

Building Institutional-Grade Services to Support New Assets and Markets

Spotlight on Market Infrastructure for Digital Assets

The combination of modern technology, ambitious entrepreneurs, and greater investor appetite for new assets is revitalizing traditional asset classes like real estate while enabling new assets like digital assets or private securities to be digitized and tokenized, so they can be easily, cost-effectively, and securely traded. Rosenblatt Securities believes that this transformation of traditional asset classes, and the creation of new ones beyond financial securities, will redefine the scope and scale of financial services. *Building Tomorrow’s Marketplaces* to support new assets is the theme for the [13th Rosenblatt FinTech Summit](#) to be held on May 19-20. Please read more about this concept and a description of our Summit theme in our [Viewpoint](#) published earlier.

But for all these new assets to come online, get traded on new marketplaces, and for greater investor adoption, a whole new market infrastructure needs to be developed. Long-term sustainable growth of new assets heavily depends on institutional-grade infrastructure for pre-trade services like research and analytics, comprehensive execution support, and post-trade services like clearing/settlement or securities lending. Institutional investors (pension funds, endowments, foundations, corporate treasurers) are attracted by the investment potential of cryptocurrencies and their diversification potential but often dissuaded by the high execution and settlement cost, and operational risk. As these risks are gradually addressed by innovative firms building out infrastructure for the crypto market, investor demand should grow for cryptocurrencies and other alternative assets. The smartest VCs and CVCs are aggressively funding private companies building out this infrastructure for assets across real estate, private securities, loyalty, cryptocurrencies, collectible Art, and even NFTs. Our upcoming FinTech Summit will host a carefully selected panel of five leading firms building such infrastructure: [Aave](#), [Anchorage](#), [BlockFi](#), [FalconX](#), and [Paxos](#).

The image shows a promotional graphic for a panel discussion. On the left is a vertical banner for the '13th Annual FinTech Summit' with the theme 'Building Tomorrow's Marketplaces' and dates 'May 19-20, 2021'. The main part of the graphic is a horizontal banner titled 'Digital Asset Infrastructure' with the subtitle 'Building Institutional-Grade Infrastructure to Support New Markets'. Below the title are five speaker portraits, each with their name, title (CEO), and company logo: Charles Cascarilla (PAXOS), Stani Kulechov (AAVE), Nathan McCauley (ANCHORAGE), Zac Prince (BlockFi), and Raghu Yarlagadda (FALCONX).

Building Infrastructure for New Assets and New Markets

New marketplaces are enabling a broad range of assets to get traded beyond traditional financial assets like equities, fixed income, FX, or commodities. But the execution is merely one of the activities required to enable an asset to be more readily investable and tradeable. An entirely new stack of infrastructure and services has to be developed for new asset classes to come fully online and grow, including pre-trade tools, order/portfolio management, risk management, securities lending, collateral management, custody, and clearing/settlement.

Over the next 3-5 years, there is an enormous opportunity for FinTechs to help build this infrastructure for different types of assets across the trade lifecycle:

- **Pre-trade services and product distribution:** For new assets to gain broad adoption and sustainable growth, a robust set of pre-trade services are required covering investor education, research, and investment decision making for individuals and institutions. Generic order and portfolio management tools developed to handle public equities will need to be customized to accommodate the nuances of alternative assets like private securities, loyalty points, Digital Assets, and even NFTs. As an example, [Tradeblock](#) offers advanced analytics for crypto traders ([Coindesk](#) acquired it in Jan 2021). Then there are services like [ArtBnk](#), an AI-driven platform for valuing Art that investors can use to make informed decisions.
- **Execution services:** While there have been OTC or bilateral execution models in non-financial assets (think Sotheby's and Christie's in collectible Art), advanced exchange-like models are now emerging that drive better price discovery, aggregate liquidity, reduce execution risk, and broaden investor access. [Masterworks'](#) online platform allows a much wider range of investors to buy fractional shares of collectible Art conveniently and cost-effectively. In the crypto space, exchanges like [Binance](#) and [Coinbase](#) enable a large number of crypto-assets to be traded, and rapidly build institutional-grade functionality to improve execution. [FalconX](#) is a principal dealer helping institutions execute \$1Billion+ Bitcoin orders with low slippage and execution cost.
- **Post-trade facilities:** Often under-appreciated, these services are essential for new assets to gain wider adoption. Under-developed clearing, settlement, and custody create high risk, restricting the broader adoption of new assets by investors. Two leading firms at our Summit will share their plans to develop such post-trade infrastructure and services for the crypto market. [Anchorage](#) is a crypto platform for institutions providing secure custody as well as financing, staking, and governance. Similarly, [Paxos](#) is bringing brokerage services, settlement, and post-trade automation to both traditional securities (equities) and digital assets. It offers an alternative to DTCC giving traders the option to settle securities trades on the Blockchain, significantly improving efficiency.
- **Risk management and Compliance:** Adequate risk management, regulatory compliance, fraud management, and AML/KYC are hugely important issues in burgeoning assets and can stymie their growth significantly. In markets like cryptocurrency with limited regulatory guidance, weak institutional structures, and inadequate supervision, there is an enormous risk of fraud, cyber hacking, identity theft, and market manipulation. Our Summit will have a dedicated panel with five leading RegTech firms – [Elliptic](#), [Eventus Systems](#), [Looking Glass](#), [Onfido](#), and [ThetaRay](#), to describe how they are addressing these issues. Stay tuned for our next Viewpoint to be published in April that will discuss this topic in greater detail.
- **Securities Lending and prime services:** Lending and prime services are sophisticated offerings usually prevalent in mature asset classes. Only when an asset demonstrates the significant promise of institutional adoption do participants begin offering services like lending. This is starting to happen in the crypto space. A leading player is [BlockFi](#), offering securities lending and prime services to the Bitcoin market, paying clients a fee to loan their positions and helping customers earn a yield on their Bitcoin balances just like a savings account.

Concluding Thoughts

Rosenblatt's 13th FinTech Summit "[Building Tomorrow's Marketplaces](#)" to be held virtually on May 19-20th, will examine how new assets (Cryptocurrencies, Loyalty, Sports, and even NFTs) are coming online rapidly, broadening access to investors. We will showcase a variety of marketplaces on the first panel, followed by two panels of 10 cutting-edge FinTechs who are building the infrastructure to support these assets across the front-trade office, execution, post-trade services, and regulatory compliance. These providers are building robust

infrastructure from advanced execution to sophisticated services like prime brokerage and securities lending, which will build confidence among institutional investors to adopt these assets widely. Smart investors have recognized the tremendous potential of funding firms that are building the roads and the rails, the picks and shovels, for new assets like cryptocurrencies. Four providers of such technology that are speaking at our Summit are already Unicorns, with a few more on their way to hitting \$1 billion in valuation. But these are early days, and there is ample room for new investors to come in and fund more of these companies that are building the foundation for tomorrow's assets.



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