

Securitisation: optimal solution for re-entering the crypto market

Luxembourg, 25 July 2022 – Crypto markets have gone through somewhat of a recovery phase recently, with some experts already suggesting an end to the crypto winter. “Even though this assessment may be a bit too optimistic, it is time to consider strategies for re-entering the market”, said Daniel Knoblach, Board Member at FAIR ALPHA. And time to learn from past mistakes.

“Pure buy-and-hold strategies, arbitrage strategies or even trading strategies that are limited to top tier coins are less in demand”, Knoblach pointed out. “This is what we see in the securitisation requests that are currently in the pipeline.” Following the recent crash, crypto markets are being re-evaluated. Projects are scrutinised more critically and strategies are becoming more diversified. “The new approach is more similar to the views of venture capitalists or growth investors”, Knoblach said. “Entry into crypto assets occurs at earlier stages, including increased due diligence and appropriate safety buffers.”

Frequently, there is an even earlier start to the investments. Funds are increasingly collected from investors via securitisation and are then invested in selected new crypto projects. This is exemplified by securitisations that rely on Simple Agreements for Future Tokens (SAFTs), which are ultimately business plans where only the future will show whether they are working. As the tokens have not even been created yet, this is a venture investment in cryptos.

“Interestingly, the fundamental market risk of such an approach is lower than the risk associated with simple buy-and-hold strategies in top tier coins”, Knoblach highlighted. This is due to two reasons: newly securitised products usually have experienced managers at work with deep insight into the crypto sector. “This way interesting projects can be identified early on and supported with capital”, said Knoblach.

On the other hand, securitisation is also an optimal way to counter the conduct in the crypto markets – that frequently conjures up images of the Wild West – with a regulated process. “Institutional clients which are buying such securitisations attach great importance to a proper setup”, Knoblach added. “Luxembourg securitisation law makes it possible to securitise crypto assets with full transparency, to clearly outline the risks of different products, and to pave the way into crypto investing for sophisticated institutional clients.”

It is only logical then that many new strategies are currently being securitised: “Once the crypto winter does in fact come to an end, it will be time to realise that not all crypto assets are set to move upwards in lockstep”, Knoblach said. “Those projects that are now collected in transparent securitisation in a regulated manner will be the out-performers then.”

About FAIR ALPHA

FAIR ALPHA offers financial market solutions for (semi-)institutional investors and asset managers through its subsidiaries. Investment ideas and trading strategies are implemented in investable and custodial securities. In addition, the company pursues digital approaches, which focus on creating and issuing crypto assets (tokens) that are held in specific wallets. With the help of customised issuance vehicles, structures are created that exclude issuer risk. In each case, FAIR ALPHA assumes the entire value creation process ranging from product set-up to administration and ongoing life cycle management. For additional information visit www.fair-alpha.org.

FAIR ALPHA Services SA
17, Rue de Flaxweiler
6776 Grevenmacher
Luxembourg
Tel.: +352 27 48 77 590
E-mail: presse@fair-alpha.org
Web: www.fair-alpha.org