



Franklin Templeton Digital Assets: 2025 Crypto Outlook

December 2024

- In 2025, the crypto landscape will likely see pivotal advancements shaped by regulatory clarity, institutional adoption, and technological evolution.
- We believe this will be led by U.S. regulators such as the SEC, enabling more diversified financial or investment products associated with crypto such as ETFs or tokenized security products.
- Favorable regulation will allow the U.S. to reestablish itself as a global hub for crypto innovation.
- We will see major TradFi players and crypto infrastructure begin to intersect. A stablecoin regulatory framework in the U.S. is anticipated and will open doors for major financial institutions to issue their own stablecoins.
- Tokenized products and stablecoin adoption will continue to expand and be major drivers of decentralized finance (DeFi) growth globally.
- Bitcoin will solidify its position as a global financial asset acting as a digital store of value, accelerated by sovereign and institutional adoption. We expect to see strategic BTC reserves added by several nations.
- Decentralized physical infrastructure networks (DePIN) will see heightened demand as industries prioritize decentralized and efficient solutions for real-world applications like logistics and Internet of Things (IoT).
- We will see the convergence of AI and crypto accelerate, with blockchains providing transparency and verification, pivotal for expanding the AI-driven economy.
- AI Agents will utilize blockchain rails to automate on-chain transactions and portfolio management, as well as merging digital content and social media with on-chain activities.
- Overall, 2025 will mark a shift from speculation to utility, as crypto's foundational technologies become integral to global financial and operational systems. Stakeholders should watch regulatory developments, institutional moves, and advancements in AI-crypto convergence to navigate this dynamic landscape.

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All investments involve risk, including the loss of principal.

Digital assets are subject to risks relating to immature and rapidly developing technology, security vulnerabilities of this technology, (such as theft, loss, or destruction of cryptographic keys), conflicting intellectual property claims, credit risk of digital asset exchanges, regulatory uncertainty, high volatility in their value/price, unclear acceptance by users and global marketplaces, and manipulation or fraud. Portfolio managers, service providers to the portfolios and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the portfolio and their investors, despite the efforts of the portfolio managers and service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the portfolios and their investors.

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