

Crypto Finance Asia Sets its Sights on APAC Expansion with Deutsche Börse Group's Vigorous Support

In December 2021, the Deutsche Börse Group bought control of Swiss digital assets brokerage and custody platform Crypto Finance AG, which was founded in early 2017. The deal came after three years of considerable progress during which the FinTech had raised about USD 50 million in total funding from a variety of sources and had also obtained key operational licenses from FINMA in Switzerland. Buoyed by the deal with the powerful and high-profile Deutsche Börse, Crypto Finance Asia is today awaiting MAS approval for its license to deal in digital assets and is considering applying all for the Singapore CMS license. Hubbis recently 'met' with Daniel Kukan, who since May this year moved from Zurich to Singapore as the new Head of the Asian operations. He was formerly the FinTech's senior crypto currency trader, a role he first took on in 2019 after more than 25 years working in derivatives and structured products in Switzerland and in Asia. From its Swiss HQ, the Crypto Finance platform provides all-inclusive financial services for institutional and professional clients in the realm of crypto and blockchain technology, and the plan is for the same range of products and services to be rolled out in Asia. Daniel explained how he plans to roll out the business model in Asia, armed both with the right licenses and the right approach to governance, and supported by the network of the Deutsche Börse Group as the new controlling shareholder.



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Daniel Kukan
Crypto Finance

Daniel opens the conversation by noting that since 2017, Crypto Finance had established itself as one of Switzerland's leading FinTech companies, and in late 2021 became part of the Deutsche Börse Group. "We had successfully navigated controlled expansion from the Swiss base, and armed with both seed and series B funding as well as the key FINMA licenses we had obtained, such as the securities dealer/brokerage license granted in February 2021, we attracted the interest of Deutsche Börse, which first became a shareholder last year, and then took a strategic majority stake at the end of 2021"

He explains that the firm targets institutional clients and that right from the outset knew the vital importance of proper licensing and regulation. "The mission now, driven also by Deutsche Börse's additional support and worldwide ambition, is to expand further into Europe and also into Asia, which is why I am now here building the same sort of business model as we run in Switzerland."

Getting Personal with Daniel Kukan

Daniel hails originally from the Czech Republic but grew up and studied in Zurich and is a Swiss citizen. He has for more than 30 years been involved in derivatives trading, starting in the 1990s as a trader with the first electronic options exchange in Switzerland, and later managing teams in Germany, Singapore and Hong Kong in derivatives and structured products for Credit Suisse and also Bank Vontobel.

He is now married to a Singaporean who works in the hotel industry, and he has two children from his first marriage. His 28-year-old son who is a professional ice hockey player and his 25-year-old daughter, works for an insurance company in Switzerland.

Like many Swiss people, he loves hiking in the mountains and around the lakes, and loves walks across the length and breadth of Singapore, discovering new places along the way.

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Locked and loaded

He explains that they are now awaiting the Singapore Payment Services Act (PSA) license, which he anticipates will be issued next year. And he says the firm is considering applying for the Capital Markets Services license that will allow them to distribute their asset management products such as digital assets/cryptos funds, such as the Systematic DLT Fund, Portunus Fund, Crypto Market Index Fund, and others that they currently distribute in Switzerland.

"We have a certain level of AUM that we manage for institutional clients, but the main activity is brokerage and custody," Daniel reports. "For the custody, we either

manage it 100% or clients buy our infrastructure to run their own custody model, whereby they retain the keys to the digital wallets themselves. As mentioned, we have funds, having taken on a new team in April this year in Switzerland, and we will be launching new products in the coming months, such as funds with a yield component or a leverage component. And we have also overseen some tokenisation projects for major banks in Switzerland."

Collaborating with the financial community

He adds that it is important to note that the mission for the firm is to provide products



Key Priorities

Daniel's says his first mission is to obtain the requisite PSA license. "For the moment, we can only offer our custody infrastructure, but the PSA license will allow us to provide brokerage for digital assets and tokens of all types," he reports. "And we are considering whether or not to apply for the Capital Market Services license that will allow us to distribute our rapidly expanding range of asset management and fund products into the APAC region."

He adds more detail on the custody offering, noting that in Switzerland, the firm has a variety of smaller banks as clients to leverage Crypto Finance's infrastructure. "Many of the larger banks do it themselves, but there are significant advantages for many other banks to work through us, as we provide the infrastructure, the know-how, the educational support, and the secure custodial services they will need," he explains.

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and services to the banks and institutions, and not to compete for the end clients themselves. "We are a broker, we are a custodian, we are an infrastructure provider, and we are asset management house," he explains.

He reports that the Deutsche Börse Group plans to increase its current stake to 100% by 2025. "Owning the German exchange, Clearstream, Eurex, which is the biggest options exchange, the FX platform 360T, and with subsidiaries all over the world, they are remarkably well placed to help us maximise our potential around the world, and certainly here in Asia," he states.

Healthy blood letting

Daniel concedes that there has been a major shakeout in the cryptos and digital assets spaces, but he believes this is ultimately a healthy phase of consolidation and regrouping for the nascent industry.

"There are unlicensed operators falling by the wayside, leaving the licensed, regulated and well-funded players to go from strength to strength in a future in which the blockchain will replace all the back-office processes entirely," he comments. "And in that world ahead, only the licensed, well-governed and stronger players will compete effectively. For us, targeting

institutional clients ranging from the banks to the family offices, our credibility, stability, and reputation are vitally important.”

Recovery time required

He adds that crypto prices and liquidity will recover, not across the board, but selectively, and at the time that he cannot yet predict.

“Everything needs to be digested first, and trust needs to be built again before the market can perform again, but we have seen this before,” he says. “We saw that it took time in the mainstream financial markets after the 2008 crisis, and there are always opportunities coming from adversity. For example, right now, there is growing interest in structured and derivative products related to cryptos.”

A smoother landscape ahead

Meanwhile, he remarks that the regulators will get tougher and more circumspect in granting licenses, which he says is why the MAS has a considerable backlog today. “Backed by a global financial player like Deutsche Börse, we are well set and well differentiated,” he states.

Daniel turns his gaze on Asia, noting that Singapore is an ideal springboard for the region, due to the support from the authorities, and, for example, the commitment of banks such as DBS as what he reports is the first bank around the globe to open a digital exchange for digital assets. “The volumes are still growing, but the investment is high, as they clearly believe in this market for

institutional as well as wealthy private clients later, although not retail buyers for the time being,” he comments.

A bright future ahead

Daniel closes the conversation by reiterating the importance of taking a studied approach to the digital assets space. “As I mentioned, we believe in the future of cryptos and more broadly the digital tokens markets, but we also believe that this phase will be good for the well governed, strongly capitalised and properly regulated players. Crypto Finance Asia is precisely that type of competitor, and as the current sell-off abates and confidence gradually returns, as we believe it will, the stronger survivors will be ready to take this market to the next levels.” ■

