

Securrency's Institutional DeFi Focus

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On Behind the Markets, a podcast brought to you by Jeremy Schwartz, WisdomTree's Global Head of Research, we talk to market strategists, business executives and financial advisors about important trends in the financial markets.

In this episode, Jeremy and Will Peck, WisdomTree's Head of Strategy and Emerging Technologies, talk to Dan Doney, CEO of Securrency, a blockchain-focused financial markets infrastructure technology company focused on enhancing capital formation and stimulating global liquidity.

Listeners will hear about:

- **Securrency's start:** A Series B fundraising of \$30 million that included investments from WisdomTree, State Street, U.S. Bank and Abu Dhabi Catalyst Partners, a joint venture between Abu Dhabi sovereign wealth investor Mubadala Investment Company and Falcon Edge Capital.
- **Compliance technology:** Blockchain by itself does not bring compliance functions, and without a dedicated focus, you can run afoul of the rules. Securrency's technology is focused on creating global infrastructure that facilitates compliance with local regulation.
- **Tokenized assets:** WisdomTree is working with Securrency to bring different "traditional" assets to the blockchain space (i.e., to tokenize assets). Other investors in Securrency's funding round are looking to modernize back-office functions.
- **Back-office functions:** Doney gave an example of how State Street, who serves a back-office function for several WisdomTree ETFs, may be able to lower their cost of service for creating and redeeming funds by upgrading their technology with blockchain. Through smart contracts, many of those transactions could occur instantaneously and in real time, driving down the cost of asset management.
- **Collateral management:** Blockchain can also help banks with collateral management. Banks often hold too much collateral because it is difficult to track. Using blockchain could improve a bank's securities lending and overall profitability.

- **Institutional DeFi:** In general, Securrency focuses on what it terms “Institutional DeFi.” Decentralized Finance is the idea of using self-processing code (generally written in smart contracts on blockchains) to replace many core banking and financial service functions.¹ DeFi today is generally a fully decentralized and unregulated activity, often focused solely on crypto assets. Institutional DeFi aims to use similar self-processing code, adapted for institutional, regulated environments.
- **Cheaper, faster, more efficient:** Will described WisdomTree’s interest and investment in Securrency as designed to help make all aspects of asset management to be cheaper, faster or more efficient.
- **Instant settlement:** One clear use case for blockchain technology would be removing settlement issues, by taking T+2 to T+instant. Earlier this year, a retail trading apps made headlines for having to restrict trading for a number of popular ‘meme’ stocks due to a liquidity issue related to mismatched settlements. Real-time settlement that a blockchain ledger can solve would have made those restrictions in trading unnecessary.
- **KYC/AML:** We talked bitcoin and ransomware, and Doney discussed how half the Colonial Pipeline criminals’ bitcoin ransom was seized when they tried to convert it into dollars on a crypto exchange. Had the bitcoin stayed in a bitcoin wallet or been transferred between bitcoin wallets, it might never have been seized. Because blockchains are (typically) fully transparent, governments and companies are able to combat money laundering for blockchain-based assets. As Doney points out, this ability increases as you solve for identity as well.
- **Enforcement:** Will and Doney discussed methods for enforcing compliance on blockchain. For tokens issued on Ethereum, for example, issuers may have the ability to freeze or otherwise exert control over tokens in a user’s wallet through the tokens’ smart contracts. As Will points out, some issuers of stablecoins (a.k.a. cryptodollars) have this ability today. Securrency adds additional features to allow for transactions of securities and other regulated instruments. Doney sees accessibility and global scale that comes a huge benefit—with innovation now occurring in new wallets and other applications.
- **Ledger pros and cons:** There is generally a trade-off between decentralization and speed/efficiency in blockchains. Bitcoin is a relatively slow protocol and not practical for high transaction input, but, as many note, it has a high degree of decentralization. Securrency uses the Stellar blockchain for many transactions due to its high speed and low fees of use. Many new ledgers will evolve and no one ledger will be the ultimate winner for all use cases as that itself would make it a ripe target for attacks.
- **Central bank digital currencies:** As an example, Doney said that if a central bank wanted to provide stimulus to all its citizens, a digital currency would be one of the easiest ways to make transfers. Doney views this potential central bank currency as a small fraction of what total money supply will be. He does not see CBDCs disintermediating banks—and thinks the core lending functions will still be provided by banks.

You can listen to the full conversation below:

¹For more information on DeFi on Ethereum, please check out our [Ethereum 101](#) resource.

Important Risks Related to this Article

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, non-compliance 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 which 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 any particular 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.