

Digital Assets Disruptor Sygnum's Singapore CEO on the Evolving Universe of Future Finance

Founded on Swiss and Singapore heritage, Sygnum describes itself as the world's first digital asset bank and a digital asset specialist with a global reach. As a group, Sygnum operates through its two regulated entities in the financial hubs of Switzerland and Singapore – under Sygnum Bank AG's Swiss banking licence, granted by the regulator in late 2019, as well as Sygnum Pte Ltd's capital markets services (CMS) licence in Singapore. Sygnum aims to empower institutional and private qualified investors, corporates, banks and other financial institutions to invest in the digital asset economy with complete trust. Sygnum's Swiss operations focus on the provision of an independently controlled, scalable and future-proof regulated banking platform while in Singapore, it operates as a specialised digital asset manager. As a group, Sygnum consists of an interdisciplinary team of banking, investment and Blockchain experts shaping the development of a trusted digital asset ecosystem. Sygnum's six core operations include brokerage, accounts & custody, tokenization, asset management, credit & lending, and B2B banking services. Sygnum's value proposition is impressive enough to have drawn in around USD30 million of new money from a number of investors over the past half year, with the latest round led by Japan's SBI Group. Hubbis had the opportunity to discuss Sygnum's remarkable progress with Gerald Goh, CEO of Sygnum Singapore and co-founder of the enterprise alongside three Swiss partners – all of whom still hold key roles in the group. Goh offered his vision of the world of digital assets that lies ahead, how the institutionalisation of the digital assets market will dramatically expand the financial universe, and how, as this happens, Sygnum is positioning itself to be a market leader and a major force for innovation.

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Goh opens by explaining that Sygnum delivers to clients a seamless, regulatory-compliant, and totally secure platform for the trading and custody of digital assets and the management of digital asset portfolios. Their Swiss banking platform also provides tokenization and B2B banking services as well as typical fiat currency banking services, such as asset-backed lending, except in this case the security for the loans are virtual or digital assets.

“By offering novel business opportunities in the universe of digital assets,” he reports, “we are helping to transform the financial industry in fundamental ways – from within with the assurance of a regulated bank while sporting the tech-driven innovation and agility of a global digital asset specialist. This means our clients can invest in the emerging digital asset economy with complete trust.”

The Swiss-Singapore Axis

Sygnum currently operates out of both Switzerland and Singapore. In Switzerland, Sygnum Bank AG operates under a FINMA-issued universal banking licence, which is in effect the equivalent of a commercial banking licence in Singapore. “In Switzerland, we have the exact same licence as any of the global Swiss banks operating there; it is not some partial FinTech licence. In obtaining that banking licence in August 2019, we lay claim to being the first bank in the world to be able to bring digital assets into the banking environment.”

In Singapore, Sygnum then obtained a CMS licence from the Monetary Authority of Singapore (MAS) in October 2019, specifically for fund management activities. Sygnum Pte Ltd, Sygnum’s

Sygnum Moves into a Bigger League, Armed with New Eight-Figure Round of Strategic Funding

On February 18, Sygnum announced that it had secured an eight-figure USD investment from SBI Digital Asset Holdings, the digital asset umbrella company of Japan’s SBI Group, as the lead investor of its strategic investment fundraising round. The company shared that this investment further strengthens the two firm’s strategic partnership that was established in October 2020 with a planned SBI-Sygnum Digital Asset Opportunity fund, which targets early-stage investments in digital asset start-ups.

With the completion of this fundraising round, Sygnum will have raised around USD 30 million over the past six months. In addition to SBI, it counts other strategic financial institutions, several significant family offices, and the majority of the Sygnum team as shareholders alongside Goh and his three Swiss co-founders. Combined with the late 2020 tokenization of its own shares which laid the foundations for a potential future public offering, as well as a cost-efficient approach to bringing its digital asset banking platform to market, Sygnum stands ready to accelerate its business into its next growth phase.

Proceeds from the USD30 million fundraising will be used to continue the strong progress made last year to grow Sygnum’s assets under administration, which stood at the equivalent of more than USD500 million as of January 2021. This includes expanding its client base of private qualified and institutional investors, banks and other financial institutions. The proceeds will also drive Sygnum’s expansion into new markets in Europe and Asia from the dual Switzerland and Singapore headquarters, as well as accelerate the launch of new products and services.

SBI Holdings CEO & SBI Digital Asset Holdings Chairman, Yoshitaka Kitao, said how delighted he was to be the strategic partner in building a vibrant global ecosystem for the digital asset economy. “Regulated banking platforms will play an essential role in meeting the growing wave of institutional adoption for digital assets,” said Fernando Luis Vasquez Cao, SBI Digital Asset Holdings CEO. “As a regulated and professional digital asset specialist, Sygnum is the right partner to help us deliver on our vision to make this asset class more trusted,” he added.

SBI Digital Assets Holdings is the digital assets umbrella company of SBI Holdings, Inc and oversees and operates digital asset-related businesses. The SBI Group is a leading global internet-based financial conglomerate in financial services, asset management and biotech investments. In addition, it is one of the largest Japanese private equity firms and leverages its extensive ecosystem to further drive the value of its investments.



GERALD GOH
Sygnum

Singapore headquarters, currently manages a fund of hedge funds, and will soon launch a venture capital fund with two other strategic partners. Goh reports that Sygnum is therefore the first digital assets company with both a Swiss banking licence as well as a Singapore asset management licence.

Sygnum has also instituted a world-class governance structure, supported by well-known financial industry and technology leaders on its Board and Advisory Council. Examples include Peter Wuffli – former Group CEO of UBS – who is a Board Director at Sygnum, and Ang Kong Hua – Board Director and Chair of the Investment Board at GIC (Singapore’s sovereign wealth fund) – who sits on Sygnum’s Advisory Council.

Future Finance

Goh explains that Sygnum calls the emergence of a trusted, secure and efficient digital asset economy ‘Future Finance’. “Every single day,” he reports, “our team of digital asset experts are working towards Future Finance by leveraging the advantages of Distributed Ledger Technology (DLT) to serve our

Getting Personal with Gerald Goh

Gerald Goh is Co-Founder & CEO of Sygnum Singapore, a role he took on in October last year, before which he was its Chief Strategy Officer. Previously, he was the Head of Alternative Investments for CrimsoNox Capital, a single-family office, where he successfully built up its exposure in alternate investments. Before that he was a Managing Director with global investment advisor Cambridge Associates, where he focused on private investments and worked with numerous sovereign wealth funds, endowments and foundations, pension funds, and single family offices to build and monitor their global private investment programs.

Born and educated in Singapore, he holds a bachelor’s degree in Management, summa cum laude, from the Singapore Management University.

His 11 years at leading institutional investment advisory firm Cambridge Associates stood him in excellent stead for the co-founder and now CEO role he holds today. “Cambridge actually serves, for example, 60% or more of the US endowment and foundation market, and in my time spent there, my clients included the largest sovereign wealth funds, pension funds, and university endowments in Asia, and the largest single family offices out here as well. Then my two years with the single family office led me naturally into the world of digital assets, where I saw a great deal of work was required, but also where great opportunity awaited.”

Single, but as he jokes ‘married to the company’, Goh is thoroughly enjoying the new venture and his role there. “We now have a team of over 100 Sygnumers alongside us four founders,” he reports. “We are growing at a remarkable pace.”

Spare time is very limited, during which he either runs in the local neighbourhood, or reads voraciously. “I am told I cook a mean Laksa (a Peranakan spicy noodle soup dish) too,” he adds.

While at Cambridge Associates, he says he also learned the importance of being into new asset classes as early as possible – in that case, Asian private equity and VC from 2005 onwards, when both were in their relative early days in the region. “At that time,” he recalls, “I did a market survey exercise, and I could barely come up with 100 institutional-quality managers across all of Asia, across both private equity and venture capital for Cambridge clients to take a closer look at. But fast forward to today, and there are thousands focusing on China alone, and taking bigger and bigger exposures. Then you add in India, ASEAN, Korea, Japan and the growth is incredible. The experience of being part of those poorly attended industry conferences and events in the early days, and then seeing the subsequent explosion of growth, has been a great learning experience and invaluable to my involvement in Sygnum.”

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Slightly tongue in cheek, perhaps, the company calls its team members 'Sygnomers'. "We are a multi-disciplinary team of digital asset specialists, harnessing the power of DLT to embed digital assets into regulated banking through our independently controlled, regulated and fully scalable banking platform," Goh explains.

"Every single day, our team of digital asset experts are working towards Future Finance by leveraging the advantages of Distributed Ledger Technology (DLT) to serve our clients with innovative products and services, working within the current regulatory frameworks in the extremely reputable Swiss and Singapore financial hubs. We say we are building this future on three pillars - trust, technology, and together."

Fast-Forward together

Explaining what the firm means by 'Together', Goh observes that Sygnum believes in collaboration, not competition, and in networks, not barriers. "Future Finance is about being global, open and dynamic – and that is what we are too," he states. "We believe Sygnum is shaping the development of a global, scalable and adaptive digital asset ecosystem through strategic joint ventures and partnerships. Together with leading global financial infrastructure providers and partners such as Swisscom and SIX in Switzerland, and Singtel Innov8 and now SBI Group in

Asia, Sygnum is building the infrastructure of Future Finance."

Institutional, not mass market

Goh is careful to explain that Sygnum's regulated product and service offerings are primarily for institutional clients, corporate clients as well as accredited investors. "The breadth of our offerings in each market is also determined by the licences that we have obtained for their respective jurisdiction, underpinned by our vision to help accelerate the development of the global digital asset economy."

He highlights Sygnum's Digital CHF (DCHF) – a Swiss franc-pegged settlement token that enables the near-instantaneous settlement of transactions on the blockchain – as an example of such regulated offerings charting new possibilities in this space. He also points to Sygnum's range of high-quality digital asset investment products, including a Multi-Manager Fund and the Sygnum Platform Winners Index ETP. "These products offer institutional and accredited investors diversified, convenient and secure exposure to the emerging digital asset megatrend," he reports.

Brokerage, loans, B2B and custody

Sygnum's brokerage service, currently offered through its Swiss entity, allows for seamless 24/7 trading in a totally secure environment. "Our regulated trading desk provides an institutional-grade service, including competitive live quotes and fast, efficient settlement across the largest digital assets and fiat currencies. A range of derivative products offering diverse payoff profiles have also just been launched," he reports.

He explains that, for example, Sygnum Bank AG clients can use their deposited CHF, EUR, SGD and USD to securely buy, trade and hold an expanding range of digital assets seamlessly integrated in one account. These include Bitcoin, Ethereum and other leading cryptocurrencies, DCHF for instant settlements, and an increasingly diverse range of asset tokens.

And Sygnum's banking entity also increases investors' liquidity with digital asset Lombard loans. "Sygnum Bank's Lombard loans are designed to increase fiat currency liquidity against digital assets such as Bitcoin and Ethereum on Sygnum's banking platform," Goh reports.

"Sygnum Bank also offers B2B regulated digital asset banking services. As an end-to-end outsourcing partner for incumbent financial institutions, we enable them to provide regulated digital asset products and services to their own clients through B2B banking and operational compliance services, thereby making digital assets bankable, convenient and trusted."

Expanding on the B2B white label solutions, which is a bank-to-bank solution, Goh adds that a key value

proposition of the bank's platform is to provide certain discrete service offerings to other banks. This enables them to provide their clients with access to services such as buying and custodising Bitcoin, amongst other cryptocurrencies. "We already have arrangements with two banks in Switzerland, and we are currently in contract negotiations with a handful of others, both in Switzerland and elsewhere in the world. Sygnum is in a unique position, being a bank in Switzerland, as a counterpart to some of these financial institutions," he adds.

And no digital assets solution is complete without the appropriate accounts and custody protocols. "Sygnum Bank's digital asset custody infrastructure, components of which are co-developed with Swisscom, is built with a multi-layer security framework enabling clients to invest in the digital asset economy conveniently and securely," Goh states.

Hurdling the barriers, heading mainstream

A key area, he comments, is of course, regulation, privacy and security. He notes that the "classical" cryptocurrencies are counterparty-less assets, so they need to be handled with special care, as they are in effect digital representations of bearer instruments, so there are risks of course, including from anti-money laundering and terrorist financing perspectives.

"In obtaining the Swiss regulator's licence in late 2019, it was a confirmation that regulations had advanced far enough for these crypto assets to move into the mainstream, full licence banking environment," Goh comments.

"Cryptocurrencies can be banked, they can be completely fungible with other banking securities, and Sygnum Bank can actually offer fiat liquidity against selected crypto collateral, for example, Bitcoin."

Goh also notes that one of the major pain points that were felt by early participants in the digital asset space, was what is called the fiat-crypto gateway problem

easier to administer, more transferable, and to make them fully digital."

"We have been pioneering a lot of innovation in that space," he says, "including tokenising Sygnum's shares using our in-house tokenization platform, and subsequently providing all our shareholders with tokenized representations of their Sygnum shares."

"Our solution creates added value for both issuers and investors through tokenization of new and existing assets, bringing issuers and investors closer together. For issuers, it offers new and efficient ways to raise capital through the issuance of tokenised securities. For investors, it provides access to a broader set of investable assets and at smaller investment amounts to further diversify investment portfolios."

– effectively the free movement and transfer of value between fiat to crypto and crypto back to fiat. "That is what Sygnum Bank, with a full bank licence, have fully resolved," he states, "allowing for seamless exchange in the four fiat currencies, and currently against Bitcoin, Ethereum, Bitcoin Cash, Tezos, XRP and more to come anon."

The next wave

Goh firmly advocates that the next major wave of financial innovation will be in asset tokenization. "We really think that while crypto is getting the lion's share of the market's attention now, perhaps the more exciting and more disruptive part of the digital asset universe is this advent of tokenised securities, tokenised assets," he continues. "Basically, this is the application of the blockchain technology to traditional instruments of value, to make them

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And most recently in February 2021, Sygnum achieved a new milestone through its tokenization of selected premium wine assets – made possible under the newly enacted Swiss Distributed Ledger Technology (DLT) law, giving investors increased access and tradeability options in relation to their investment.

A fine case of the DLTs

On February 1, Sygnum Bank and Fine Wine Capital AG announced

they had successfully tokenised a range of premium investible wines, creating the first asset tokens issued under the new Swiss DLT law, whose first provisions came into effect that same day. Fine Wine Capital marks Sygnum's first asset token offering in the Art & Collectibles vertical.

DLT might sound like some unpleasant affliction, but the technology potentially addresses many key hurdles in the world of assets, transactions, and custody. The Swiss DLT law, which provides a robust legal foundation that paves the way for the next generation of securities to be issued on a blockchain, cements Switzerland's position as a leading jurisdiction in the rapidly developing DLT space.

The legal provisions, Goh explains, is intended to bring legal certainty to tokenised assets. "Without going into too much detail, this new DLT law essentially views tokens the same as the underlying assets which the tokens represent. So, using the wine portfolio as an example, the tokens Sygnum issued are not merely representations of an ownership right in an investment vehicle that holds the portfolio of wine – the token is itself the security," he commented.

"Likewise, for Sygnum's tokenized shares," Goh adds, "the holder of share tokens now do not merely hold a representation of a Sygnum share, as they did before February 1 – instead, each share token itself is a share in the eyes of the law. I should add here, I am not a lawyer, so I offer these comments simply as my insight to this important change."

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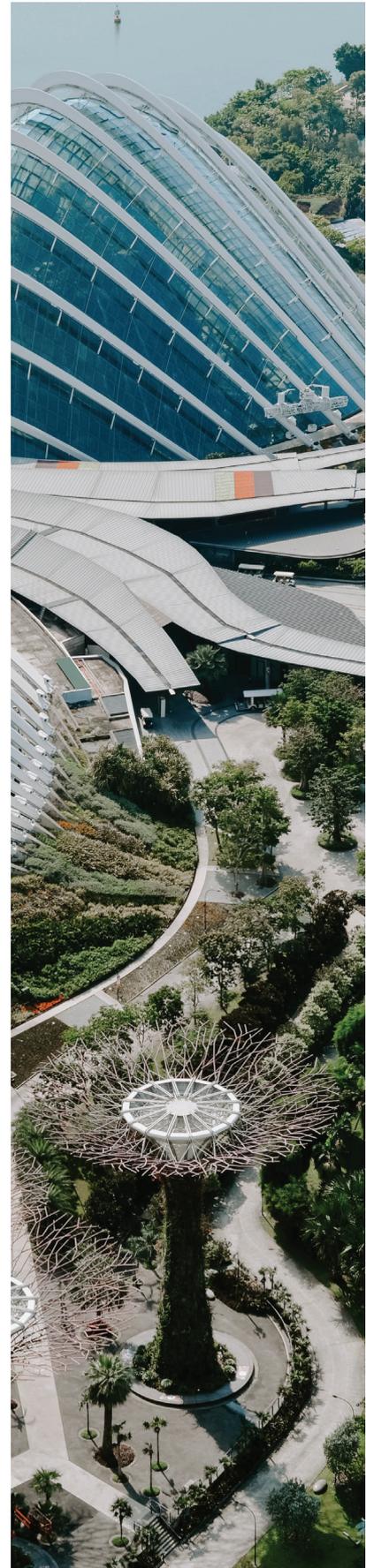
The potential of digital assets has not gone unnoticed by the

market. Since mid-2020, cryptocurrency prices across the board have rallied, with Bitcoin crossing the USD1 trillion market capitalisation milestone in February this year.

While the positive price momentum might trigger memories of the frothy and speculative crypto markets of 2017, the difference this time round, Goh emphasises, is the wave of institutional adoption from incumbent banks, financial institutions, family offices, and payment providers, especially for Bitcoin.

"Bitcoin is increasingly being viewed as a store of value and inflation hedging instrument by institutional investors, given its hard-coded supply cap in contrast with the unprecedented money printing we have seen from central banks globally." remarked Goh. "As digital assets, such as Bitcoin, become increasingly embedded in the financial system, Asian private banks and wealth managers can no longer afford to ignore the asset class and its role in the context of a well-diversified investment portfolio."

Goh is quick to add, however, that independent wealth managers, smaller family offices and high net worth individuals may struggle to obtain the necessary technological and operational support required to adequately implement and manage digital asset portfolios, unlike larger and often more well-resourced institutional investors. "The uncertainty over whether your client's custodial wallets could get hacked, or whether you will run afoul of local laws or corporate governance standards – these are legitimate barriers to entry preventing direct ownership of cryptocurrencies and other digital assets.



It was precisely because of these struggles that spurred Sygnum to offer regulated asset management products, thus enabling investors to access the digital assets megatrend without having to directly manage the underlying tokens. Goh adds that the decision to locate one of Sygnum's headquarters in Singapore was also to tap on the financial hub as a gateway to Asia's fast-growing number of family offices and wealth managers.

Key Priorities

The firm remains very much a start-up financial institution - a start-up bank in Switzerland and start-up asset manager in Singapore. "From the group perspective, the next few years for us will be growing our client base, our assets under management and extending our product range and service offerings," Goh explains. "Sygnum is ideally positioned to continue innovating, and to push the boundaries of what a regulated financial institution can offer to the digital asset industry.

Another key mission is to expand the footprint in Europe beyond Switzerland and in Asia beyond Singapore. And finally, he reports that the firm has fostered a positive relationship in Singapore with the MAS, and he hopes to obtain several new licences in the year ahead to allow the firm to expand its role there and bring a wider range of its products and offerings in Switzerland to the island nation.

Joining forces

Goh explains that Sygnum's origins emerged from the combined expertise, history and vision of the four founders, three of whom are Swiss. "For me, I was

head of alternative investments for a large single-family office, Crimsonox Capital, and while there, I had persuaded my investment committee to give me the mandate to start investigating crypto assets for our diversified investment programme," he reports. "That was when I realised all the shortfalls in the market ecosystem and saw how an entity such as Sygnum could address these challenges that have been holding back the more widespread adoption of the asset class."

Goh's co-founders are all experts in their fields and, judging by their collective success to date, also had a concise vision of this sphere of disruption, as well as a driving ambition to make Sygnum central to this nascent market.

Realising the vision

Goh also comments on how the vision he and his co-founders had since Sygnum's inception is starting to materialise across the industry. "We had certainty in the vision back in 2017 to 2019, when most banks and major financial institutions were not so active in this space," he says. "Now, the picture is changing. Many financial institutions recognise the opportunity that regulated digital asset services bring, and are declaring that they are soon to launch, or have established partnerships with FinTechs in these areas."

Those might include, for example, some of the major regional and more global names that are traditionally strong in Singapore and Asia, such as DBS, Standard Chartered and Deutsche Bank - all of which have made such announcements of different kinds.

The result, Goh says, is that Sygnum now finds itself in very good company. "As more of the big brand banks come into this space, there is a greater legitimacy around this nascent industry," he comments. "That is very good for the digital assets universe, and very positive for Sygnum."

Action stations!

He closes the discussion with a call to arms. "The time is ripe for the next generation of wealth managers and investors to really get involved and embrace the disruptive power of digital assets," he states. "The global traditional financial infrastructure will face significant disruption from this megatrend. In particular, at the private investment side of things, the level of intermediation and trading in information asymmetry that the market has put in place over the last few decades of its development - those are ripe for disruption."

He reiterates that the advent of the blockchain and DLT more broadly brings the capacity to convert any financial asset, any physical asset such as land or real estate, or indeed any collectable asset, from fine wine to fine art, into digital assets.

"And that," he says, "makes all such assets more accessible to a larger subset of the investor base, and also makes them more liquid by facilitating its listing, each potentially at a smaller quantum, on digital asset exchanges, many of which are being launched globally. This is an incredible development and a remarkable opportunity. And I am glad that Sygnum is very much at the forefront of this." ■