

ADDX CEO Reiterates her Conviction around the Rising Supply of & Demand for Tokenised Investments

Hubbis last met with Oi-Yee Choo, CEO of ADDX, in mid-2022 to drill down into the ADDX proposition for the rapidly emerging tokenisation and digital assets universe. Although ADDX is not involved in cryptocurrencies – it is a platform that tokenises mainstream private financial assets - the tumultuous events of 2022 as cryptocurrency prices crashed and the cryptos trading platform FTX (and others) collapsed, meant that it was timely to catch up with Choo again to hear her latest perspectives. She articulated the concerns the broader digital assets industry has over those recent dismal events, but also outlined why ADDX and its offerings are entirely differentiated. She said the one clear message from the cryptos and FTX crashes is the urgent need for more and better universal-type regulation of all types of digital assets. She explained that in the weeks since the demise of FTX, it had been becoming somewhat clearer as to where the technological flaws lie, where there are regulatory advances needed, and why and how governance must improve. She also reported that in 2023 thus far, there had been a resurgence of interest and confidence in tokenised assets such as ADDX curates and promotes, and expressed her continued conviction around the encouraging future for the tokenisation of mainstream financial securities and other assets.

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Oi-Yee Choo
ADDX

Choo opens the discussion by acknowledging the very difficult 2022, when crypto prices slumped and when major corporate debacles such as FTX shocked the markets. On the other hand, she notes that the final Basel guidelines speak to the definition of non-crypto digital assets such as tokens representing mainstream securities, and how they should be treated as to risk weightings on the banks' balance sheets.

"What is clear," she reports, "is that they must be treated like a traditional security; a digital or tokenised share or bond should be weighted in the same way as the real thing. Actually, this has been a positive for a lot of our financial institution partners."

Getting it right

She expands on this issue of regulation and oversight, noting that the Singapore regulators have been very clear about cryptocurrencies, tokenisation and the blockchain and their relationship with the financial markets and institutions. "The MAS oversees us just as they would a traditional securities

marketplace, with audits, with reviews of customer segregation, of governance and protocols, of risk management frameworks and controls and so forth," she reports.

She indicates that is a perfectly reasonable approach, as ADDX is not dealing in cryptos, but in traditional securities, but via tokenisation and using the blockchain.

Lifting the veil

And she says other regulators, for example in Hong Kong, are also coming out to clarify that tokenised securities are very different from cryptocurrencies, noting that Japan has always been clear that they are clearly segregated, so too Luxembourg and other jurisdictions. "With further education all round and the support of these regulatory advances, we are more than encouraged that we are on the right path," Choo states.

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The ADDX platform employs blockchain and smart contract technology to tokenise and fractionalise multiple types of assets, such as private equity, wholesale bonds and unicorn funds, and the protocol facilitates both transparency and instantaneous trading for liquidity.

Forging ahead

And ADDX has enjoyed considerable progress in recent years (see 'ADDX – A

Brief History' below). Choo reports, for example, that engagement around the ADDX Advantage enterprise solution is encouraging, and so too the private credit module they had launched in 2022 with the leading regional brokerage house CGS-CIMB Singapore, which came onto the ADDX platform to raise funds through a commercial paper series, which rapidly became very popular with ADDX accredited investors, especially in Singapore, thereby achieving a new array of investors for the issuer.

Diversification all round

"These types of issuers are not looking to do large public bond issues but to diversify their funding at modest scale, and to do so fast, cheaper, and with less complexity," Choo reports. "We see a lot of opportunity for investments like private credit, or commercial paper, which are

short term in nature with a yield pickup over standard offerings," she reports. "In total, we have more than 60 tokenised offerings on our ADDX platform today, and we have sold tokens worth over US\$500m from inception."

Moreover, she adds that CGS-CIMB sales teams can log into the ADDX site, and see all the offerings there, opening the doors to new products they might want to offer to their clients. "It is a two-way relationship that

has developed really well and is a model for other partnerships ahead," Choo explains.

Open to ideas

She says this type of arrangement is potentially available to any securities house, private bank, or EAM, or even IFA, some of which might like CGC-CIMB also seek to raise funds, as well as distribute tokenised investments of third parties on the ADDX platform.

Right now, she reports they have at least five commercial paper issuers, in US and Singapore dollars, such as CGS-CIMB, ValueMax, MoneyMax or GSH Corporation. They have bond issues listed, which investors can trade on the secondary market, they have a whole set of closed ended funds such as the KKR Next Gen Tech fund, an Investcorp-led industrial real estate fund, Mapletree's Europe MERIT Fund, as well as some less liquid PE and hedge funds.

Tracking the course

All this leads her back to reiterate her confidence on the path ADDX has taken. "I do see the traditional world of finance and investments starting to think more about their roles and pivoting towards digital, whether blockchain or otherwise," she reports. "We have seen the supply and demand sides and all those in between, the custodians, depositories, transfer agents, and others, contemplating their position regarding this trend to digitisation. More broadly, the concept of connectivity is going to change dramatically within the financial services ecosystem."

Digital disintermediation

Choo says that there will be digital disintermediation to

Key Priorities

Looking ahead, Choo explains that in 2023 she would like to see ADDX build out a very strong proposition in Thailand, and potentially also in Japan, Hong Kong and China. "The investors are there, and we need the operations and infrastructure to tap into them," she reports, adding that there would be a lot of synergy in terms of product origination.

She adds that a second core objective is to enhance the ecosystem by creating the connectivity into traditional financial services providers in a highly efficient manner. "We are thinking partnerships with mainstream banks and firms, within this region and perhaps globally," she explains. "It has worked well with CGS-CIMB and there is great potential to access new client bases through those partnerships."

"As more digital alternatives arrive on the scene, and as the ecosystem expands and progresses, investors will increasingly be better informed, better educated, and better able to subscribe to investments," she states.

reduce costs of issuance. She explains that, for example, many US banks are already building tokenised cash capability. She reports that traditional fixed income issuance is too expensive, and that technology will bring those costs down and seek out a new investor base too. She says there is a huge financial inclusion discussion to be had about retail buyers being involved in private markets, as to when and how that is going to happen.

"The entire tokenisation ecosystem will evolve to increase the liquidity of many products, and to enhance the speed and efficiency of settlements, driving down costs and improving funding costs," Choo claims.

Scale required

She says this will also impact the world of private banking and wealth management generally. "As more digital alternatives arrive on the scene, and as the ecosystem expands and progresses, investors will increasingly be better informed, better educated, and better able to subscribe to investments," she states.

This, she indicates, will affect the whole market from retail to HNW clients, as the private banks are often struggling with the whole administrative and compliance burdens, and struggling to deliver human advisory to the types of private clients they did before. "The bar for personal advisory is moving ever higher, as the

costs related to RM advisory keep mounting, and so too the compliance and other burdens. “That is also why some of the private banks are experimenting with digital platforms, robo advisory and so forth,” she says. “The times are changing over the next five to 10 years, in my view.”

The logic of partnerships

Choo also explains that direct connectivity and distribution to the end investor is tough, and there is a lot of education required, whereas going through an established bank or brokerage

offers access and those investors are then trusting their established bank or firm to have brought the right types of opportunities to their doors.

Choo adds that ADDX shareholders are natural partners as well, with names such as the Development Bank of Japan (DBJ), Singapore’s UOB, Hamilton Lane, Krungsri Finnovate in Thailand and Korea’s Hanwha Asset Management on the shareholder register. “These investors have helped fund us and are also strategic partners for the future,” she says. “They have much to

contribute in the form of expertise, ideas, market experience and business and investor networks.”

Choo concludes by observing that ADDX cannot make significant headway by trying to deliver B2C distribution efficiently themselves. “We do actually have a small team that speaks to investors, but we do not plan to position ourselves as a wealth firm or financial advisors. Our offering becomes scalable when we work with the types of partners I have mentioned, and they will also do it better and more rapidly than we can.” ■



ADDX – A Brief History

ADDX (formerly iSTOX) is on a mission to democratise private market investing. The global private market exchange aims to make the capital markets more efficient for issuers and investors, putting previously out-of-reach investments in the hands of underserved investors.

As a financial technology company, ADDX uses blockchain and smart contract technology to tokenise and fractionalise multi-asset securities such as private equity, hedge funds, venture capital, fixed income/wholesale bonds and unicorn funds, overcoming manual processes in the traditional issuance and investment space that have hitherto made it impossible to serve large numbers of smaller investors.

The firm has garnered an impressive array of quality owners in the form of shareholders such as Singapore Exchange (SGX), the Stock Exchange of Thailand (SET), the Temasek subsidiary Heliconia Capital, the Development Bank of Japan (DBJ), Singapore's UOB, Hamilton Lane, Krungsri Finnovate in Thailand and Korea's Hanwha Asset Management.

It was founded in 2017, and by February 2020, ADDX had graduated from the Monetary Authority of Singapore's (MAS) FinTech Regulatory Sandbox to become a fully regulated platform for the issuance, custody and secondary trading of digital securities. In total since creation, ADDX has raised USD140 million in funding and counts more than 12 shareholders on its register.

The creation of regulated security tokens reduces the minimum investment ticket size for private market investments from USD1 million to USD5,000 or less. This extends access to a much larger segment of accredited individual and corporate investors. Today, the ADDX platform serves investors from 39 countries, spanning Asia Pacific, Europe, and the Americas (except the US).

The proprietary exchange ADDX has built also allows the secondary buying and selling of securities among investors, enhancing the liquidity and value of those investments. Blockchain technology has also reduced the settlement period for investors from two working days to instantaneous (around 1 second).

With the efficiency gains from tokenisation, companies that issue securities benefit from lower fees, a lower minimum fundraising threshold, faster speed to issuance and less uncertainty. The access companies get to a larger pool of investors and capital allows them to stay private for longer, giving them the freedom to focus on long-term growth, rather than the short-term profits required by the public markets.

The platform has gradually been building its array of offerings since, facilitating the issuance of tokens for underlying assets such as hedge funds, private equity bonds and global REITs, amongst others. In fact, ADDX's growth has been so impressive that the firm has completed more than 60 issuances so far, consisting of funds, bonds, equity and structured products.

ADDX has about 120 full-time employees, and the accredited investors they work with come from 39 countries – spanning Asia Pacific, Europe, the Americas (excluding the US) – but with the majority based in Singapore.

As to leadership, coinciding with the lead-up to the Pre-Series B funding that raised SGD58 million in 2022, ADDX had appointed Oi-Yee Choo as CEO in March 2022, when she moved from the role she took on as the Chief Commercial Officer in January 2020, when she had left her rather prominent position as Head of Investment Banking at UBS Singapore to help drive the ADDX digital assets platform forward.