where Do Directors Get Information on BCDAs?

According to the survey results, most directors (56%) are getting their information on BCDAs from their own independent research. Third-party experts or consultants came in a close second at 54%.

Information Sources for Directors: BCDAs



Note: Respondents were asked to select all that apply.

Comparatively, far fewer directors seem to be getting their information on BCDAs from sources within their organizations. About a quarter (24%) of directors receive information from their CIOs or CISOs on this topic, and even fewer receive information from a board-level committee focused on technology or cybersecurity (22%), from their director peers (20%) or from their CEOs (11%).

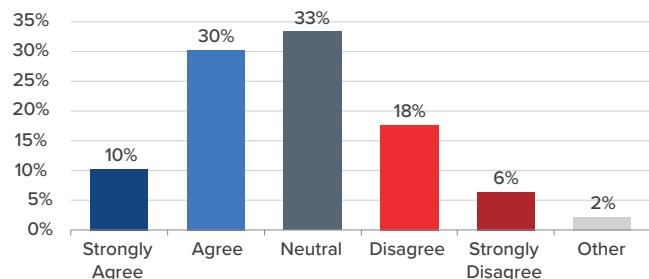
BCDAs as a Driver of Corporate Strategy

Beyond understanding the pros and cons of BCDAs, we also wanted to see whether directors were incorporating them as part of their organization's overarching digital strategy or business strategy.

Do Directors Believe BCDAs Are Relevant to Strategy?

In the survey, respondents were asked to rate their level of agreement with the following statement: "The ability to understand and strategically incorporate benefits related to BCDAs will be important to my company's global competitiveness in the future."

Director Level of Agreement: The ability to understand and strategically incorporate benefits related to BCDAs will be important to my company's global competitiveness in the future.



Note: Totals may not sum to 100% due to rounding.

Most directors neither agree nor disagree, with the most popular option being "Neutral," at 33%. However, nearly another third (30%) agree, with 10% strongly agreeing. Meanwhile, 18% disagree, with another 6% strongly disagreeing with the idea that BCDAs will be important for strategic success in the future.

Some directors provide context in the comments section: "Ignore at your own peril," writes Mukeeta Jhaveri, a non-executive director based in India.

Fergus Murphy, a non-executive director based in the U.K., agrees, writing, "[I] think they are here to stay and must be incorporated/accommodated into core strategy."

On the other hand, many also point out the risks involved in incorporating BCDAs into business strategy: "The recurring theft of digital assets makes [my organization] reluctant to embrace them at this point," notes Kevin Howell, a private company committee chairman based in the U.S.

A private company board chair based in the U.K. who prefers to remain anonymous adds, "Unless the security improves dramatically, these assets will continue to be very risky."

"Blockchain-based digital assets have risen on the radars of boards over the last few years, as digital currencies are adopted into mainstream B2B payment flows and central banks across the world. These results tell us that despite the turbulence of the industry, 40% of boards believe understanding digital assets like crypto, including its risks and benefits, will be important to their organization's competitiveness in the future."

Dottie Schindlinger, Executive Director of the Diligent Institute

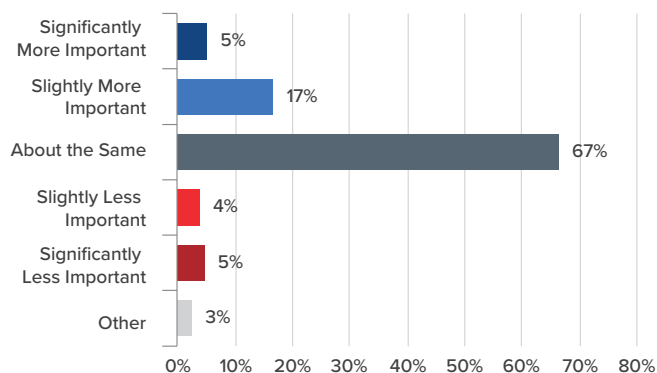
Has the Strategic Importance of BCDAs Changed in 2022?

Since the beginning of the year, the way we think about cybersecurity, in particular digital assets, has been impacted by increasingly unstable geopolitical environments, including Russia's invasion of Ukraine. We asked directors whether the importance of BCDAs to their organizations' strategy has changed from the beginning of 2022 to now.

Notably, the vast majority of directors (67%) indicate that BCDAs are about as important to company strategy as they were at the beginning of 2022. Another 22% answer that BCDAs are slightly or significantly more important to strategy now compared with the beginning of the year. Less than half that number, 9%, state that BCDAs are slightly or significantly less important.

One private company respondent located in the U.S. who wishes to remain anonymous states simply, "We thought they would have had a greater impact by now but [they] have not."

Compared to the beginning of 2022, have BCDAs become more or less important to company strategy?



Note: Totals may not sum to 100% due to rounding.

BCDA Regulation and Global Competitiveness

In an increasingly globalized society where different jurisdictions have taken varied approaches to regulating cryptocurrency and other BCDAs, what do directors believe is next from the regulatory side?

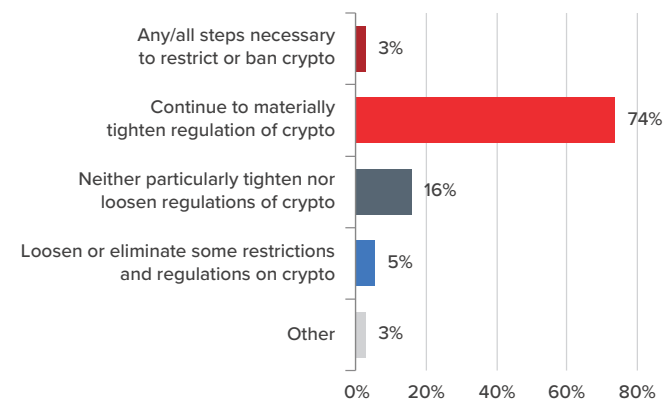
Future Regulatory Action on BCDAs

We asked respondents to indicate what regulatory action they believe would be taken with regard to BCDAs in the next 1–2 years. Respondents were asked to answer based on the regulatory bodies in their company headquarters' geographic location.

Nearly three-quarters (74%) of directors believe that regulatory bodies will continue to materially tighten regulation of cryptocurrency and other BCDAs over the next two years, the most commonly chosen option by a large margin. Meanwhile, only 5% of respondents believe that restrictions and regulations will become looser in the same time period.

A public company director in the U.S. who prefers to remain anonymous notes that, "The biggest threat to the adoption of cryptocurrency is the usage by bad actors. Regulations [are] critical to bring cryptocurrency to the same level of trust as existing currency system[s]."

Director Beliefs: Future Regulatory Action on BCDAs

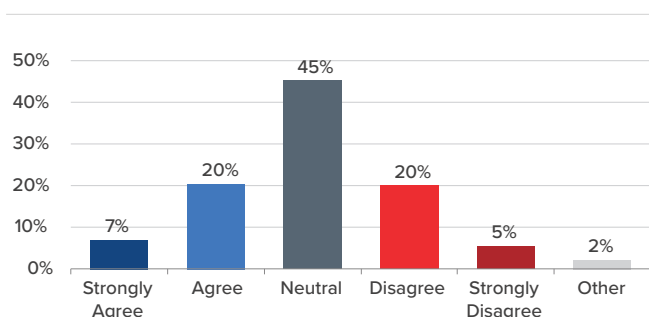


Note: Totals may not sum to 100% due to rounding.

BCDAs and Global Competitiveness

As regulatory bodies begin acting around BCDAs, do directors believe this will harm global competitiveness? We asked directors to rate their level of agreement with the following statement: “Regulatory reticence (or, in some cases, perceived hostility) toward BCDAs and cryptocurrency is likely to damage global competitiveness.” Directors were asked to answer based on the region in which their company is headquartered.

Director Level of Agreement: Regulatory reticence toward BCDAs and cryptocurrency is likely to damage global competitiveness.



Note: Totals may not sum to 100% due to rounding.

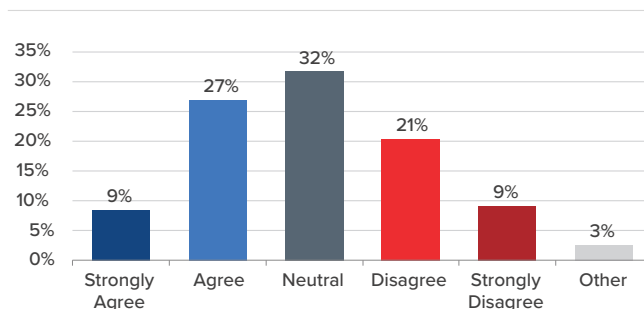
The plurality of directors (45%) feels neutrally. Meanwhile, equal percentages of respondents agree and disagree, at 20% apiece.

Alison Davis, a public company chair based in the U.S., provides more context on her view: “Fully blockchain-enabled digital assets and digital payments are a critical component of the next generation of our digital economy and will reap major improvements in many areas where our current outdated, insecure and inefficient infrastructure is no longer fit-for-purpose. This will affect every industry and society. If the US does not lean in faster on this topic, we will lose significant competitive advantage, value and societal impact benefits relative to other countries. Many legacy industry companies have a lot to gain or lose by understanding how their business model is impacted by a blockchain enabled Web3 economy and most boards, regulators, politicians, and corporate leaders have a long way to go to get up to speed.”

Do Directors Believe Cryptocurrency Should Be Afforded More Protections?

We asked our respondents whether they believe that validated or audited stablecoins tied to traditional currency (USD, for example) should be afforded the same consumer protections, such as Federal Deposit Insurance Corporation (FDIC) deposit insurance.

Director Level of Agreement: Validated stablecoins tied to “real” currency should be afforded the same consumer protections, such as FDIC deposit insurance.



Note: Totals may not sum to 100% due to rounding.

Again, the plurality of directors is neutral in this regard, at 32%. Another 27% agree that validated stablecoins tied to traditional currency should enjoy the same consumer protections, with 21% disagreeing.

Regional Spotlight: U.S. vs. Non-U.S. Directors

In our analysis, we note several key differences between respondents representing companies based in the United States versus those representing companies based elsewhere in the world. In the following section, we explore these differences.

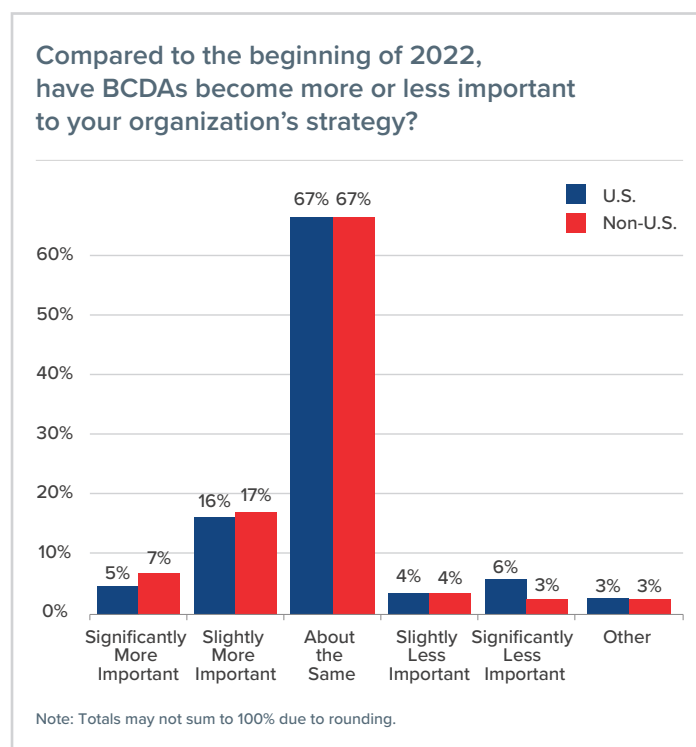
Non-U.S. Directors: More Likely to Incorporate BCDAs into Strategy

According to our sample, non-U.S. directors are more likely to agree or strongly agree with the following statement: “The ability to understand and strategically incorporate benefits related to BCDA will be important to my company’s global competitiveness in the future.” While only 6% of U.S. company directors strongly agree with this statement, 16% of non-U.S. company directors do.



Strategic Importance of BCDAs Has Increased for Non-U.S. Directors in 2022

Non-U.S. company directors are also slightly more likely to indicate that the strategic importance of BCDAs has increased for their organization compared to the beginning of 2022. While 24% of non-U.S. company directors answer that the importance of BCDAs to their strategy had increased either slightly or significantly this year, this number is only 21% for U.S. directors.



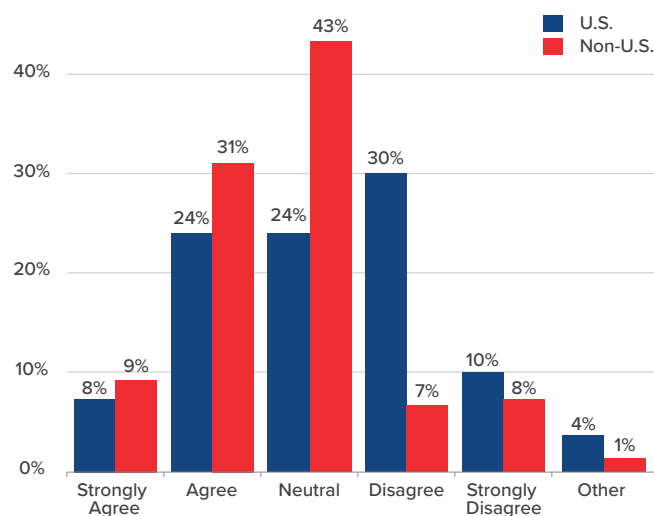
For both U.S. and non-U.S. company directors, about two-thirds of respondents (67%) indicate that the importance of BCDAs to company strategy had not changed at all this year.

Non-U.S. Company Directors in Favor of More Protections for Crypto

Compared with directors representing companies based in the U.S., directors representing companies based elsewhere in the world are more likely to be in favor of granting validated stablecoins the same consumer protections as traditional currency.

While 40% of non-U.S. company directors either agree or strongly agree with this sentiment, only 31% of U.S. company directors express support for the idea.

Director Level of Agreement: Validated (audited) stablecoins tied to “real” currency (USD, for example) should be afforded the same consumer protections, such as FDIC deposit insurance.



Note: Totals may not sum to 100% due to rounding.

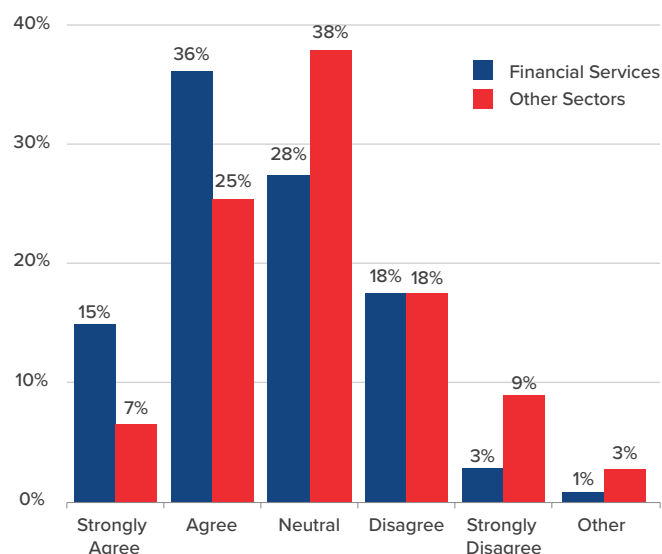
Industry Spotlight: Financial Services

Directors representing companies in the financial services sector made up the majority of our respondents. We compare their responses with those of directors from other sectors and notice several key differences.

Financial Services Directors More Likely to Incorporate BCDAs into Strategy

Compared with directors representing companies from other sectors, our respondents from the financial services sector are more likely to agree with the following statement: “The ability to understand and strategically incorporate benefits related to BCDAs will be important to my company’s global competitiveness in the future.”

Director Level of Agreement: The ability to understand and strategically incorporate benefits related to BCDAs will be important to my company’s global competitiveness in the future.



Note: Totals may not sum to 100% due to rounding.

Over half of the respondents in financial services (51%) either agree or strongly agree with this statement, compared with only 32% of directors in other sectors. This difference might be a result of the fact that BCDAs are more directly relevant to the everyday operation of companies in the financial services sector compared with other industry groups.

Interestingly, directors in financial services and in other sectors rate their boards the same when it comes to understanding BCDAs, at a 4 on our 10-point scale.

Strategic Importance of BCDAs Has Increased for Financial Services

Financial services directors are also more likely to say that BCDAs have become more important strategically for their organizations in the last six months.

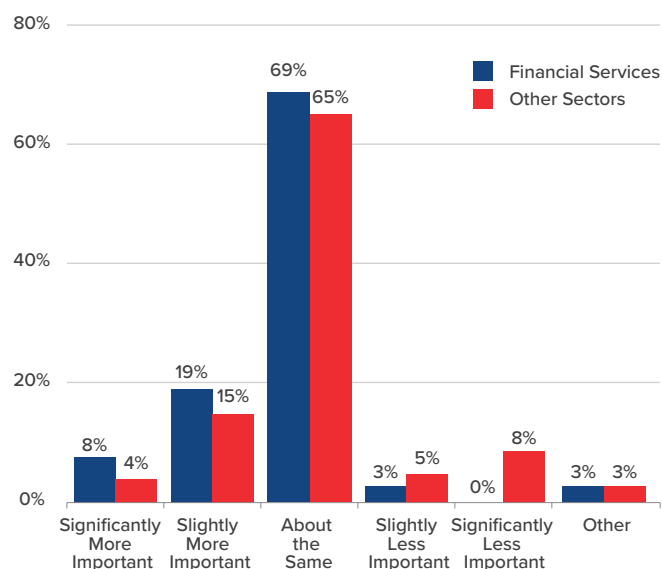
While 19% of directors from other sectors answer that BCDAs have become more important to company strategy since the beginning of 2022, this number is 27% for directors in financial services. Meanwhile, 8% of directors in other sectors actually indicate that BCDAs have grown significantly less important to company strategy since the beginning of the year, compared with no financial services director selecting this option.

Financial Services Directors Gain Information on BCDAs from More Sources

Financial services directors are also tapping a wider variety of sources for information on BCDAs compared with their counterparts in other sectors. While financial services directors are slightly less likely than their counterparts in other sectors to conduct their own research or consult director peers (at 55% to 57% and 19% to 21%, respectively), they turn to all other options listed at higher rates.

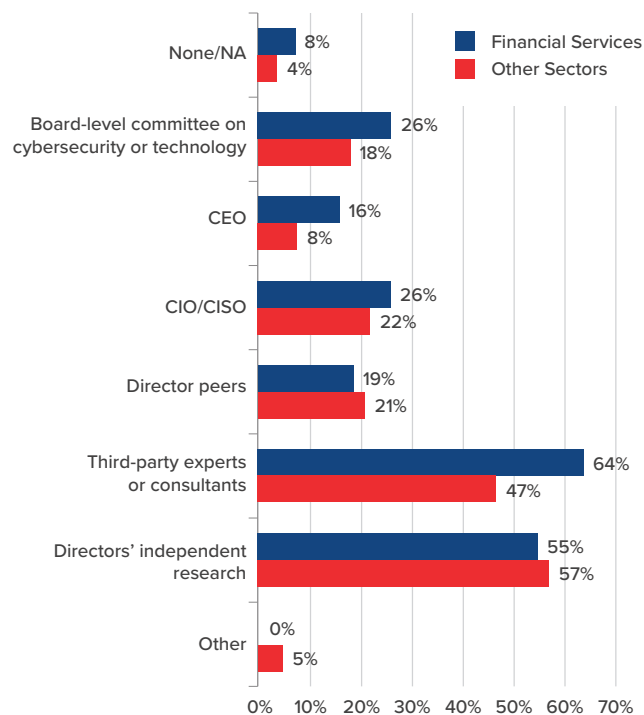
Financial services directors are more likely to get information from third-party experts, at 64% compared to 47% for directors representing other sectors. Over a quarter of financial services directors (26%) get information on BCDAs from their CIO/CISO compared with 22% for non-financial services directors. Meanwhile, the percentage of directors in financial services who get information on the topic from their CEO is double that of their peers in other industries, at 16% compared to 8%. It is also more common for financial services directors to get information and updates on BCDAs from a board-level committee focused on cybersecurity or technology, at 26% compared to their counterparts in other industries at 18%.

Compared to the beginning of 2022, have BCDAs become more or less important to your organization's strategy?



Note: Totals may not sum to 100% due to rounding.

Information Sources for Directors: BCDAs



Note: Respondents were asked to select all that apply.

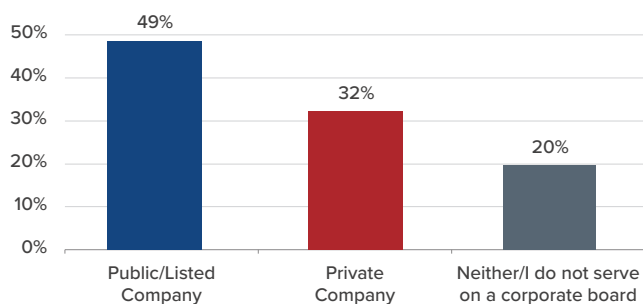
Areas for Further Investigation:

- As BCDAs become more popular, how will board oversight of these assets evolve? Will technology and/or cybersecurity committees become more common as a result?
- Given the proposed SEC rule changes around board oversight of cybersecurity, will we see more in-depth and formalized oversight processes around BCDAs? Will more directors engage in education around these and other cybersecurity and digital transformation topics?
- Will BCDAs such as cryptocurrency become more common investment options for employee 401(k)s? What will be the litigation risks, and how will boards prepare?
- How will the rise of BCDAs impact boardroom composition? Will more former CISOs, CIOs or other technology professionals enter the boardroom at higher rates as a result?
- How will BCDA risk management change as the market continues to fluctuate in an unstable geopolitical environment? Will managing risks related to BCDAs become more integral to overall integrated risk management (IRM) processes?

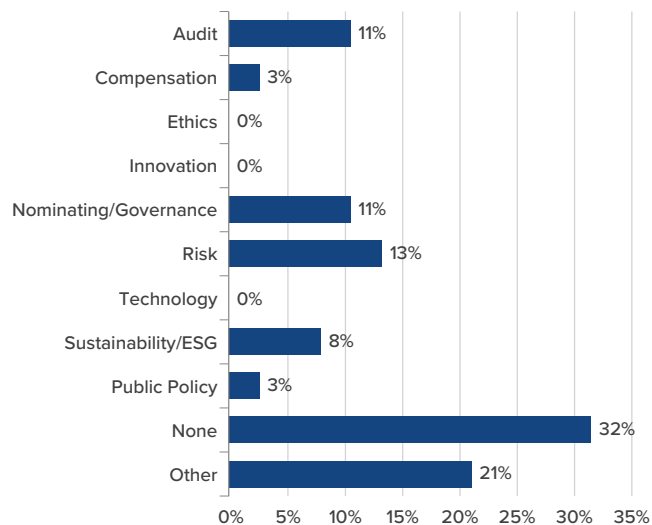
Appendix

The following charts may not add to 100% due to rounding.

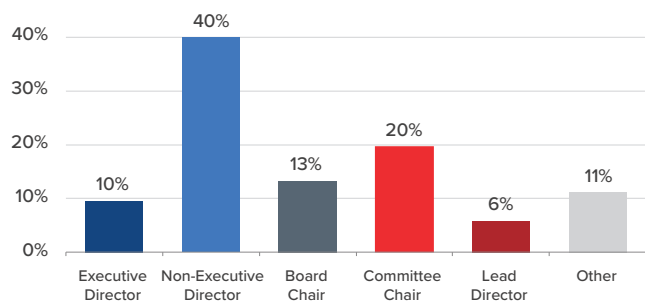
Board Type: Public vs. Private



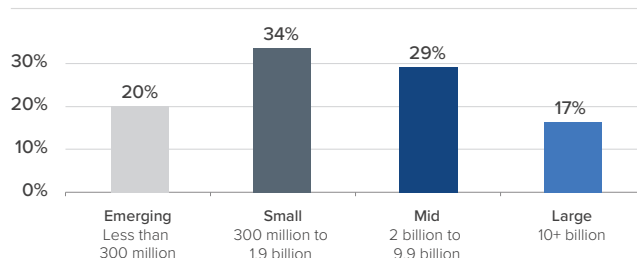
Committee Representation



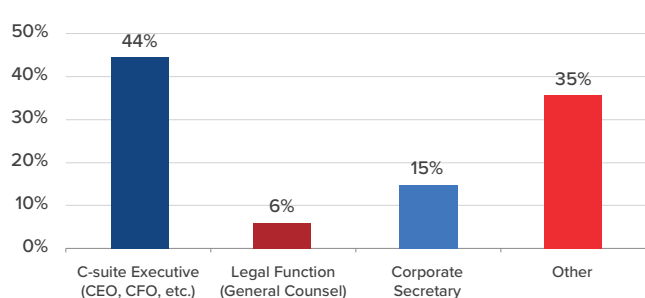
Board Role



Market Capitalization Distribution (USD)

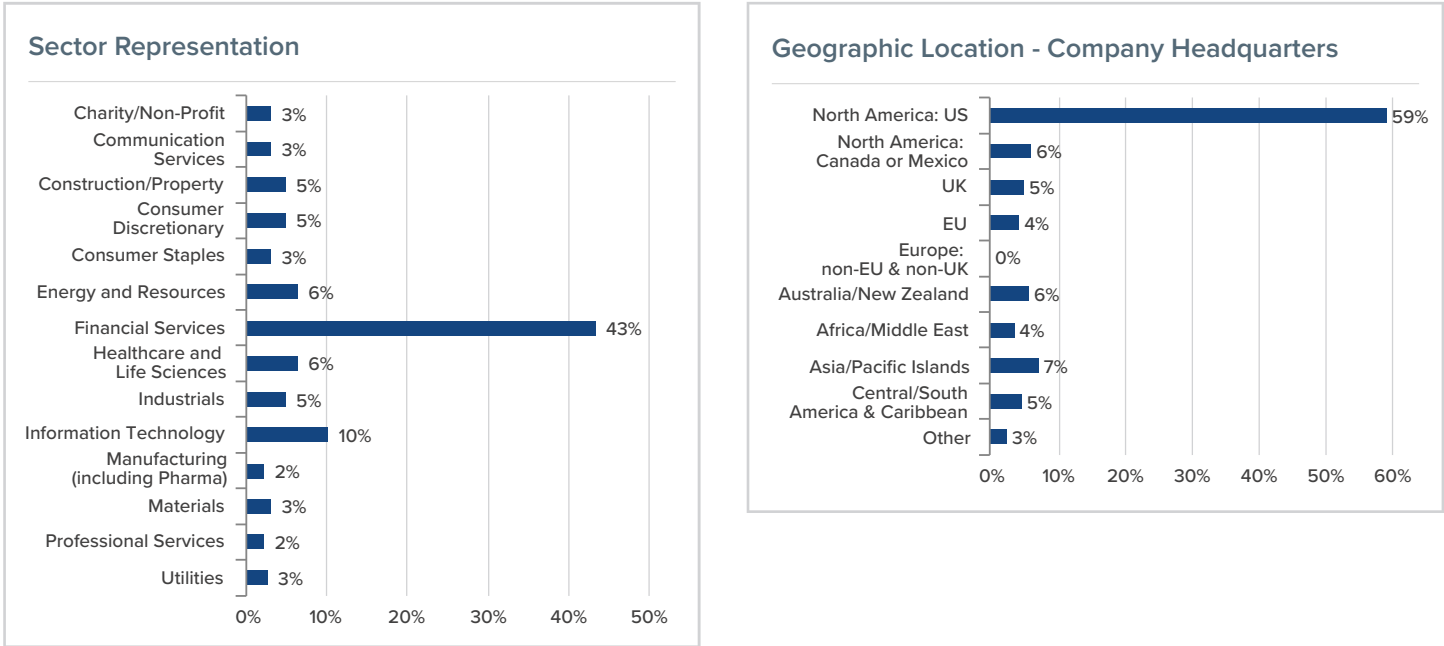


Board Role Breakdown: "Other" Category



Appendix

The following charts may not add to 100% due to rounding.



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