STOs offered on regulated exchanges should be better structured, with more opportunity and with much lower costs than traditional Initial Public Offerings (IPOs). Unfortunately, in most cases, that is not so, because services such as legal, finance, technology provision, and issuance activities are all carried out in a disparate fashion, therefore, leading to increased cost and even more intermediaries than in traditional markets. Exchanges and digital custodians need to offer an all rounded regulated solution to cover all elements of the value chain; with token issuance capabilities, legal structuring, financial valuations through state of the art technology, as well as the opportunity to safely keep the tokenised assets within secure digital custodians as part of a cohesive single aggregated service offering.

Moreover, with asset tokenisation increasing, the capital market has shown a booming appetite for integrating digital assets into the wealth management portfolios as institutional investors are increasingly investing in digital assets and require custodians to deliver exchange custody, self-custody, or third-party management of digital asset accounts.

All this leads us to firmly believe that STOs are one of the more significant ways of using DLT in FinTech, both in scope and in social impact, with this already starting to happen in regulated environments. Whilst we are only at the start of the mainstream STO journey, the road to discovery and innovation lies ahead of us to create positive change and revolutionise the way that we do things.

WHEN THE SHOW MUST GO ON:

HOW BAYMARKETS HAS COPED WITH ITS BIGGEST TEST YET



BAYMARKETS

Tore Klevenberg, CEO, Baymarkets

For most suppliers to the financial industry, the main challenge from the global pandemic has been how to keep operations going as close to normal as possible. That has often meant figuring out ways to work from home and to service clients whose staff also were suddenly all working from home.

But there are certain parts of the financial markets where “almost normal” is just not good enough. Providing a mission-critical service means that you have to deliver to the same standard no matter what. The clearing business is one of those cases.

For Baymarkets, which develops and operates clearing systems for Nordic and European markets, the pandemic has been the biggest stress test we’ve ever faced. So, it’s been gratifying that our systems did more than just cope. They handled a massive spike in transaction volumes without incident.

While the pandemic itself has been a shock for most people, the fact that our systems performed >

so well has hardly come as a surprise to us. After all, clearing systems are designed to be able to function in extreme situations. They have to. Even one-in-a-billion Black Swan events – whether they are natural disasters or problems based on human error – need to be factored into the system design.

Different parts of the globe have been affected differently, depending on how quickly and strictly governments have put health and safety measures into practice. But virtually no part of the planet has been unaffected, including the Nordics.

In the case of the markets Baymarkets serves, transaction volumes jumped to as much as five times the normal rate as the virus spread. That put pressure on trading systems and exchanges throughout the region. But Baymarkets' clearing systems were able to meet the moment, allowing financial markets to function as if little had changed.

Before the pandemic occurred, we were already on alert for extra activity as many trading firms have been preparing for aftershocks from Brexit. What no one could have known was that the biggest global health disaster in more than a century was about to bring the world economy to its knees.

One reason we were able to deal with the pandemic as smoothly as we did has had to do with long-established working practices.

Baymarkets, for a number of years, has allowed staff to work from home when they needed to. As a result, when it became necessary to shift almost entirely to a Working from Home (WFH) mode, it was not a particularly big adjustment for us. The only real difference has been that some of the video conference calls these days have quite a few more participants on them than in the past.

Transaction volumes have calmed down now, although they are still a little above historical average. While businesses are beginning to reopen and people are readjusting their plans, we are working to make sure that we're ready for whatever new Black Swan events come our way. If there is indeed a major second wave of Covid-19 cases, we know that the clearing systems provided by Baymarkets will be ready to handle them.

"While the pandemic itself has been a shock for most people, the fact that our systems performed so well has hardly come as a surprise to us."

