

# SECURENCY: OPTIMIZING FINANCIAL LOGISTICS

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On April 26, Securrency, a company focused on [blockchain](#)-based financial and regulatory technology, announced the completion of its \$30 million Series B investment round. WisdomTree Investments, Inc., along with Abu Dhabi Catalyst Partners Limited, State Street, U.S. Bank and others, invested in the round. This investment follows our initial lead investment in Securrency's Series A round in late 2019.

WisdomTree is not a typical venture capital investor. We have a high strategic threshold for deploying our firm's balance sheet assets. As anyone who knows our firm's story can attest, we are big believers in the ETF structure. We came to blockchain infrastructure with a simple question: "What could do to ETFs, what ETFs did to mutual funds?" In retrospect, we should probably have rephrased the question. The foundational features of the ETF structure—transparency, [liquidity](#), consistency—are not going anywhere. In a world where the Chair of the [Federal Reserve](#) comments publicly on a U.S. central bank digital currency (CBDC), Visa accepts a blockchain-based U.S. dollar as a settlement currency (USDC) and the market value of all Bitcoin is over \$1 trillion, we believe the bigger question today is, "What part of financial services won't be impacted by blockchain in the coming years?"

With that in mind, here are some things we're excited to see from Securrency:

**Institutional DeFi:** Decentralized finance (DeFi) has taken the world by storm—at least the early-moving crypto world. DeFi refers to decentralized applications used to deliver financial services.<sup>1</sup> A segment of early adopters may view the term 'institutional DeFi' as inherently inconsistent. That is fine. To us, DeFi has demonstrated the possibility of more automation, transparency and auditability in finance. We think these are qualities that will work just as well in an institutional, and regulated, environment.

**Blockchain-enhanced compliance:** After the early days of Silk Road and ICOs, the idea that blockchain could actually enhance regulatory compliance might strike many as odd. Securrency's team has taken a different approach from the start. Using smart contract engineering, Securrency has developed unique solutions for firms to conduct transactions that are compliant with securities law and anti-money laundering regulations in decentralized settings. The potential for this technology is immense, allowing for a more interconnected, interoperable and global financial system.

**Financial logistics:** Ultimately, Securrency has been focused on delivering better financial logistics—figuring out how to move different forms of value from point A to point B in a manner that is fast, cheap and compliant. Optimizing for financial logistics should allow firms to offer financial services at lower price points with a better user experience. Recent news events, such as the GameStop/Robinhood saga, have only demonstrated the benefits improved financial logistics will bring to market participants.

At WisdomTree, we have talked a bit about our product development efforts with Securrency. The completion of the Series B investment round represents an important milestone in these continued efforts. Among our initiatives will be evolving the 1940 Act open-end fund by leveraging blockchain and Securrency's technology. We will start with one of the hallmarks of ETFs—transparency—and over time seek to add other features, including peer-to-peer transfers and secondary market trading. Our aim is to provide the blockchain-enabled WisdomTree Funds with features that extend beyond traditional ETFs while leveraging our [Modern Alpha](#) approach. Ultimately, WisdomTree's vision is to create an ecosystem that brings the benefits of blockchain to a greater population, with the goal of fostering greater financial inclusion and financial freedom. Over the coming months, we'll have more updates on these efforts.

<sup>1</sup>A definition from Andreessen Horowitz: “DeFi” refers to dApps [decentralized applications] for finance, such as exchange, lending, and saving. DeFi applications inherit the properties of blockchains — digital, open, and decentralized— — because they are encoded in the smart contracts on crypto networks. They combine traditional finance with the power of software to enable vastly more programmable and powerful financial applications. [Crypto Glossary: Cryptocurrencies and Blockchain - Andreessen Horowitz \(a16z.com\)](#)

There are risks associated with investing, including the possible loss of principal. Crypto assets, such as bitcoin and ether, are complex, generally exhibit extreme price volatility and unpredictability and should be viewed as highly speculative assets. Crypto assets are frequently referred to as crypto “currencies,” but they typically operate without central authority or banks, are not backed by any government or issuing entity (i.e., no right of recourse), have no government or insurance protections, are not legal tender and have limited or no usability as compared to fiat currencies. Federal, state or foreign governments may restrict the use, transfer, exchange and value of crypto assets, and regulation in the U.S. and worldwide is still developing. Crypto asset exchanges and/or settlement facilities may stop operating, permanently shut down or experience issues due to security breaches, fraud, insolvency, market manipulation, market surveillance, KYC/AML (know your customer/anti-money laundering) procedures, noncompliance with applicable rules and regulations, technical glitches, hackers, malware or other reasons, which could negatively impact the price of any cryptocurrency traded on such exchanges or reliant on a settlement facility or otherwise may prevent access or use of the crypto asset. Crypto assets can experience unique events, such as forks or airdrops, which can impact the value and functionality of the crypto asset. Crypto asset transactions are generally irreversible, which means that a crypto asset may be unrecoverable in instances where: (i) it is sent to an incorrect address, (ii) the incorrect amount is sent or (iii) transactions are made fraudulently from an account. A crypto asset may decline in popularity, acceptance or use, thereby impairing its price, and the price of a crypto asset may also be impacted by the transactions of a small number of holders of such crypto asset. Crypto assets may be difficult to value, and valuations, even for the same crypto asset, may differ significantly by pricing source or otherwise be suspect due to market fragmentation, illiquidity, volatility and the potential for manipulation. Crypto assets generally rely on blockchain technology, and blockchain technology is a relatively new and untested technology that operates as a distributed ledger. Blockchain systems could be subject to internet connectivity disruptions, consensus failures or cybersecurity attacks, and the date or time that you initiate a transaction may be different than when it is recorded on the blockchain. Access to a given blockchain requires an individualized key, which, if compromised, could result in loss due to theft, destruction or inaccessibility. In addition, different crypto assets exhibit different characteristics, use cases and risk profiles. Information provided by WisdomTree regarding digital assets, crypto assets or blockchain networks should not be considered or relied upon as investment or other advice, as a recommendation from WisdomTree, including regarding the use or suitability of any particular digital asset, crypto asset, blockchain network or strategy. WisdomTree is not acting and has not agreed to act in an investment advisory, fiduciary or quasi-fiduciary capacity to any advisor, end client or investor, and has no responsibility in connection therewith, with respect to any digital assets, crypto assets or blockchain networks.

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## **DEFINITIONS**

**Liquidity** : The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold are known as liquid asset.

**Federal Reserve** : The Federal Reserve System is the central banking system of the United States.

**Modern Alpha** : Modern Alpha® combines the outperformance potential of active with the benefits of passive—to offer investor strategies that are built for performance.