

PRESS RELEASE

BNP Paribas Asset Management, CAIA Association and Liquefy publish research on the future of tokenisation in alternative investments

- **Joint paper highlights that tokenisation shows high potential for use with assets that are illiquid and have higher barriers to entry**
- **Tokenisation is well positioned as a powerful tool for the wealth and asset management industries, allowing for significant innovation**
- **For investors, tokenisation could provide democratised access to investment options, but greater awareness and training will be paramount**

BNP Paribas Asset Management ('BNPP AM'), together with the Chartered Alternative Investment Analyst Association ('CAIA') and Liquefy, a Hong-Kong based tokenisation platform, today released a new research paper that provides key insights into the benefits and challenges inherent in bringing a tokenisation approach to a wide range of alternative asset classes.

Tokenisation is the process of creating a digital representation of a non-digital asset. According to the paper, this new technology has great potential to democratise access to alternative investments, while also enabling asset managers to innovate by investing in alternative asset tokens, thereby broadening the types of exposures they can potentially offer investors.

Alternative investments are expected to account for 18-24% of the global investable market by 2025¹, and include such vehicles as hedge funds, private equity, venture capital, private debt and real assets such as real estate, infrastructure and natural resources, which are generally less liquid, accessible and transparent in terms of information than traditional assets.

Like any major disruption, tokenisation is able to shape the financial landscape, opening new opportunities for banks, assets and wealth managers. For asset managers specifically, it could create new investment opportunities, changing the way they analyse and invest in this market, creating potential changes in the dynamics of multi-assets investing. Ultimately, it would mostly benefit end investors, be they retail, high net worth individuals or institutional, as it would allow them to access alternatives in an easier and more affordable way. Tokenisation could potentially also offer access to new types of assets such as art, wine, or even revenues associated to sports teams.

As the authors explain, the tokenisation process involves multiple steps, including deal structuring, digitization, primary distribution, post-token management and finally the enablement of secondary market trading. Across the alternatives landscape, a tokenisation approach may be able to address a number of challenges often faced by both GPs (general partners) and LPs (limited partners), including:

- **Improving liquidity:** tokens can be traded in secondary markets
- **Enabling faster and cheaper transactions:** reduced transaction and lifetime cost through lower complexity and better operational efficiency

¹ Source: CAIA, *The Next Decade of Alternative Investments: From Adolescence to Responsible Citizenship*.



- **Offering greater transparency:** token holders' rights and legal responsibilities as well as record of ownership can be embedded into the tokens themselves
- **Broadening access:** increased access by more investors to previously unaffordable or not easily divisible asset classes

This paper is the first in the market to cover the broad spectrum of tokenisation across all of the categories broadly defined as being 'alternative'. It includes a discussion of the basics of blockchain technology and tokenisation, highlights some of the special considerations inherent in bringing tokenisation to alternative investments and, finally, provides key insights and considerations for the major alternative investment categories.

The research paper, entitled **Tokenisation of Alternative Investments**, is available here: <https://docfinder.bnpparibas-am.com/api/files/6FCE349F-1D6F-47D4-A24F-CEE1D3C3C5F3>.

David Bouchoucha, Head of Private Debt & Real Assets at BNP Paribas Asset Management, comments:

"At BNP Paribas Asset Management we are striving to unlock innovative investment opportunities for our clients, and this is especially true in private markets where efficient sourcing is a key determinant of performance. Through this research paper on tokenisation we aim to raise clients' awareness of the benefits of tokenisation and blockchain technology to access new pools of assets, for example within infrastructure financing, and how best to position for future innovation in this area."

Adrian Lai, Chief Executive Officer of Liquefy, comments:

"The synergies possible resulting from the adoption of disintermediating technologies such as blockchain are no longer a question of 'if' but of 'when'. While the full scope of applications of blockchain technology is still being explored, it is undeniable that blockchain technology has disruptive implications for the financial industry. Liquefy is particularly interested in the democratisation and efficiencies that can be achieved, especially in relatively exclusive asset classes within alternative investments. With this paper we hope to distill and share some insights on how technology can innovate investment in alternative assets."

Joanne Murphy, Managing Director, Asia Pacific, Industry Relations with the CAIA Association, comments:

"Inherent in the implementation of any new disruptive approach that has the potential to further democratise investor access to the various corners of the alternative investment space is a concurrent need for education. It is important that those tasked with developing and distributing the tokenised vehicles described in this fascinating new paper maintain a credo of 'investors first', something that should never be 'disrupted.'"

- ENDS -

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About BNP Paribas Asset Management

BNP Paribas Asset Management is the asset management arm of BNP Paribas, one of the world's foremost financial institutions, and offers high value-added solutions to individual savers, companies, and institutional investors. It has a broad range of skills in four investment divisions: Equities, Fixed Income, Private Debt & Real Assets, and Multi-Asset, Quantitative and Solutions (MAQS). Sustainability is at the heart of BNP Paribas Asset Management's strategy and investment decision-making process, making an active contribution to energy transition, environmental protection and the promotion of equality and inclusive growth. Its aim is to achieve long-term sustainable investment returns for its clients. BNP Paribas Asset Management has assets under management of EUR 445 billion* (as at 30 September 2020), with more than 500 investment professionals and almost 500 client servicing specialists, serving individual, corporate and institutional clients in 71 countries.

* EUR 598 billion of assets under management and advisory as at 30 September 2020

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About the CAIA Association

The CAIA Association is a global professional credentialing body dedicated to creating greater alignment, transparency, and knowledge for all investors, with a specific emphasis on alternative investments. A Member-driven organization representing professionals in more than 95 countries, CAIA Association advocates for the highest ethical standards. The organization provides unbiased insight on a broad range of investment strategies and industry issues, key among them being efforts to bring greater diversification to portfolio construction decisions to achieve better long-term investor outcomes. To learn more about the CAIA Association and how to become part of the organization's mission, please visit <https://caia.org/>.

About Liquefy

Since founding in 2018, Liquefy has been widely recognized as the leading tokenization expert in Asia with a focus on late-stage start-ups, real estate and funds. In 2019 the company conducted the first real estate tokenization in Hong Kong and the largest real estate tokenization project of the year, a luxury Mayfair hotel worth USD 600 million. Simultaneously, Liquefy also entered the Dubai market through the formation of a joint venture with the ruling Al Maktoum family. In October 2020, Liquefy became the first company globally to obtain a financial license in the UAE for online distribution and OTC trading of tokenized assets. Liquefy has built a diverse client base covering governments, funds and real estate developers. It is currently backed by multiple reputable Asian families and global investors spanning the US, China, Hong Kong and the Middle East.



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