

Making crypto investable for institutional investors

Luxembourg, 06 December 2021 – Cryptocurrencies have established themselves as an asset class in their own right – but not all investors have access to them. Institutional investors in particular frequently continue to be subject to investment guidelines that exclude direct investments. “In these cases, securitisations offer an opportunity to use this asset class”, said Daniel Knoblach, Board Member at Luxembourg-based FAIR ALPHA Coop S.A.

It is not only a matter of participating in the earnings potential. “The price increases in cryptocurrencies are obviously attractive, particularly in times of low or negative interest rates”, Knoblach pointed out. “But more than the potential returns, investors are frequently interested in the diversification offered by Bitcoin & Co.” Their price movements depend on different factors than those of other asset classes so that they can exert a stabilising effect in portfolios and help reduce risk positions – a feature that is very much in demand.

Many institutional investors, however, are subject to restrictions in their investment guidelines because rules and classifications are often lagging behind the markets. “The situation continues to evolve, but regulators are still in the observation phase rather than the decision phase”, said Knoblach. Securitisations that make crypto investable lend themselves to this transitional phase.

“We see very strong demand in this area”, Knoblach emphasised. Specifically the compartments that were launched in Luxembourg represent an optimal vehicle. “A strategy with cryptocurrencies is bundled in – investable – securities”, said Knoblach. “On the one hand, this ensures professional management, and on the other hand, an investment is also possible for institutional investors.”

“Especially in the area of cryptocurrencies, which are often still considered difficult to assess, this is a great advantage – also compared to other jurisdictions”, said Knoblach.

Securitisation often takes the form of a certificate. “In principle, almost all liquid or illiquid assets can be bundled in the Luxembourg compartments and issued as individually structured securities that can be deposited”, Knoblach explained. “For cryptocurrencies, the basis is frequently a basket of tokens, in which investments are then made.” Similar to funds, the compartments are completely detached from the issuer and are also separate under insolvency law so that there is no issuer risk in the classic sense.

The established financial centre Luxembourg is now also expanding its crypto competence. “For institutional investors in particular, it is crucial that Luxembourg not only offers an established and globally recognised securitisation law, but also EU-compliant regulation”, Knoblach added. Upon request, the securities may thus be provided with an ISIN or even with a stock exchange listing, resulting in securities that are eligible for custody and clearing. Especially in the area of cryptocurrencies, which often continue to be considered difficult to assess, this is a great advantage – also compared to other jurisdictions”, said Knoblach.

For additional information visit www.fair-alpha.org.

About FAIR ALPHA

FAIR ALPHA Coop S.A. offers financial market solutions for institutional investors and turns investment ideas and trading strategies into investable and custodial securities. With the help of customised issuance vehicles, securitisations without issuer risk are created. FAIR ALPHA assumes the entire value creation process ranging from product set-up to administration and ongoing life cycle management.

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