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Home (/) - BitSpread Wants To Make Alternative Investments More Accessible For Professional Investors



BitSpread Wants To Make Alternative Investments More Accessible For Professional Investors

 4 November 2019 Greg Winterton (/author/greg-winterton)

Fees charged by investment managers for their products is one of the hot topics of the hedge fund industry in the past five years, maybe more. Pressure on hedge funds in particular from cheaper, passively managed products has

led to fee adjustments by many fund managers, resulting in more cost-effective access to alternative strategies for institutional investors.

What's not well covered are the costs involved in subscribing to and redeeming from investment funds. Reams of paperwork, armies of lawyers and the time spent on manager selection adds additional expense to the fee costs of gaining exposure to external investment managers.

London and Singapore-based BitSpread wants to change that. The firm began life as a digital asset management company – it launched, and still maintains, a range of products available to professional investors – but in recent months, however, the firm has pivoted to the tech space, launching its 'BlockBerry' marketplace for alternative investments in September.

BlockBerry's genesis came from BitSpread's own frustrations and challenges in onboarding institutional and high net worth professional investors to its products.

"In 2014/2015, there was a good opportunity in crypto assets arbitrage, but no-one had the means to get into it easily. There were two years of amazing returns that weren't really captured", said Cedric Jeanson, BitSpread Founder and CEO. "The good stuff doesn't last. Two or three years is really the horizon of the investment when real alpha can be captured. We've built a platform where you can be like a sniper and snap up these opportunities quickly. Instead of getting access to only six months of the trade, you can get exposure to these opportunities for much longer."



BitSpread's Cedric Jeanson

BlockBerry is targeting the institutional / professional investor space, and to that end, the minimum investment that an investor on their platform can make in any given fund is \$100,000. BitSpread has also spent the better part of the past three years building the architecture, a significant part of which has been their AML/KYC process.

"Most people who have \$100,000 to invest would meet the criteria of that of a sophisticated investor, but of course that's not the only aspect of our AML/KYC. Investors are required to give the proof of ID, proof of address, and they must pass the self-certification process of course."

BitSpread have also built in a three-factor authentication process. When an investor wants to subscribe to a fund, they receive a code to their mobile phone and then an email to complete the subscription process. It's the same for the redemption process, and every transaction is documented in the client's account.

"Every time you subscribe or redeem, the back-up documentation is warehoused in your account. It's critical to ensure that the client has a trail of all of their activity for reporting and analysis reasons."

Jeanson is betting that BlockBerry will do for alternative investment funds what other pioneering digital platforms have achieved; make it easier for the customer to buy something. Professional investors who make smaller investments – in the \$100,000 to \$1million range – is a group that BlockBerry is particularly targeting.

"If you have \$100k - \$1million and you're trying to find the investment funds available for subscription, good luck. Even when you find something, it's not sure that somebody would accept your small ticket. Also, some of the subscription documents can be forty pages long. You need a lawyer for that, which incurs significant expense. With BlockBerry, you can register easily, and provided that you pass the AML/KYC process, you can subscribe or redeem

at the click of a button.”

BitSpread naturally offers its own funds on BlackBerry but is opening up the platform to other alternate investment funds with a diverse range of strategies, such as traditional hedge funds, credit funds, private equity funds, venture capital funds and infrastructure funds.

“The value proposition for them is that we can aggregate a lot of different kinds of tickets for them – they only have one investor, which is BlackBerry. For the investor, they finally have somewhere they can, at the click of a button, subscribe. It’s super easy.”

BlackBerry launched with more than 100 investors – including private banks, family offices and high net worth individuals – and the system ensures that investors can see only third-party investment funds available for sale in their jurisdiction.

Tokenisation is another buzzword in digital assets, and BitSpread has built this functionality into BlackBerry as well. BlackBerry users can tokenise in one click, and they receive a securitised token which tracks the value of the underlying fund. These can then be traded on an external digital asset exchange.

“We can tokenise any kind of asset, using the blockchain technology to provide liquidity to the asset owner”, said Jeanson. “With BlackBerry, we’ve made a way to do both invest and tokenise in one place.”

BlackBerry users can also benefit from using a digital token called BLB which the investors purchase. The more they purchase up front, the less the unit cost becomes, and therefore the cost of subscribing and redeeming by the investor get lower if they buy BLB in bulk. BlackBerry also offers a referral mechanism for investors to introduce other investors and in return the introducing investor gets a further discount on their BLB tokens.

The immediate future for BlackBerry is building out the number and range of strategies of funds on its platform. Jeanson sees many ways for BlackBerry to develop, but he says the user experience will be the key driver of adoption of the platform.

“The secondary market – the tokenisation of funds – is something we’re seeing good feedback on but access to a secondary market is not why people invest. People invest because they like the strategy. We want to make it easier for investment managers to manage their client roster, and for investors to subscribe and redeem so they can more effectively capture the available alpha.”

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