



# DIGITAL SECURITIES & PRIVATE MARKETS

2021 REPORT

BY ATLAS ONE RESEARCH

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# THE DSO MARKET IN NUMBERS

● Real Estate ● Finance ● Technology ● Other

## KEY FIGURES

Market Capitalization: \$907,920,884.57

Growth since the start of 2021: 23%

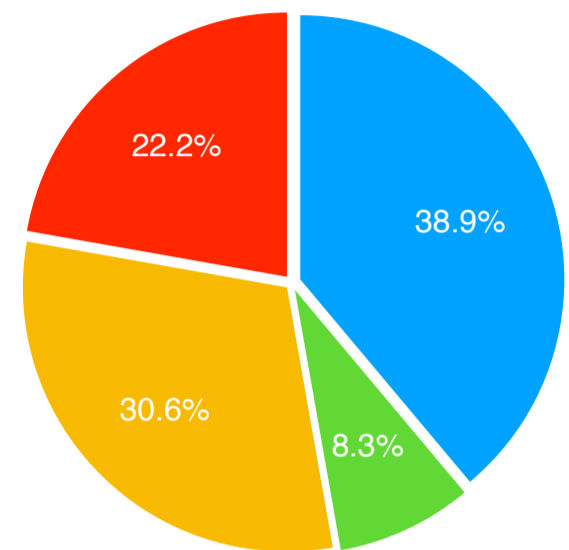
Average Issuer Capitalization: \$12,558,982.58

Median Issuer Capitalization: \$1,505,944.69

Number of Digital Securities: 74 (+6)

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

Market Cap by Sector



## SECTOR-SPECIFIC

	Total Capitalization	Estimated number of Securities	New Additions
<b>Real Estate</b>	\$149,373,691.71	30	RealT, SolidBlock
<b>Finance</b>	\$142,165,780.94	6	None
<b>Technology</b>	\$239,818,217.34	22	Exodus, Blockstream, InfiniteFleet
<b>Other</b>	\$376,563,194.58	16	None

# DSO MARKET OVERVIEW

Access to private investments has been traditionally reserved for accredited investors. Opaque financial information about issuers, slow paper-based processes and low liquidity have resulted in more rigid regulations around who should have access to private markets.

But the recent boom in financial technology is changing the reality of private markets. Thanks to digital payments and blockchain technology, we are now entering the next age of private markets, where securities are digitally available to investors around the world, in real-time and sometimes even 24/7.

Digital securities have been around since 2019, but with the recent increase in overall blockchain adoption we are beginning to see the powerful benefits of digitization. New secondary trading venues are appearing every month around the world, particularly in North America, Asia and Europe. These emerging exchanges are giving investors the ability to trade freely and purchase securities from markets they normally would not have access to.

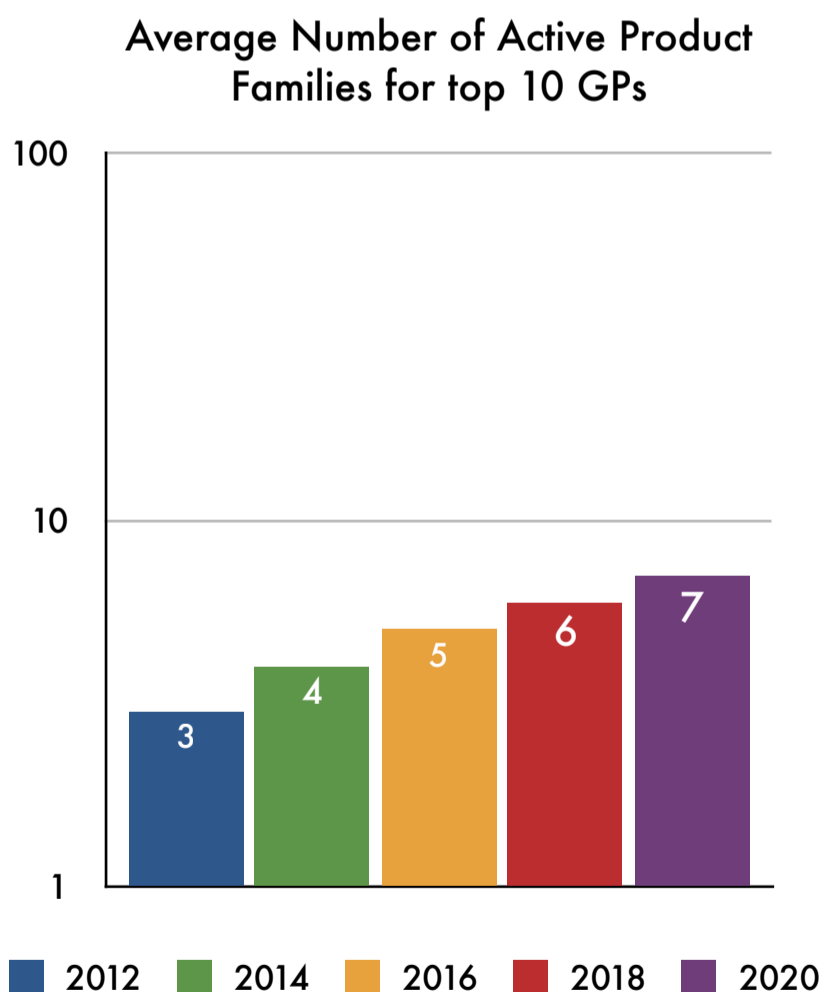
The DSO ecosystem has seen tremendous growth over the first quarter of 2021, as we outlined in our [2021 Q1 Digital Securities Report](#), which is available for free on our Research Terminal. We estimate market growth of about 25% for the first quarter of the year, with the overall market capitalization of the digital securities market reaching close to \$1 billion.

Digitization of securities is particularly disrupting the real estate market. Valued at over \$280.6 trillion, this asset class is becoming increasingly digitized. Through real estate digital securities, investors from all over the world can access this asset class without facing high transaction costs. Digitization of real estate investments is also lowering the risks associated with concentrating capital into individual properties, allowing everyday investors to diversify their real estate portfolios through both structured funds and direct ownership.

# PRIVATE MARKETS BOUNCING BACK

2021 has been a “bounce-back” year so far for private markets. As a result of the global pandemic, global private markets fundraising decreased by 21% in 2020 on a year-over-year basis. However, we are seeing an important comeback in parallel with public markets, which is a promising sign as we enter an unprecedented economic recovery. Private markets assets under management (AUM) grew by 5.1% during the second half of 2020, and is continuing an upward trajectory past its all-time-highs in 2021, with private equity accounting for the largest growth.

An interesting trend has been the overall long-term increase of product proliferation in private markets, which could significantly benefit the digital securities ecosystem. This proliferation has taken place both in terms of geography and asset class. Non-flagship funds are increasing tremendously, accounting for nearly 50% of total funds raised. Funds with a global focus (rather than just North American) are becoming numerous, as well as real estate funds.



Private markets are evolving, becoming more widespread and diverse. This is highlighting the need for a well connected secondary trading network, which will address issues around liquidity, transferability, transparency and settlement.

Digital securities are here to solve that problem, and the space is quickly gaining traction, particularly in jurisdictions where regulations promote adoption of blockchain technology in capital markets.

Sources: Cobalt (January 2021), from McKinsey's Global Private Markets Review 2021

# SECONDARY TRADING ON THE RISE

A number of secondary trading venues for digital securities are emerging around the world, creating a first of its kind liquidity ecosystem for private capital markets. Here are some of the top emerging secondary trading venues:

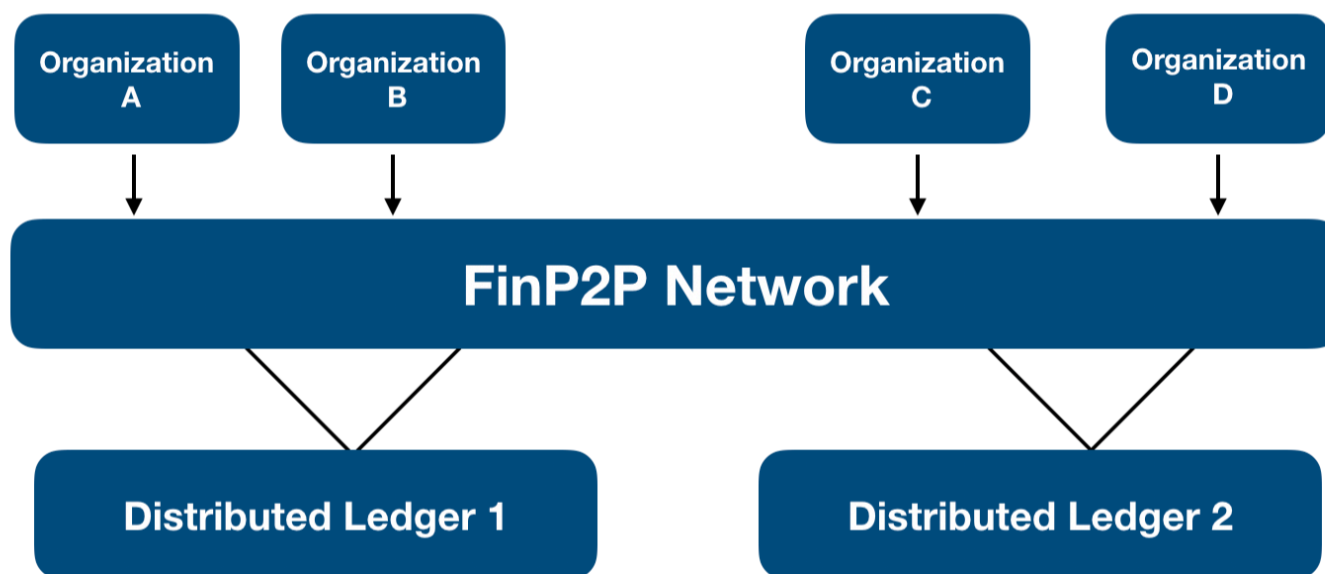
Trading Venue	Description	Jurisdiction
<b>tZERO</b>	The platform will soon offer investors access to a variety of new digital assets, such as cryptocurrencies, digitized public equities (tokenized stocks, which are now offered in a variety of cryptocurrency exchanges) and private digital securities (such as Overstock, tZERO, Aspencoin and most recently Exodus).	United States
<b>Skyhook DAWN</b>	Skyhook Capital Pte. Ltd. has launched the first marketplace for digital assets with full integration into conventional investment product distribution networks. Skyhook's Digital Assets Wealth Network (Skyhook DAWNTM) provides a single connection point on the cloud for conventional e-wealth and digital banking channels.	Singapore
<b>INX</b>	After leading the world's first digital security IPO and acquiring digital securities exchange OpenFinance, INX is preparing to launch a fully regulated platform for trading digital assets. They will provide users access to both cryptocurrency markets as well as digital securities.	United States
<b>Hong Kong Virtual Assets Exchange</b>	HKVAX is a virtual assets exchange that provides professional virtual assets trading and customized services for institutions looking to invest in the virtual assets and financial technology sectors. The exchange has formed a strategic partnership with Magic Circle, a digital securities solutions provider.	Hong Kong
<b>Equisafe Markets</b>	Equisafe, a Paris-based digital blockchain-based transfer agent, has announced the launch of Equisafe Markets, a secondary market for digital securities. Equisafe said that the first listing on the market will be Carthagea, a French operator of medicalized residences in Tunisia with its head office in France. The share listing was launched on April 1, 2021.	France
<b>Uniswap</b>	Uniswap is a decentralized exchange where users can connect their Ethereum wallets and trade digital assets through various liquidity pools. Many of RealT's real estate digital securities currently trade on Uniswap, providing liquidity for investors.	Decentralized

# CONNECTING ISSUERS FOR LIQUIDITY

The development of FinP2P by Ownera, a network connecting several enterprise DLT technologies around the world, is showing promising signs of a move towards digitization. FinP2P is serving as an abstraction layer that connects market players in order to digitize, systemize and automate private markets.

Each entity on the FinP2P network is defined as a node. By defining a protocol and a set of specifications APIs, the network provides a communication abstraction layer between applications, data privacy and distributed ledger implementations.

FinP2P aims to be “an intermediary, thin and stateless network layer, interconnecting between any app and any approved distributed ledger technology, to which all financial institutions can easily connect”. The basic anatomy of the network is as follows:



FinP2P works with “Certificates”, which are “given” to a profile by a trusted party (node). It offers KYC (Know-Your-Client) features, which safeguards the integrity of the market. In addition, the network has a built-in KYA (Know-Your-Asset) model. By only allowing the primary node of each asset to add KYA documents (such as offering documents), FinP2P ensures that investors know exactly what they are buying and who they are buying it from. Although each company is still responsible for its own compliance, FinP2P is providing infrastructure for a regulated decentralized digital securities liquidity network.

# RECENT DEVELOPMENTS

The Digital Securities market is in full motion, and as new offerings surface, so do new partnerships, technological applications and distribution networks. Here are the highlights over the past few months:

- **Tokeny Solutions and Polygon have partnered**, allowing asset issuers to easily tokenize compliant securities in a cost-effective and scalable way. Tokeny Solutions provides technology for securities issuers to tokenize their assets and Polygon is a layer 2 protocol building and connecting Ethereum-compatible blockchain networks.
- **Simetria is working with Algorand** to launch digital securities exchange in Israel, in an effort to allow private companies to meet liquidity for the benefit of their employees, founders and VCs.
- **BlockHaus**, the first digitized real estate platform in Miami has launched, in a mission to “Democratize real estate by providing liquidity solutions through asset digitalization”. The platform offers a variety of properties, from single-family homes to multi-family and pre-construction projects.
- **Canadian cryptocurrency mining companies Blockstream and Brox Equity** launch digital security offerings to give investors a new form of exposure to cryptocurrencies and build environmentally friendly mining infrastructure.
- **Fintor** today announced the completion of its \$2.5 million Seed round which will be used to build an innovative fractional real estate investing platform. The platform allows U.S. persons to access investment opportunities in the real estate asset class starting with as little as \$5.

Visit our Research Terminal at [research.atlasone.ca](https://research.atlasone.ca) to get access to digital securities market insights, reports, news and more.

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