



DIGITIZATION OF FIXED INCOME

DIGITAL SECURITIES REPORT

BY ATLAS ONE RESEARCH

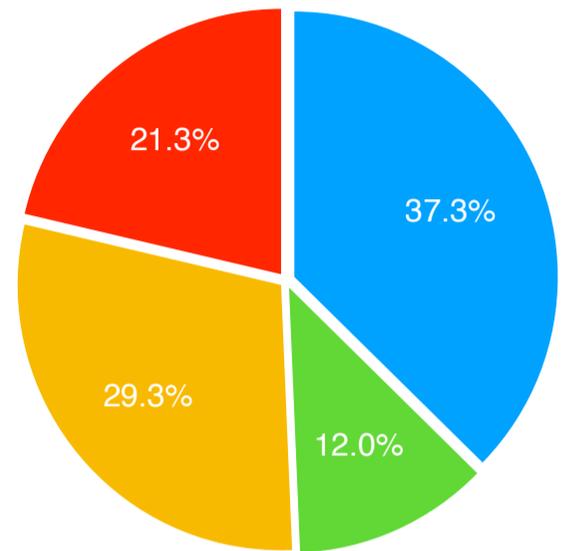
AUTHOR: VLAD ESTOUP



THE DSO MARKET IN NUMBERS

● Real Estate ● Finance ● Technology ● Other

Number of Digital Securities by Sector



KEY FIGURES

Market Capitalization: \$1,134,193,968.70

Growth year-over-year: 89%

Average Issuer Capitalization: \$15,122,586.25

Median Issuer Capitalization: \$1,520,000.00

Number of Digital Securities: 75

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

SECTOR-SPECIFIC

	Total Capitalization
Real Estate	\$137,435,529.58
Finance	\$232,201,170.88
Technology	\$338,554,389.20
Other	\$426,002,879.04

FIXED INCOME MARKETS ARE ADOPTING DIGITAL SECURITIES

Large banks and institutions are amongst the latest adopters of digital securities, particularly when it comes to fixed income investments. Singapore is currently one of the leading jurisdictions in terms of digital securities adoption.

Some large Singaporean banks are experimenting with digital securities in order to speed up settlement times and create secondary markets for their fixed income investments.

In early May, CGS-CIMB issued a commercial paper on ADDX (previously iSTOX), a blockchain tokenization platform offering investors access to tokenized real estate, hedge funds and venture capital funds.

On June 1st, DBS Bank launched a digital bond security token, offering institutional and accredited investors access to a fixed income instrument through digital securities.

Eng-Kwok Seat Moey, the group head of capital markets at DBS, emphasized that security tokens offer an efficient and innovative method for raising capital in the Asia-Pacific region, which currently represents more than 30% of the global private equity markets.

Digital securities are proving to be safe and efficient in terms of raising capital, distributing dividends and offering secondary markets.

In this report, we will analyze both offerings in detail, offering a deep look into the offerings themselves, as well as reasons how the banks are tapping into the growing ecosystem of digital securities.

CGS-CIMB COMMERCIAL PAPER

Total size: USD 112,000,000.00

First tranche: USD 7,500,000.00



Funding Status: Oversubscribed

Expected Yield: 1% per annum

Payment Period: 3 months

CGS-CIMB Group is one of the leading integrated financial service providers in Asia. The Group's businesses include retail broking, institutional equities, corporate advisory, fixed income, CFDs, prime services, foreign exchange, futures, equities research, wealth management and online broking.

The listing venue, ADDX (formerly known as iSTOX) is an investment firm regulated by the Monetary Authority of Singapore, providing issuers access to capital through digital securities. Similar listing venues are emerging around the world, leveraging blockchain technology to streamline capital raising and bring liquidity to traditionally illiquid assets.

The 364-day commercial paper programme provides for multiple tranches over the next few quarters, and the first one was quickly oversubscribed and now trades on ADDX's secondary market. Taurus Point Capital served as the adviser to CGS-CIMB for the issuance.

The offering is geared towards institutional and accredited investors seeking a low-risk cash management solution.

Carol Fong, group chief executive officer of CGS-CIMB, said: “This is the first commercial paper programme we have done in digital securities form, and it allows us to tap an alternative source of funding and a wider spectrum of investors. In working with [ADDX] to launch this programme, we were pleasantly surprised that it was completed in half the time a traditional issuance would usually take. Through this collaboration, we are keen to explore first-hand what digital assets and exchanges might hold for us as a broker in the future. Digital issuances are likely to grow and become a strong complement to traditional capital raising channels.”

The issuer is a wholly-owned subsidiary of CGS-CIMB Securities International, which is a 50-50 joint venture between China Galaxy International Financial Holdings Limited, a wholly-owned subsidiary of China Galaxy Securities, and CIMB Group, a wholly-owned subsidiary of CIMB Group Holdings Berhad.

Yee Choo, Chief Commercial Officer at ADDX, mentioned: “Investors earn a better yield on funds that are undeployed for various reasons. These may be funds that are in between investments or that have been earmarked for an expenditure item in the near term, such as university tuition fees or a property down payment. Compared with a fixed deposit at a bank, a commercial paper investment offers a significantly higher interest rate. It also helps the investor avoid the risk of incurring a penalty should there be a need to withdraw funds ahead of maturity – since the iSTOX exchange can facilitate the sale of the paper to other investors.”

In summary, this investment combines the low-risk profile of a bank’s commercial paper with the liquidity of digital securities.

DBS BANK DIGITAL BOND

Total size: USD 11,300,000.00

Lot Size: USD 7,600.00



Trading: DBS Digital Exchange

Expected Yield: 0.6% per annum

Payment Period: 6 months

DBS says that this issuance paves the way for future issuers to utilize their digital infrastructure to facilitate access to capital markets.

“We expect asset tokenization to increasingly become more mainstream as more of our clients start to embrace security token issuance as part of their capital fundraising exercise, which we believe will boost Singapore’s ambitions to be a digital asset hub in Asia,” said Eng-Kwok Seat Moey, DBS’ group head of capital markets, in a statement.

The bond marks an important milestone in DBS’ “asset digitization strategy”. It is traded on the DBS Digital Exchange, which has gained significant traction since its inception in December. The lot size is significantly smaller than usual in order to promote DBS’ exchange and increase overall adoption of digital securities in the fixed income sector.

DBS Digital Exchange provides investors with liquidity in traditionally illiquid asset classes, combined with an institutional grade custodian (DBS currently holds over USD 60 million in digital assets in its custodial services).

RECENT NEWS & DEVELOPMENTS

CURATED FROM



- **Standard Chartered and BC Group Partner to Establish Europe-Based Institutional Digital Asset Trading Venture:** SC Ventures, the innovation and ventures unit of Standard Chartered, and BC Technology Group, Asia's leading digital asset company and parent of Hong Kong Securities and Futures Commission (SFC)-licensed digital-asset platform OSL, announced they have partnered to establish a digital asset brokerage and exchange platform for institutional and corporate clients in the UK and Europe.
- **INX Limited Completes Openfinance Acquisition:** INX Limited, the owner of blockchain-based platforms for trading digital securities and cryptocurrencies, today announced it has completed the acquisition of Openfinance Securities, LLC, following INX receiving approval from the Financial Industry Regulatory Authority, Inc. for change of ownership. With the closing of the acquisition, INX now counts Openfinance's broker-dealer/ATS – including its digital security listings and client base – among its wholly-owned subsidiaries. Openfinance's registered user base will have the option to onboard onto the INX Digital platform using their Openfinance verification credentials.

- **Tokenization Will Allow Industrial Companies to Create Additional Value for Their ESG-Compliant Products:** Interros founded by Vladimir Potanin, and one of Russia's largest investment firms, will support Atomyze, the international tokenization platform. The announcement was made by Sergei Batekhin, CEO and Head of the Management Board of Interros, while he shared his views on the emerging digital trading technology at the St. Petersburg International Economic Forum.
- **Polymath Grows Node Operator Base on Polymesh Blockchain with BLOXXON AG:** BLOXXON AG, a Berlin-based finTech company offering digital asset solutions and API services to institutional investors and financial services providers, is now running an authoring node on the testnet for Polymesh blockchain.
- **Crypto Asset Rating Inc. Plans to Launch Its Digital Securities for Non-US Investors Under Regulation S:** Crypto Asset Rating Inc (CAR), a US-based Fintech Company, announced that it plans to launch digital token securities for non-US investors using the Tokenization Asset Platform. These digital securities will offer potential investors an exciting opportunity to invest in a FinTech Company, which is already revamping the financial market.

Visit our Research Terminal at research.atlasone.ca to get access to digital securities market insights, reports, news and more.

Disclaimer: The information provided on Atlas One's research, social media channels, website, webinars, blog, emails and accompanying material (collectively, the "Information") is for informational purposes only. It does not constitute or form any part of any offer or invitation or other solicitation or recommendation to purchase any securities. The Information should not be considered financial or professional advice. You should consult with a professional to determine what may be best for your individual needs. The Information is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it does Atlas One assume any liability. Atlas One assumes no obligation to update the information or advise on further developments relating to these areas.