

Skyhook Founder and CEO Lawrence Grincer on the Rapid Escalation of Digital Trading Platforms

Hubbis was fortunate to recently 'meet' with Lawrence Grincer, Founder and CEO of Skyhook Capital Pte Ltd (Skyhook), the Singapore headquartered FinTech company focusing on the distribution of investment-grade digital assets to institutional and retail investors. He explains how rapidly innovations become standards, from his experience, and why banks and other wealth management institutions should be grasping the new reality of digital asset trading, execution and custody, based on the blockchain distributed ledger technology widely available now. He reports on exactly why digital assets transactions are set to escalate dramatically and will cover the world of conventional financial instruments as well as for cryptocurrencies. A global revolution is underway that will see 10% of the global economy migrate onto Distributed Ledger Technology (DLT) over the next several years, and Skyhook's plans to be at the leading edge of this transformation.

Lawrence is a technology entrepreneur with a successful track record in building high-value companies in the financial technology sector specialising in the wealth product distribution supply chain. Skyhook is not the first firm he has created. Perhaps his best-known achievement to date is AG Delta Pte Ltd, a leading Singapore-based solution provider to the wealth management community that automates many of the activities to manage investment portfolios and transact the full spectrum of wealth products across multiple jurisdictions.

As such, and in previous roles working for major technology and consulting names, Lawrence has a strong grasp of the wealth industry, and as he hails originally from Australia and has lived and worked in Singapore for thirty-plus years, he also has an intimate understanding of the business scene and cultures across APAC.

Building bridges

Grinceru co-founded AG Delta first in 2005 and then founded Skyhook in 2017 armed with plenty of expertise. Prior to becoming a technology entrepreneur Lawrence held management positions in leading IT firms including CSS, Accenture, Reuters, TIBCO Software and SunGard Data System. He holds a bachelor's degree in Electronic Engineering from Curtin University (Western Australia) awarded in 1988 and his efforts have culminated in numerous awards including best FinTech in Asia from both the Monetary Authority of Singapore and the Hong Kong Monetary Authority.

"I launched Skyhook to bridge the conventional e-wealth distribution networks with digital securities issued, settled and administered

over the blockchain or DLT," he reports. "We are essentially launching a new ecosystem to seamlessly integrate digital securities into the operations of wealth management service providers. This promises to transform wealth management by unleashing new innovation in investment product engineering coupled with much greater efficiency when administering over a blockchain capital market infrastructure."

Seeking seamless connections

He observes that the global wealth management industry, consisting of private banks, family offices and independent financial advisors, have made a significant investment in technology over the last decade to eliminate 'asset silos' such that wealth portfolios are managed within a single, fully integrated platform across all asset types.

"The e-wealth platforms that have flexible, open application architectures like AG Delta, can be adapted to seamlessly incorporate the processes and workflows for digital securities into the services used for conventional securities," he reports. "That is why Skyhook

Key Priorities

First, Lawrence explains that over the next 12 months, Skyhook will roll out the core infrastructure piece of its platform. "We are focused very much on Asia," he says, "we will connect the platforms of our strategic partners to support the end to end workflow for digital security issuance, distribution and settlement. We then will further extend this infrastructure to build liquid digital assets markets by increasing buy-side access through connecting exchange venues and strategic e-wealth distribution channels within each major market."

is developing the Digital Assets Wealth Network' or Skyhook DAWN™ for short, to provide the additional workflows, processes and networks through an API to extend the existing application architecture, minimising operational impact while positioning the business for the future. We are well ahead of the game both in technology and approach."

Grinceru elucidates that Skyhook's mission is to provide the connectivity between the main networks for issuance, exchange, distribution and settlement of digital securities. "To connect buy-side institutions we are partnering with AG Delta which has built a leading market position in the High Net Wealth Investor segment. We are also exploring other suitable e-wealth distribution platform partnerships that address the other wealth segments for mass affluent and retail," he reports. "Providing WM institutions with the capabilities to incorporate digital securities alongside the conventional products within the same toolsets, will enable a smooth transition as the industry migrates from the conventional to DLT based infrastructure."



LAWRENCE GRINCERI
Skyhook Capital

The DASL collaboration

Skyhook recently announced they have entered into a strategic partnership with DASL, the leading global digital asset liquidity network for financial institutions built on R3/Corda.

Lawrence explains the rationale for the DASL collaboration: “Our partnership with DASL significantly enhances the Skyhook DAWN™ offering by incorporating a wide spectrum of digital securities issued through the Corda network coupled with value added services such as the ability to instantly settle transactions. DASL’s fully operational, robust, finance grade application facilitates the tokenisation of any type of underlying asset (i.e. commodities, property, art, equities) and issued as digital bond, fund or structured product.”

Built on DLT

Skyhook DAWN™ provides a single connection point on the cloud for conventional e-wealth and digital banking channels to access digital securities and services. “As a gateway for digital securities distribution and management,” he elaborates,

“Skyhook DAWN™ will provide originators of digital securities with global market access through multiple distribution channels across a network of liquidity venues.”

Lawrence briefly characterises the current situation globally, remarking that the world is still in the early adoption phase for digital securities, however the shift to mainstream adoption is well underway and is likely to be very fast. The use cases in production today demonstrate greater efficiency using DLT, from proof of ownership, to P2P exchange

“The door is opening to fractional, digitised ownership of real-world assets. Take gold, for example, we will soon see the issuance of digital securities linked to the proven gold reserves, to provide mining companies with an alternative financing structure. The ability to digitise part of these proven reserves gives a benefit to the investor because they are now actually getting physical ownership of the gold in the ground at a generous discount to the spot market. As the unrefined gold advances through the extraction and refining process its value converges towards the spot market price. Under rigorous governance oversight this structure is likely to reduce the risks and holding costs associated with gold future contracts.”

and real-time settlement. He reports that major global brand banks such as J.P. Morgan, Credit Suisse, UBS, and Commerzbank already using DLT for internal and interbank transactions are reporting up to 60% efficiency savings. “My experience is that technology proliferates very fast when there are considerable benefits in business performance to be gained,” he says.

He explains that conventional securities in custody are being uploaded onto DLT “on-chain” to benefit from the lower costs of product lifecycle management. “With over USD150 trillion in notional value of securities/assets held across a handful of custodian banks, it is very feasible that we will see a significant amount of asset value move onto DLT in a short space of time. The World Economic Forum forecasts that by 2027, 10% of the world’s GDP will be tokenised — with an estimated market capitalisation of USD24 trillion. To put this into context, the capital inflows that fuelled

the dot com boom from 1995 to 2001 was a meagre USD1.2 trillion.”

Replacing legacy infrastructure

He also adds that new marketplaces are emerging that leverage the blockchain’s capabilities and efficiencies to reinvent how investment products are structured, distributed and managed to improve risk-weighted

returns for investors while optimising the allocation of capital.

“Assets that do not have liquid markets to transact such as property or proven reserves of metals and hydrocarbons, can be fractionalised and structured as securities, then issued and managed using the blockchain. As digital securities representing fractional ownership of real-world assets, they can be exchanged securely through decentralised markets in real-time providing a more efficient infrastructure with greater market accessibility than is possible with the legacy capital markets environment,” he explains.

Revolution as much as evolution

As this revolution takes place, asset can be exchanged P2P across a global network of institutional portfolios. Compliance information for each portfolio is held on the blockchain and enforced by smart contract technology. “In this environment AI-assisted Portfolio Managers will monitor and execute sophisticated, theme-driven investment strategies for optimum risk/reward outcomes,” he explains, “Through automation and disintermediation, fixed management fees will reduce significantly as investors shift to performance based AI driven portfolio management.”

In addition to reduced fees, he explains there are many additional advantages for investors. “The Corda DLT network for example eliminates settlement risk through Delivery Versus Payment (DVP) with direct debit or credit of the investor’s bank account. There are already over 100 banking institutions connected to Corda. Searching for suitable investment products will also become less time consuming both for wealth service providers and their clients as

product information is standardised on the distributed ledgers for all asset and product types.”

Lawrence mines down into why he considers Skyhook so central to this revolution. “The company DNA has a unique mixture in e-wealth technology and thought leadership, coupled with extensive knowledge of digital securities trade lifecycle and marketplace. Because of our comprehensive understanding

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of the distribution requirements for securities, we are the first to identify the gaps in the supply chain and the solution to seamlessly integrate digital securities into the mainstream environment. In addition, we have the necessary relationships across the banking and wealth solution provider market along with the leading blockchain networks to build a complete end to end supply chain for digital securities. Finally and most importantly we have a highly experienced management team with a successful track record in building early-stage FinTechs to bring the platform to market.”

Seeing the clear picture

He also observes that already we are seeing conventional investment product platforms move onto DLT. For example two major fund administration platforms Calastone and ChainClear, the latter being a platform owned by FNZ, have incorporated a DLT for the administration of funds. “They both built it on open-source ‘hyper-ledger fabric’ blockchain technology,” he reports,

“to benefit from cost savings in fund administration and real-time clearing and settlement.”

Connecting the dots

“And at the same time, the infrastructure to create a bridge between what we call the cash world, the Fiat world, and digital assets is being rolled out,” he adds. “Moreover, this extends to the world of cryptocurrencies into mainstream asset management. So for example, there are already USD6.7 billion equivalent of Bitcoin held in publicly traded companies mainly on the US markets. The US Federal Reserve has already passed regulatory approval for banks in the US to actually manage cryptos on be-

half of their customers. In Singapore DBS Bank just announced the launch of their digital assets exchange offering their customers the ability to transact bitcoin against several fiat currencies. In short, supported by DLT, cryptos as an asset class are starting to now permeate through mainstream financial institutions.”

Lawrence notes that converting fiat into crypto is likely to gain momentum. He explains the US Fed has in the last 12 months increased the money supply by about 30%, and increased their own assets on the balance sheet four-fold to USD4 trillion. Similar actions have been taken by central banks in all major economies. “Why I mention this is that there are an increasing number of sophisticated investors who see bitcoin and other popular crypto currencies such as Ethereum as a hedge against a potential devaluation of all major currencies.”

Fractions make a new whole

He offers an example of pending product innovation that will have a significant impact within the wealth management industry. “The door is opening to fractional, digitised ownership of real-world assets,” he explains. “Take gold, for example, we will soon see the issuance of digital securities linked to the proven gold reserves, to provide mining companies with an alternative financing structure. The ability to digitise part of these proven reserves gives a

benefit to the investor because they are now actually getting physical ownership of the gold in the ground at a generous discount to the spot market. As the unrefined gold advances through the extraction and refining process its value converges towards the spot market price. Under rigorous governance oversight this structure is likely to reduce the risks and holding costs associated with gold future contracts.”

The other area is property, where a growing number of platforms are emerging such as BrickX and Bricklet in Australia, offering fractional ownership in residential and commercial property. “This is essentially the evolution to a REIT, where the investor hand picks the properties, take direct ownership of the fraction acquired and receives a proportional share of the yield. With this approach Investors can offset concentration risk by allocating a fractional property portfolio across multiple cities and countries starting with just a few thousand dollars.”

“For the younger generations,” he says, “this is immensely appealing. They will no longer need to take on a large mortgage to acquire a single property with high concentration risk. Instead with decentralised lending already a reality on the blockchain, digital securities backed by real world assets will be collateralised against loans to offer a manageable debt financing solution.”

Decentralisation at the core

He adds that with both his examples of gold and property, there is the nascent formation of effectively decentralised lending platforms completely circumventing banks. “In the very near future, non-bank financial institutions will be able to directly participate in lending services; through decentralised financing platform on the blockchain backed by high quality assets as collateral and risk mitigated through automated governance and administration.”

Regulators will add the oil

His final comment centres on regulation. “We are now seeing regulators embracing the idea that the global financial infrastructure is moving on to this DLT blockchain world. The Bank of International Settlement (BIS) is working with several major central banks to usher in digital currencies. This would give central banks much better control over the money supply and the governments greater control over revenue collection. Both will be needed to deleverage massive government debt created through years of fiscal policies based on modern monetary theory. Without going into too much detail and theory here, this will, we believe, further accelerate the shift over to a fully digital DLT-based global financial infrastructure.” ■



Getting Personal with Lawrence Grincer

Lawrence was born in delightful Perth, Western Australia, and later studied at the university there, completing an Electronics Engineering degree in 1987 from Curtin University.

"I first arrived in Singapore working for Anderson Consulting in 1991, helping banks figure out how to downsize off the mainframe onto what was then the latest and greatest technology, client server, to run enterprise applications on workstations using a more friendly Windows user interface. By 1997, I'd moved to a company called TIBCO, which was leading the revolution to build very scalable platforms to buy and sell securities over the Internet. I was mainly focused in the late 90s in Singapore helping brokering firms such as DBS Securities deploy their first generation online equity trading platforms."

He then moved to co-found AG Delta in 2005, where he pioneered the first e-wealth solution that could manage a broad range of asset classes across multiple jurisdictions using workflow, and business rule configuration engines to avoid complex and costly changes to the application code.

"I have always been at what is called the leading edge when it comes to disruption from technology advancement, and I've never been surprised by how quickly the leading-edge technologies become mainstream and change the business environment forever; literally in each case from downsizing off the mainframe to e-commerce over the internet, businesses only have a few years to figure out how to position for the new environment or become a casualty of the new reality inflicted upon them."

He says a major highlight in his career was his work with AG Delta, which has, he reports, become recognised as one of the leading technology platforms in the wealth management space over the last five years with over a trillion in asset transacted through the customer base. "My focus was to create an application architecture that is very flexible for wealth management and what was accomplished is till today leading edge in terms of flexibility and robustness. This positions AG Delta very well when it comes to incorporating investment products managed as a digital securities along side the conventional products already supported."

He explains the innovation we are doing in Skyhook will lead to achieving many more career highlights he adds. "Skyhook's partnership with AG Delta is going to create an extremely strong infrastructure that will actually be one of the few platforms where you can actually marry both conventional and digital products. I believe the impact from blockchain will be even more significant in terms of altering the global business environment than any disruptive technology I have witnessed in my career. I suppose as an engineer and as a technologist this is very exciting."

Leisure time is spent outdoors, walking his dogs, cycling and generally trying to keep healthy. He reports he gave up motorbikes last year, after writing off his Harley Davidson in a crash (totally not his fault he insists), so these days it's two wheels with no motors and off road.

He has been in Singapore now for over three decades and still loves the lifestyle and the buzz of living in a cosmopolitan city. "Singapore is a wonderful place to live and a great base for travel in the region, however for now I guess that will have to wait a while..."