

How and Why should Asian Private Clients buy BitCoin?



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What is Bitcoin, and why should any high-net-worth or ultra-high-net-worth client in Asia invest in it?

Bitcoin is a provably computationally scarce digital asset. It is a ledger that contains every transaction that’s ever been conducted. And it operates on a network that’s been running for 14 years, with a fixed monetary supply, in code. And that monetary supply hasn’t changed in 14 years. We think that’s really important in a world where fear is in infinite supply, where many people are being displaced by war and pandemic. There are two billion people that are unbanked. There are one and a half billion people that are underbanked. And prior to COVID, there were more than 15% of the world’s population living in double digit inflation, and we think that number is a lot worse. So we think, an asset that is saleable across time, and space, and scale is very, very important. We think it’ll improve the lives of millions of people, billions of people! So, we think this is a hugely important asset class to have ahold, to have in your portfolio.

We also think that, given the quality of asset in terms of store of value - we consider gold as a store of value, which has got a 5,000 year history - given Bitcoin’s divisibility, transferability, transportability, it’s far superior to gold. And gold’s got a twelve trillion market cap. We think, if 10% of the value of gold’s market cap were to transfer into Bitcoin, that would increase the price of Bitcoin by USD57,000 dollars per Bitcoin.

If you’re considering global equities, global fixed income, the combined market cap comes to about USD250 trillion. If we were to migrate some of that value, say 10%, over to Bitcoin, that would increase the price of Bitcoin by USD1.1 million per Bitcoin. Right now, it’s trading around USD25,000.

And what’s more, the global debt levels have been increasing year-to-year. If you consider even the slightest risk of a debt default, sovereign default, Bitcoin is a hedge against sovereign default and currency debasement. So we think it’s an very important asset class to add to a portfolio. And in terms of wealth management, if you are considering holding or hold a portfolio of equities, fixed income, real estate, this is an absolute must for of portfolio. If you look over a number of years, the correlation to other asset classes is quite low, if

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you look on a multi-year basis. So the addition of one, two, three, four, 5% Bitcoin in a portfolio is a very important risk management strategy, a hedge. But also it improves your Sharpe ratio. So this is why we think every investor should consider Bitcoin.

Why then are there so few wealth managers who are presenting this opportunity to their clients?

A lot of clients are actually doing it themselves. And it's just, the conversation isn't happening with their wealth manager or advisor. There are a number of areas to this. Obviously there's a lot of noise in the industry. Once you get past the noise, I think there's a lack of education, a lack of investment in education amongst the segment. So if you were to look past the noise, look at the fundamentals of what Bitcoin is, what digital assets are, what Web3 are, you'll start to realise just how much upside there is in this industry. Which also comes with risk.

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And then, the next component is the execution. How does the execution happen when it comes to executing,

getting crypto into your portfolio? It's finding the credible partners, credible infrastructure providers that have the right track record. They're regulated, they're run at a very strong level, with high levels of corporate governance, high levels of operational controls, risk management. And most importantly, have an unblemished track record doing so.

The other very important bit is custody. If you are getting your customers this exposure, where does the underlying crypto assets sit? And then, you've just got to be sure of, one: the counterparty infrastructure provider you're using, how good are they, how long they've been doing it? And then beyond that, is there any insurer? In case that your are chosen exchange or custodian fails, is there a third party insurer that stands behind those assets, and that'll make you whole again. So I think those are important considerations that we've been able to help our wealth management clients, both in Australia and Singapore (come to understand).

Another key component is the ability to execute programmatically and get portfolio data back. So if you are getting your customer into crypto - they're buying Bitcoin or Ethereum, and it's now part of their portfolio - how do you track that portfolio? We've been able to solve this - in addition to our trading and execution APIs, read-only APIs, which feed customer portfolio data back through to the wealth management firm, either directly, or indirectly.

How can a wealth manager start this journey with their clients?

I think it starts with a conversation with the client, or set of clients. A wealth manager, first and foremost, must get to know the topic. They can educate themselves. You can interact with the industry. There are loads of meetups, loads of podcasts, lots of free research out there; I think that's where it starts. Then, next is the client. Having conversations with the client, the client's set. You could start with a conversation with, or a survey of your clients, getting to know their appetite for it, and see where it fits, given their investment time horizon, their age. And then, once you decide to do that, then you choose, are you going to offer it natively through your own platform? Are you going to offer it through a fund? Or you going to partner with a very high quality player that's able to enable the execution, the custody, the reporting? So the customer gets a seamless end-to-end experience.

The additional thing I would add is just, once you choose the partner, how are you able to execute, settlement, on-ramp, off-ramp. How are you able to get the customers' funds onto the exchange? How are you going to ensure that those assets are being safeguarded in a secure way with high quality banks? And of course, how will you ensure that the chosen exchange have the audits and pen-testing and the track record, an unblemished track record, and that they've been operating for many, many years. ■

