



APPLYING DIGITAL SECURITIES

2021 REPORT

BY ATLAS ONE RESEARCH

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THE DSO MARKET IN NUMBERS

Real Estate Finance Technology Other

KEY FIGURES

Market Capitalization: \$983,326,266.47

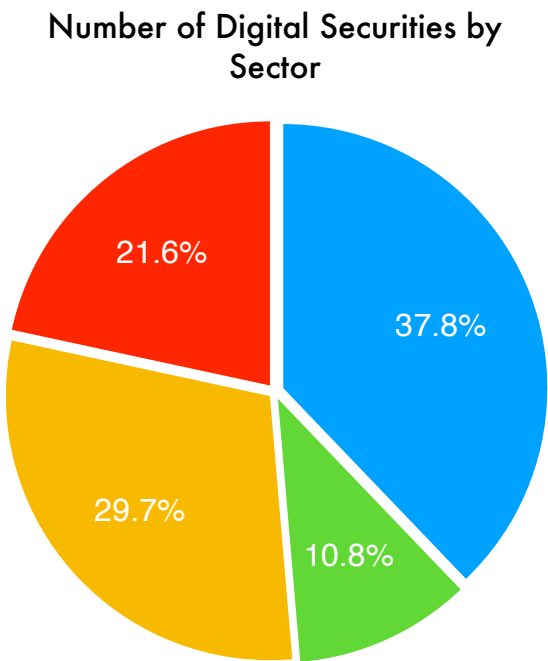
Growth since the start of 2021: 24%

Average Issuer Capitalization: \$13,288,192.79

Median Issuer Capitalization: \$1,520,000.00

Number of Digital Securities: 75 (+1)

Forecasted Year-End Market Capitalization: \$3,500,000,000.00



SECTOR-SPECIFIC

	Total Capitalization
Real Estate	\$149,019,870.25
Finance	\$232,465,780.94
Technology	\$224,837,420.70
Other	\$377,003,194.58

BANKING APPLICATIONS OF DSO'S

Banks are beginning to adopt digital securities, particularly in the fixed income sector. Exactly one year ago, Société Générale - a French multinational investment bank - announced the issuance of €40 million worth of covered bonds as digital securities directly registered on a public blockchain.

The so-called OFH tokens were fully subscribed by Société Générale. The bank paid the issuer in a digital form of euros issued by Banque de France through a blockchain platform.

The issuance marked the proof of concept for financial securities being digitally settled through a Central Bank Digital Currency (CBDC).

We fast-forward one year, and CGS-CIMB - one of the leading integrated financial service providers in Asia - is experimenting with a digital security commercial paper that pays investors 1% and is tradable between parties. The initial tranche of the 3-month notes was for \$7.5 million and was oversubscribed.

Other examples of blockchain-based commercial paper issuances include China's Zheshang Bank's \$17 million note in 2020, European Investment bank (in collaboration with Euroclear, Santander and EY) in 2019 and Rabobank in February 2021.

CGS-CIMB's commercial paper issuance took about half the time compared to a traditional one, according to the bank. Carol Fong, group CEO of CGS-CIMB mentioned that "Digital issuances are likely to grow and become a strong complement to traditional capital raising channels."

As more banks adopt digital securities, the pressure on lagging jurisdictions to adopt Central Bank Digital Currencies grows. If this trend continues, the \$59 trillion global fixed income market¹ could be set for disruption.

¹ RBC (PH&N Institutional), ["The Global Fixed Income Landscape"](#), 10/07/1010

There are numerous reasons why banks are experimenting with digital securities for these types of transactions, as outlined in the table below:

Traditional Commercial Paper and Other Debt Issuances	Debt Issuances Done Through Digital Securities
Manual KYC and onboarding	Done via digital platform
Manual cap-table management	Ownership is verifiable by wallets
Limited liquidity	Liquidity through Secondary Markets
Slow issuance and sale of instrument	Digital sale and instant settlement
Manual dividend distribution	Automated dividends on blockchain

Many types of institutional investors participate in the commercial paper market, and in the US we have experienced a significant rise in non-financial firms' market share. Non-financials now make up over 25% of the US commercial paper market², which can point towards an increased potential for technological disruption in how these investments are distributed and traded.

There are currently 8 fixed income digital securities, representing 10% of the all DSOs globally. Although the benefits of digital securities are becoming understood by major banks, the issuance of debt on the blockchain is still in its early stages. Banks are generally risk-averse, and take time to adopt new technologies. We are likely to see adoption of digital securities in jurisdictions that already have the infrastructure for instant settlement through CBDCs.

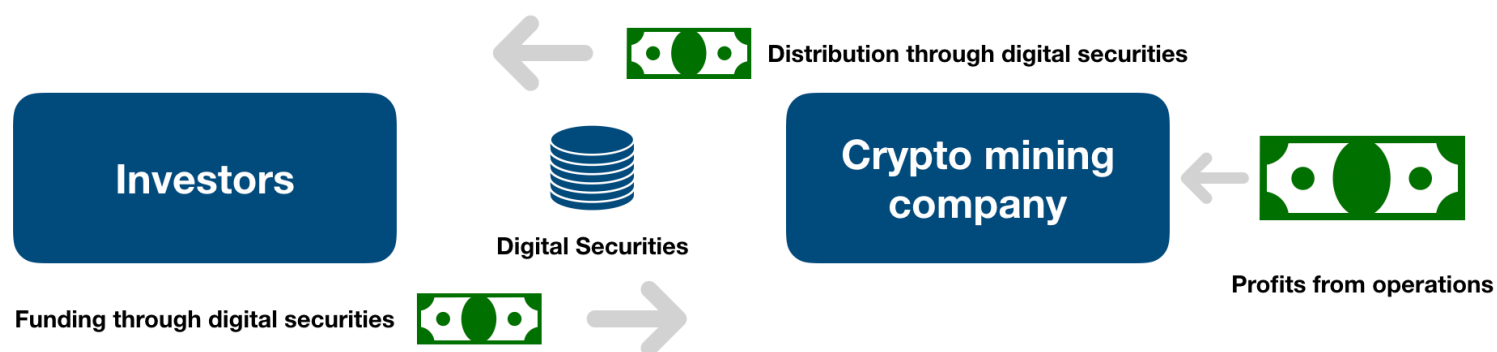
But until this is the case in all major financial hubs, a hybrid approach will likely become the norm, where banks issue their debt instruments through both traditional means as well as digital securities.

² US SEC, ["Primer: Money Market Funds and the Commercial Paper Market"](#), 9/11/2020

OTHER APPLICATIONS OF DIGITAL SECURITIES

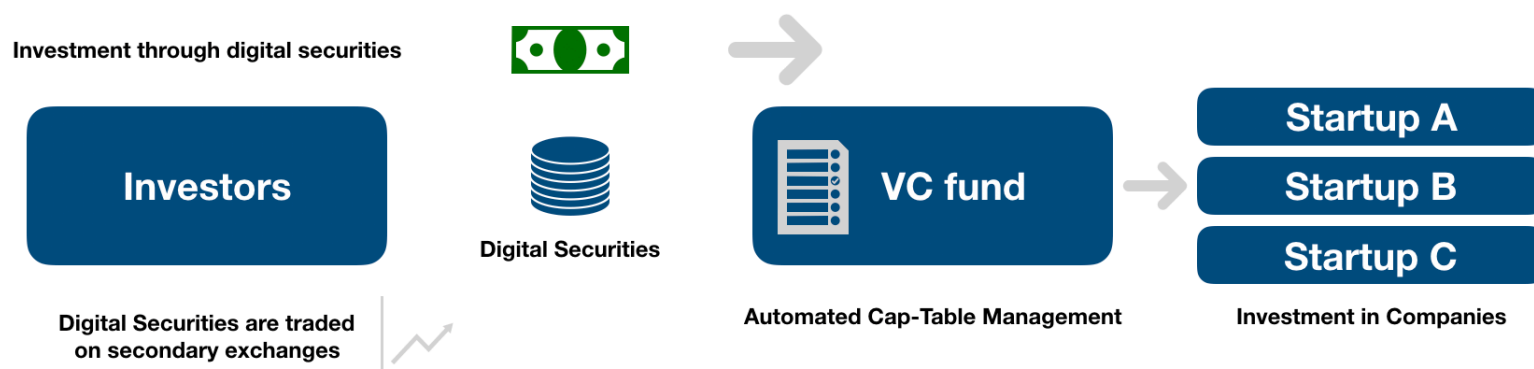
As the digital securities market grows in both size and proliferation, we are seeing various sectors adopt the new capital raising technology. Here is a breakdown of each major emerging sector that is taking advantage of digital securities, and how DSOs are helping them raise capital more efficiently:

Cryptocurrency mining: one of the biggest challenges with cryptocurrency mining is raising the capital necessary to build out the initial infrastructure. Blockstream, a blockchain technology company from Victoria, British Columbia, is turning to digital securities in order to provide investors with revenue sharing rights of their Bitcoin mining operations. By automating dividend distributions, digital securities allow these firms to efficiently raise capital and reward their investors.

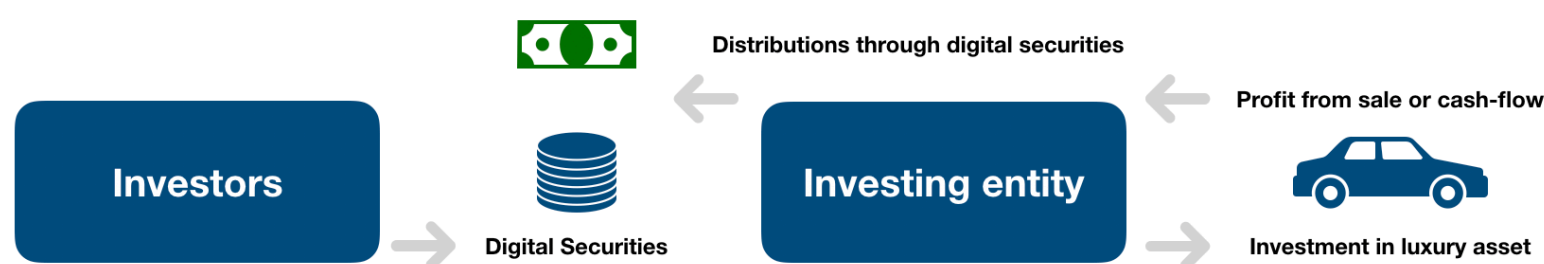


Venture Capital Funds: venture capital funds are generally illiquid, which makes their investor books quite concentrated at times. Due to the high-risk nature of the venture capital ecosystem, some investors may find that they are taking on additional risk by placing capital in a fund that may not have enough liquidity for them to freely exit their position at a later date.

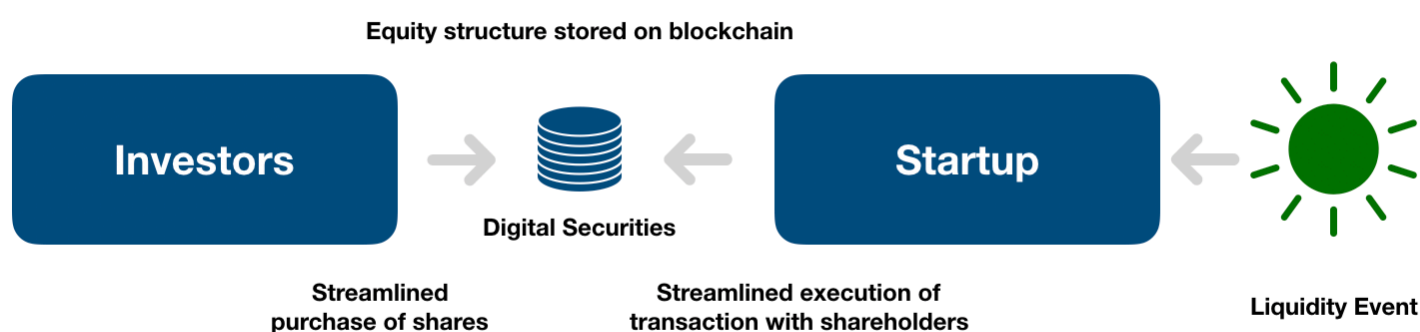
Blockchain Capital (BCAP) is a powerful example of how digital securities can make venture capital more accessible and efficient for both the funds and investors. The BCAP digital security has laid the groundwork for other VC funds to raise capital through DSOs, and returned over 1300% since 2017.



Tokenized Luxury Assets: luxury vehicles and property are traditionally reserved for the wealthy, but they can oftentimes be profitable investments if the owners find a way to flip them. CurioInvest, a digital securities platform enabling everyone to invest in collectible cars, is now issuing securities backed by rare vehicles on the Ethereum blockchain. Their largest issue, a Ferrari F12DF Limited Edition (only 799 in the world), is already sold out and raised \$1.1 million.



Startup Equity: early-stage companies traditionally face numerous hurdles when raising seed capital. Digital securities not only offer a streamlined way to manage investors' share purchases, but also facilitate the execution of any potential sale transaction.



NEW ISSUERS AND RECENT GROWTH

The digital securities market is growing into new sectors, and new industries are benefitting from the access to liquidity via blockchain technology.

Here is a breakdown of the latest events and offerings in the digital securities world:

- **Faer Isles Distillery** announced their digital security offering (DSO) on March 15, raising \$718,000 from 500 investors. The offering is now available to the public - investors looking to have a stake in the \$70 billion whisky market can purchase shares with both fiat and cryptocurrencies. Their business concept is to utilize the unique opportunities provided by the location - the Faroe Islands - to produce exclusive gin and whisky. The firm expects to pay dividends in 2026.
- **The Exodus public offering** raised \$75 million and is sold out. Exodus is a technology company focused on producing user friendly cryptocurrency wallets. Exodus is working to enable investing and trading for all investors from approved jurisdictions and anticipates having solutions during the second quarter of 2021. Exodus will be available to trade via tZERO's trading platform.
- **BnkToTheFuture** - a securities business focused on syndicating private shares in the largest companies in Bitcoin and Crypto since 2010 - has joined the Binance Broker Program to offer more flexibility to its investors in how they invest and trade through a deep platform integration. BnkToTheFuture has already offered investors access to private Coinbase, Kraken and Blockchain.com shares.

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