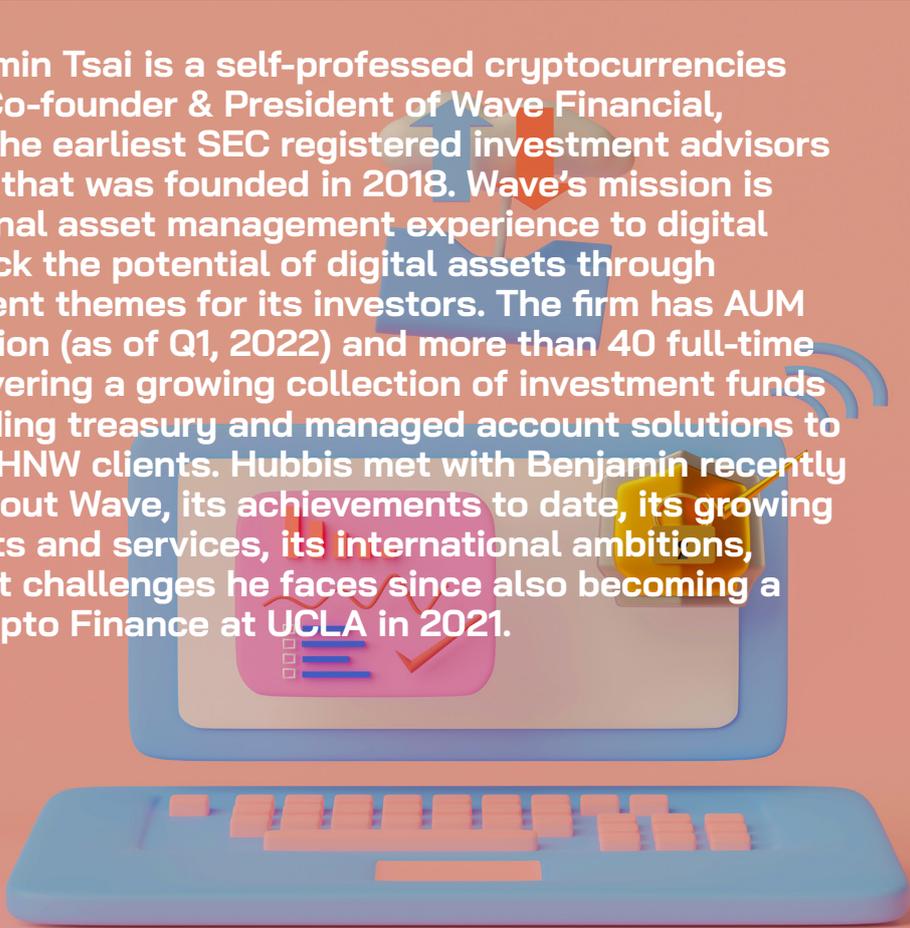


Crypto Finance Specialist Benjamin Tsai on the Exhilaration of Riding the Mounting Digital Asset Wave

LA-based Benjamin Tsai is a self-professed cryptocurrencies aficionado and Co-founder & President of Wave Financial, which is one of the earliest SEC registered investment advisors in digital assets that was founded in 2018. Wave's mission is to apply traditional asset management experience to digital assets and unlock the potential of digital assets through diverse investment themes for its investors. The firm has AUM of over USD1 billion (as of Q1, 2022) and more than 40 full-time employees, delivering a growing collection of investment funds as well as providing treasury and managed account solutions to corporate and UHNW clients. Hubbis met with Benjamin recently to learn more about Wave, its achievements to date, its growing range of products and services, its international ambitions, and the constant challenges he faces since also becoming a Professor of Crypto Finance at UCLA in 2021.



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Benjamin Tsai
Wave Financial

Ben opens the conversation by explaining that Wave Financial has some core objectives. The firm aims to apply well-recognised traditional investment strategies to digital assets in the areas of income and growth, VC, yield generation, DeFi, and NFTs. The platform strives to support the unique needs of institutional, corporate and UHNW investors, using bespoke strategies and institutional service providers.

Funds and solutions

He reports that Wave today has eight funds, ranging from the Wave Bitcoin Income & Growth Fund (WBIG) to the Wave Non-Fungible Fund (NFF). Seven of them are funds open for investments and one, the 'Kentucky Whiskey' fund, is closed at this point. And Wave provides treasury and managed account solutions such as spot, derivatives, crypto lending/borrowing via DeFi, staking, and trading strategies.

Experience aplenty

Ben was formerly Head of Alternative Investments Asia at AB (Alliance Bernstein), and before

Getting Personal with Benjamin Tsai

Benjamin comes originally from Taiwan, and grew up mostly in the USA, attending high school in Los Angeles, and then going to UC Berkeley, and UCLA for his business school qualifications.

He has accumulated more than 20 years of trading and structured finance experience including senior leadership roles at Merrill Lynch and Alliance Bernstein where he led business strategy and managed profitable distribution teams in Tokyo, Hong Kong, Singapore, Seoul, and Taipei.

Before helping co-found Wave in 2018, he was Head of Alternative Investments Asia at Alliance Bernstein, before that CEO of MLSC, Head of Asia Commodities, Bank of America Merrill Lynch, and before the global financial crisis he was Head of Structured Products at Merrill Lynch Asia.

He is currently a Finance Professor at the Anderson School at UCLA, lecturing on crypto finance for the Master of Financial Engineering program.

"We loved our times in Tokyo, Singapore, and Hong Kong and the children became very global in their outlook during those years," he reports. "But we have been back here and settled in Los Angeles for some years now, which is ideal for our lives now and for this business. It is stimulating and a lot of fun." He is married to a Japanese lady, and together they have a son of 19 and a daughter of 15.

"Spare time is usually spent with the family, and we actually just came back from our first trip to Japan since the pandemic hit," he reports. "As Japan is really still not open to visitors, we could get into all those amazing restaurants that before were so tricky to book at. We all love Japan in so many ways."

Other spare time is really committed to my teaching at UCLA and that is challenging as this is such a fast-moving space," he explains. "Materials for my class need constant updating as I cannot rely on older materials!"

that Head of Asia Commodities for Bank of America Merrill Lynch, a role he took on after being Head of Structured Products for Merrill Lynch Asia Pacific.

Originally from Taiwan and educated in the U.S., Ben has worked across the leading

financial centres of Asia Pacific over the years, and now lives in California with his family.

His other core role outside of Wave is as Crypto Finance Professor at the Anderson School at UCLA, a mission he took on in 2021 and which he says is

both immensely rewarding and also very challenging, as the universe of digital assets and the global ecosystem is evolving at lightning pace. He also co-founded and served as CFO of the LA Blockchain Lab, a non-profit organisation promoting blockchain education in academia and government.

Inquisitive by nature

Ben recalls his return from Asia to the U.S. some seven years ago, when, as he puts it, he “went down the rabbit hole of the blockchain and cryptocurrencies”, soon leading to his professorial role, and four years ago starting Wave with his two other co-founders, almost from day one becoming registered as an investment advisor to make a statement of intent to its target institutional and UHNW clients.

He turns his gaze on the wealth management community, noting that he sees crypto as somewhat similar to commodities, as effectively another asset class being added to the world of traditional finance.

The snowball effect

“Several decades ago, the bulge bracket firms didn’t do commodities, but then the biggest players went in and suddenly there was an arms race in the commodity space,” he explains. “The same sort of evolution is taking place in crypto, bringing a lot of innovation in finance, and a lot of innovations in arts and collectibles on the NFT side.”

He adds that the blockchain makes sense and that he believes the market is here to stay. “It offers another viable asset class to which people can allocate

Key Priorities

Benjamin explains that amongst key priorities for the year or so ahead, global expansion is high on the agenda. He says Wave is in the process of acquiring an asset manager based in Switzerland, and considering opening an office in Singapore, as well as generally building their presence and infrastructure. “Clearly we also want to build AUM, and find more distributors to expand our coverage,” he reports.

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their money,” he states. “And we are aiming to be at the cutting edge of delivering those ideas and opportunities to investors, conducting education and opening the doors to investors.”

He explains that Wave has developed products to flow from the understanding of the market, such as index type products, yield type products and derivative products. They also have VC and NFT funds. “All these are in the form of private placement funds, and available on a variety of platforms, such as Allfunds, where for over two years now we have been the first for the industry on that type of funds platform.”

Come join the club

He says that as Wave observes the market, the private banks and wealth industry should be curating these types of opportunities for their clients

but steering well clear of getting involved in the infrastructure.

Despite the downturn in crypto valuations in recent times, Ben says that there has been an explosion of capital transitioning into the space.

“Crypto was not an acceptable investment class, it was really just more of a digital trinket traded among computer science experts,” he explains. But we now believe it is a proper asset class that every client should have exposure to, and actually it has performed remarkably well over the past decade.”

He ponders how much exposure investors should have. “Is it 1% or 10%?” he is often asked. “All really depends on the risk tolerance of the investor. Volatility is extremely high in this market, much higher than in equities and



far higher than fixed income. But yes, investors should have an allocation, and as to the level, it depends on their risk appetite.”

Correlations and decoupling

Ben maintains that the high current correlation with traditional markets will prove to be a short-term phenomenon. “We see this as related to the fact that the investor base that

“The middle tier players and private banks are open to more conversations and are increasingly asking us how to help handle their clients who might want entry points to these assets. To do this, they need external support such as from Wave; they certainly do not need to complicate matters by trying to build their own infrastructure.”

invests in crypto and the investor base that invests in tech stocks are more similar today, but as you have seen in the performance of commodities this year, correlation is time and situation dependent again,” he elucidates. “We believe crypto will again decouple and therefore continue to be a good diversification tool.”

He says that he is sufficiently experienced to have seen many ups and downs in the mainstream financial markets. “I don’t want to stress my age and experience too much, but the reality of financial markets is they collapse at times. For the crypto sector, there have been five drawdowns of more than 50% since we founded this firm in November 2018, and yet Bitcoin for example is up over 250% since that time (at one point over 850% at ATH).”

The pull of gravity

Ben says all this means that a steady pair of hands is required to manage exposures in this market effectively. He cites the Terra-Luna debacle as an example. “We put clients into that when it was performing well but we also got everyone out very quickly when it turned, exiting at 99.5 whereas it has collapsed in what is effectively a death spiral soon after!”

Constant vigilance required

Ben reports that Wave was able to protect client assets well through constant monitoring. “We got out immediately at the first sign of trouble,” he reports. “We are doing exactly that across the market, as we see a lot of fallout and bankruptcies in this sector. Actually, we are proud to state that we have not entered any business relationship or trades related to troubled situations such as Three Arrows, Celsius, Voyager and Babel, and by dint of research and due diligence we have avoided fallout amongst counterparties as well.”

He adds that operational due diligence is central to Wave’s proposition, and they pay great attention to regulation, tax, custody, credit, risk management,

monitoring, reporting and so forth, just as in the world of traditional finance.

An expanding proposition

Ben runs briefly through the funds they currently offer. He explains that Wave has eight funds, including an index fund created for the target clients including family offices in Asia, amongst others. The index fund houses the top five cryptocurrencies, and is market cap weighted, monthly rebalanced. Other funds include a crypto derivatives product, where Wave is selling call options on Bitcoin and generating yield, which Ben says is up about 200% in 30 months and has a target yield of around 1.5% per month.

Wave also offers a flagship venture fund, run by Wave's CEO, that Ben says has performed remarkably well since inception around four years ago. "And I might highlight the NFT fund, run by our chief strategy officer who comes from a music entertainment background, and that is investing in collectibles such as CryptoPunks as well as in VC around the NFT space infrastructure, protocol, and platforms." He explains that is just over six months old and is performing well thus far.

"We offer a fairly diverse set of asset management exposures already, as you can see, and we will expand on those strategies," he reports. "These are not listed funds, they are mostly BVI funds

and one Caymans fund, and they are structured typically as private placement master funds. They are typically monthly in monthly out, with no front-end load, no back-end load, so people come in and out of it as they wish. The VC funds however are locked up for three years and NFTs for five years."

Services and solutions

Benjamin also elaborates on Wave's treasury and managed account solutions such as derivatives, cryptos lending, DeFi and staking, and trading strategies.

"We service HNW and UHNW clients or corporates as they expand into digital assets," he explains. "We create a separately managed account for these clients, and they fund it with digital assets. The managed account is ring fenced, and allows clients to buy, hold, sell crypto, or perhaps lend or borrow."

For example, if clients seek to generate liquidity, if they seek to generate yield, asset liability management, lending, borrowing, Wave handles all of that for them. Wave also offers staking through a separate staking entity in the Caymans to help clients stake and the firm provides support for derivatives, onshore, offshore, OTC or listed. "In short, we provide a full-service solution, everything except mining itself," he summarises.

The wave will build

Benjamin closes the conversation by reiterating his firm belief

that the crypto and digital asset industry will continue to grow. He says the big global brand banks are not yet fully comfortable, but are starting to embrace crypto as these large banks are building out teams. This is in addition to the Swiss and other brokerages and dealers type wealth management players who are already starting to sell crypto related products.

"The middle tier players and private banks are open to more conversations and are increasingly asking us how to help handle their clients who might want entry points to these assets," he reports. "To do this, they need external support such as from Wave; they certainly do not need to complicate matters by trying to build their own infrastructure."

He adds that there is also growing interest in Asia, especially with leading names such as DBS opening a crypto trading desk as part of their FX desk now and offering services through DBS Vickers on the broker/dealer side also. "They and others will expand their coverage and capabilities," he explains.

His final word is befitting for his California base. "The wave is mounting, the momentum is clearly building, and we are excited to be right at the crest of the wave," he states. "It can be daunting there, sometimes a bit scary, but it is very exciting and well worth the ride." ■

