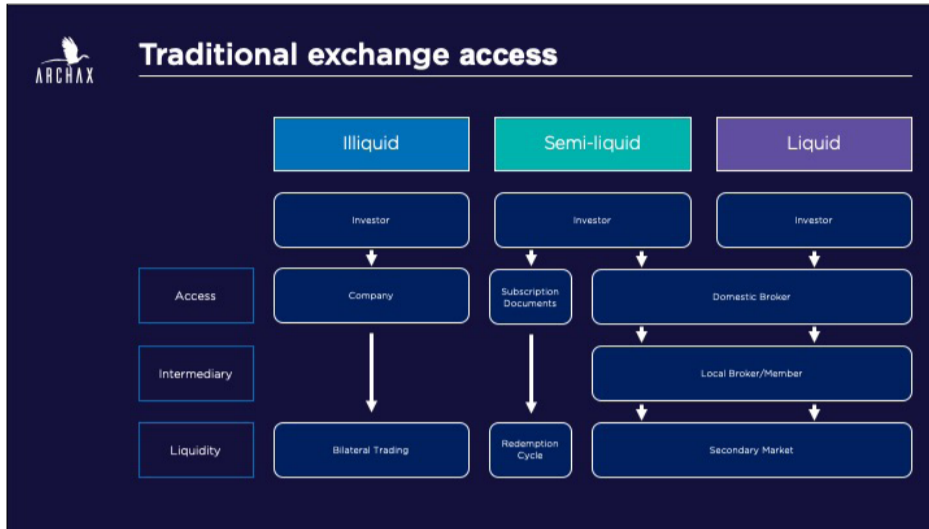


In this last article in our mini series on “Disrupting Financial Markets”, we explore the democratisation of financial markets and how we plan to fit into this new world.

Democratisation of markets

There is a lot of discussion around democratisation in the digital securities space. The way that we think of it is that capital markets up until now have really only been open to a limited set of parties. We believe all issuers globally, including SMEs, should be able to access capital markets for capital formation, and similarly investors should be able to access all investment opportunities.

It's useful to first understand how existing markets are accessed:



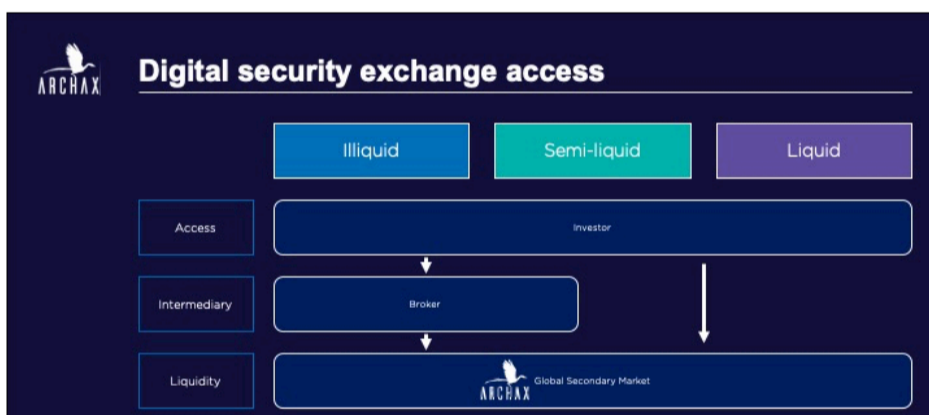
For illiquid investments, investors will often go directly to the company to invest and buy shares, such as private company shares. If they then want to trade out of them, they can do that OTC or bilaterally with someone else. This is very similar to tokenised assets that aren't admitted to trading on a secondary market. If you want to get out of them with no clear exit path, you need to find another party to trade them with or use a bulletin board or equivalent.

If you are investing in a semi liquid asset, like a hedge fund, you complete a subscription document, and if you then want to redeem, you would have to submit a redemption in line with the underlying asset managers redemption cycle.

Finally, if you're trading something liquid on a public market, an investor can go to their local domestic broker. If they wanted to trade an international stock, there may be another broker the mix too, before eventually being able to trade on the international market. This introduces an additional layer of fees.

So whilst theoretically investors can have access to different markets, there are a lot of intermediaries involved and the whole process tends to be quite inefficient.

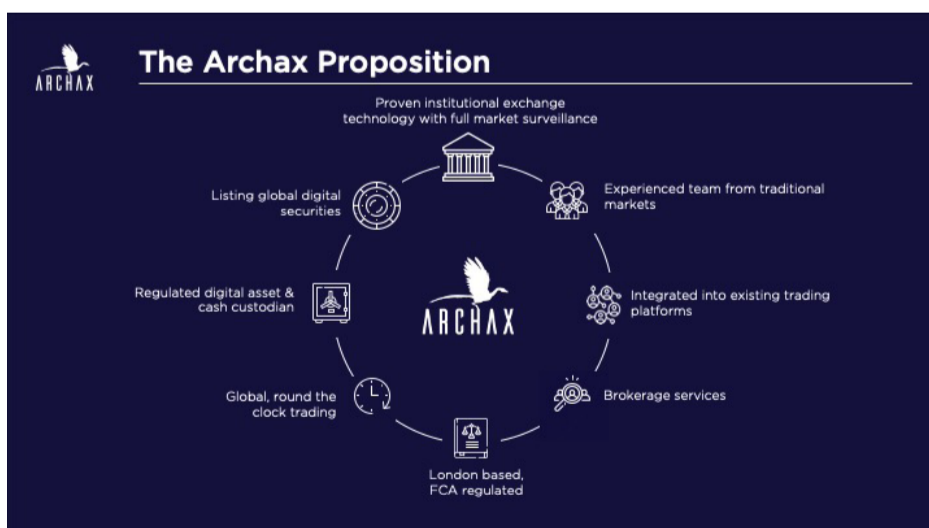
Where we want to get to is a point where investors are able to access a public secondary market for all types of assets, everywhere, and invest in any of the opportunities that are listed.



Sometimes an individual investor may need to use a broker because of local regulation or their sophistication, but ultimately bringing everyone as close as possible to the market reduces costs and increases efficiency. Couple this with aggregation of different market segments, and you have the makings of a global, democratised marketplace.

Archax is planning to be that marketplace.

The Archax proposition



This August, we became the first ever FCA-regulated exchange, broker and custodian focussed on digital securities. We are being as credible as possible and have put a lot of thought into how we do this, such as concentrating on things like segregated custody, appropriate market surveillance, institutional connectivity familiar to the traditional world and non-discriminatory access.

These factors and the implementation of the infrastructure we have discussed in these articles should give us the best chance of maximising liquidity in this marketplace.

We hope you have enjoyed this series of articles looking at what digital securities are and how blockchain technology and tokenisation can disrupt and democratise financial markets around the globe. We are truly excited by the possibilities that the digitisation of assets and markets presents and believe that there will be many benefits for us all. The journey is really just beginning.