

Digital Securities Exchange ADDX CEO Oi-Yee Choo on Building Momentum and Building the Brand

ADDX is on a roll. In May this year, the fully regulated Singapore digital securities exchange that was formerly known as iSTOX, raised another USD58 million in a Pre-Series B funding round from several new shareholders, including the Stock Exchange of Thailand, bringing total funding since its inception in 2017 to USD120 million. The new partners joined high-profile names such as the Singapore Exchange, Temasek subsidiary Heliconia, Japan Investment Corporation, and the Development Bank of Japan, which had contributed to the USD50 million Series A funding round in January 2021. Coinciding with the lead-up to the Pre-Series B funding, in March, ADDX appointed Oi-Yee Choo as CEO, moving from the role she took on as the Chief Commercial Officer in January 2020, when she had left her position as Head of Investment Banking at UBS to help drive the ADDX digital assets platform forward. Hubbis met with her again recently to hear more about the many impressive developments to date and the plans for the future.

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OI-YEE CHOO
ADDX

ADDX was designed and created to bring private market investments that would normally be distributed to the wealthier HNW and ultra-HNW investment community, to accredited investors who can buy in at levels such as USD10,000 or lower. The mission is therefore to democratise the private markets by giving underserved investors access to previously out-of-reach investments.

The 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.

From small beginnings

ADDX was founded in 2017, then graduated from the MAS FinTech sandbox in February 2020 and became a fully regulated digital securities exchange. In total, ADDX has raised a total of USD120 million in funding since 2017.

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 30 issuances so far, consisting of funds, bonds, equity and structured products. ADDX has about 100 full-time employees, and the accredited investors they work with come

been working with more overseas General Partners, for example, Bahrain-based Investcorp and Partners Group, which is Swiss-headquartered, but with a very big presence in Asia.

A clear logic

"In every case, they see the logic of accessing opportunities within the mass affluent segments," she explains. "And the activity is

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from 39 countries – spanning Asia Pacific, Europe, the Americas (excluding the US) – but with the majority based in Singapore. As ADDX is fully regulated, the platform's creators believe the investment community can feel entirely safe in the execution of trades and in the digitalised custody available.

Gaining traction

"Since we last met earlier in 2021, we have really increased our traction with the Singapore accredited investor community and extended our reach to international investors as well," Choo reports. "We have had a lot of success, for example, with Temasek-backed fund managers such as SeaTown and Fullerton that have worked with us to get some of their funds onboarded, listed and tokenised."

Off the back of that, she reports that since later in 2021, ADDX has

such that we are winning further traction with the global GP community. These are often big-name asset management brands, very well known in the institutional space, but sometimes less well known in the mass affluent and retail space, for example the KKR's of this world, or Hamilton Lane. And as we look forward to the rest of 2022, we expect to work on a number of repeat deals with some of these issuers."

Choo reports that the process is, to some extent, one of all parties learning along the way, especially during these more challenging market conditions around the world.

Learning on the job

"We are in an evolutionary phase and learning all the time," she says. "We have already assembled an interesting array of products, from risk-off, low-end, short-term commercial paper type offerings



that look like fixed deposits, all the way up to very high-risk products, such as crypto, technology, VC, and hedge funds at the other end of the risk spectrum. We are building in areas such as private credit along the way, so that there will be a broad-based private markets portfolio that an individual can build using our platform.”

Distribution, she says, is through the private banks, the securities houses and the WealthTechs, meaning the B2B2C channels. “Traditional allocation models such as the 60:40 portfolio do not really work nowadays,” she comments. “There has been a shift toward an 80% public and 20% alternatives allocation approach, and we are in tune with them. From the traditional private banks all the way to WealthTechs and online brokers, all of them now want some channel to also provide private market exposures to their end clients.”

Private credit appeals

Choo explains that a strong area of interest currently is private credit. She reports they have launched a credit module with the big regional securities house CGS-CIMB, which had wanted to raise capital away from their traditional bank lenders.

“They came onto our platform, and we have helped them build out a commercial paper series,” she elucidates. “This is a three-month rolling paper that was paying about 1.3% last year, and quickly became very popular with our accredited investors, especially in Singapore. We now have two issuers, and we will bring in another two names. These types of credit are not looking to do large public bond

issues but to diversify their funding at modest scale. It is fast, cheaper, and less complex.”

A gateway for general partnerships

The second major growth area is for funds, she reports. “We serve as the gateway to access individual investors who might put up USD10,000 or more each, and that is not what these bigger funds are set up to do. They see us as a separate and new source of capital, which does not compete with their current distribution. Moreover, we handle everything, from start to finish, and as a result, we are getting a lot of repeat business from contented partners.”

More gain, less pain

And she explains that the private banks like these deals because their key business is in far larger allocations for very wealthy clients. “Working with us opens those doors to smaller slices for more of their clients,” she says. “This leaves them free to access incremental business without any additional complexity at their end. And they can extend this beyond the private bank arms to their premium banking clients, as well.”

Choo also comments that ADDX is part of the financial markets’ ecosystem, not a competitor to large private banks and other banks and firms distributing private asset opportunities themselves. “The large global banks have the capacity to invest in infrastructure to properly distribute private market assets in their underlying form, but even they don’t have the right operational structures to break down the minimum investment sizes to USD10,000,” she says.

“But through ADDX, any of the distributors out there - any banks or brokerages or family offices, big and small - can leverage our capabilities as a seamless part of the private assets ecosystem.”

Safe custody

As to custody, she reports that customer accounts are with DBS, a major Singapore bank, and segregated. “Customers are ring-fenced from, for example, ADDX going bankrupt in the very worst-case scenario,” she states. “We are fully regulated and supervised, and of course, we are solid financially, especially since our latest Pre-Series B funding. These factors all give great comfort to partners and investors, as we all adopt tokenisation to make inaccessible opportunities accessible and illiquid assets liquid and easily tradable.”

Choo reports that the assets on the ADDX platform have been outperforming the public markets except for the TCM Digital Assets Fund, which houses cryptocurrency investments. “You will not be surprised to hear that is underperforming, but the rest of our offerings have actually been very stable,” she says.

Priorities ahead

She closes the conversation by reporting that expansion of the B2B2C distribution model is a key mission ahead, as ADDX has won solid traction there already. “To further develop this, we want to build out the API libraries and connectivity, and at the same time, we will enhance our marketing efforts, as well,” she explains.

“Another key area is our crypto strategy,” she elucidates. “We

Getting Personal with Oi-Yee Choo

Choo is Singaporean and studied accountancy at the Nanyang Technological University. Soon after that, she decided that auditing was not her calling, which led her to the UK to complete her MBA in Manchester, before returning to Singapore to work in capital markets with Citigroup in 1999. She spent most of her career focusing on the then-nascent REIT market in Singapore and elsewhere, first with Citigroup, then Nomura, Morgan Stanley and finally UBS, where she was most recently head of investment banking before she joined ADDX in January 2020 as Chief Commercial Office. She then became CEO in early 2022.

She says she has recently been enjoying getting back into business travel, with recent trips to Barcelona and to New York in May. “I am finally meeting all the people I have only seen on Zoom,” she reports. “I even survived some runs in Central Park!”

Married with two busy, active children aged 18 and 16, she says time is always an elusive commodity at home. She and the family love to travel, and are looking forward to perhaps next year heading to their favourite ski resorts of Hokkaido and Hakuba in Japan.

At home, when time permits, she enjoys cooking the family an eclectic range of foods from Asian to European. “Things are so much busier again with meetings and travel, and the children are involved in so many hobbies and activities, but I did manage to find time to cook a leg of lamb last evening,” she reports. “It was quite good!”

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are working towards being able to receive crypto at the end, as well as offering the ability to convert crypto into fiat to buy the private funds on our platform. And then, over time, we will develop that into a more extensive crypto capability.”

Choo’s final word is to reiterate that the ADDX model is based on inclusiveness and that the platform reflects some of the key trends emerging across the world of investing. “We are riding the right waves,” she says, “and enjoying every moment.” ■

The ADDX Story in Brief

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

The financial technology company has built the world's leading digital securities exchange. Its shareholders include Singapore Exchange (SGX), the Stock Exchange of Thailand (SET), Temasek subsidiary Heliconia Capital, the Development Bank of Japan (DBJ), UOB, Hamilton Lane and Korea's Hanwha Asset Management.

In February 2020, ADDX 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.

Using blockchain and smart contract technology, ADDX tokenises and fractionalises multi-asset securities such as private equity, 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 creation of regulated security tokens reduces the minimum investment ticket size for private market investments from USD1 million to USD20,000 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.

In January 2021, ADDX announced its USD50 million Series A round. Japan's JIC Venture Growth Investments and DBJ joined as investors. In June 2021, ADDX was awarded Best Solution for High-Net-Worth Investors by the Hong Kong-based media outlet Digital Finance.

In May this year, ADDX announced it had raised a further USD58 million in a Pre-Series B funding round. The Stock Exchange of Thailand and Singapore banking giant UOB joined as shareholders, while Hamilton Lane from the US and Krungsri Finnovate in Thailand also took part, bringing the total funds raised by ADDX to around USD120 million since its inception in 2017.

Oi-Yee Choo, CEO of ADDX, says: "At ADDX, we are on a mission to democratise the private markets. The sizeable investment from SET, UOB, Hamilton Lane and Krungsri serves as a ringing endorsement for ADDX's business model, the team we have assembled and the broader vision we have for transforming the capital markets and the wealth management industry."

She added that the new shareholders aren't just capital partners but strategic partners too. "They have much to contribute in the form of expertise, ideas, market experience and business networks, and ADDX looks forward to adding value to their businesses in return," she explains.