

Republic raises \$150M to democratize access to digital securities

Article

The news: The US-based private investing platform will use the funding to offer access to digital securities—tokens traded on a blockchain that derive value from real-world assets like company equity or real estate.

Who is Republic: Since it launched in 2016, more than 1 million individual and institutional investors have used Republic to invest in startups, real estate, video games, and crypto

projects. Retail investors can start investing **with just \$10**, and the fintech also holds **\$1 billion in AUM from accredited investors**.

The problem with digital securities: It's still unclear when a digital asset constitutes a security under US law, which can lead to unexpected and costly fines. Last year, the **SEC** closed a **\$1.2 billion settlement with Telegram** regarding its unregistered digital token offering.

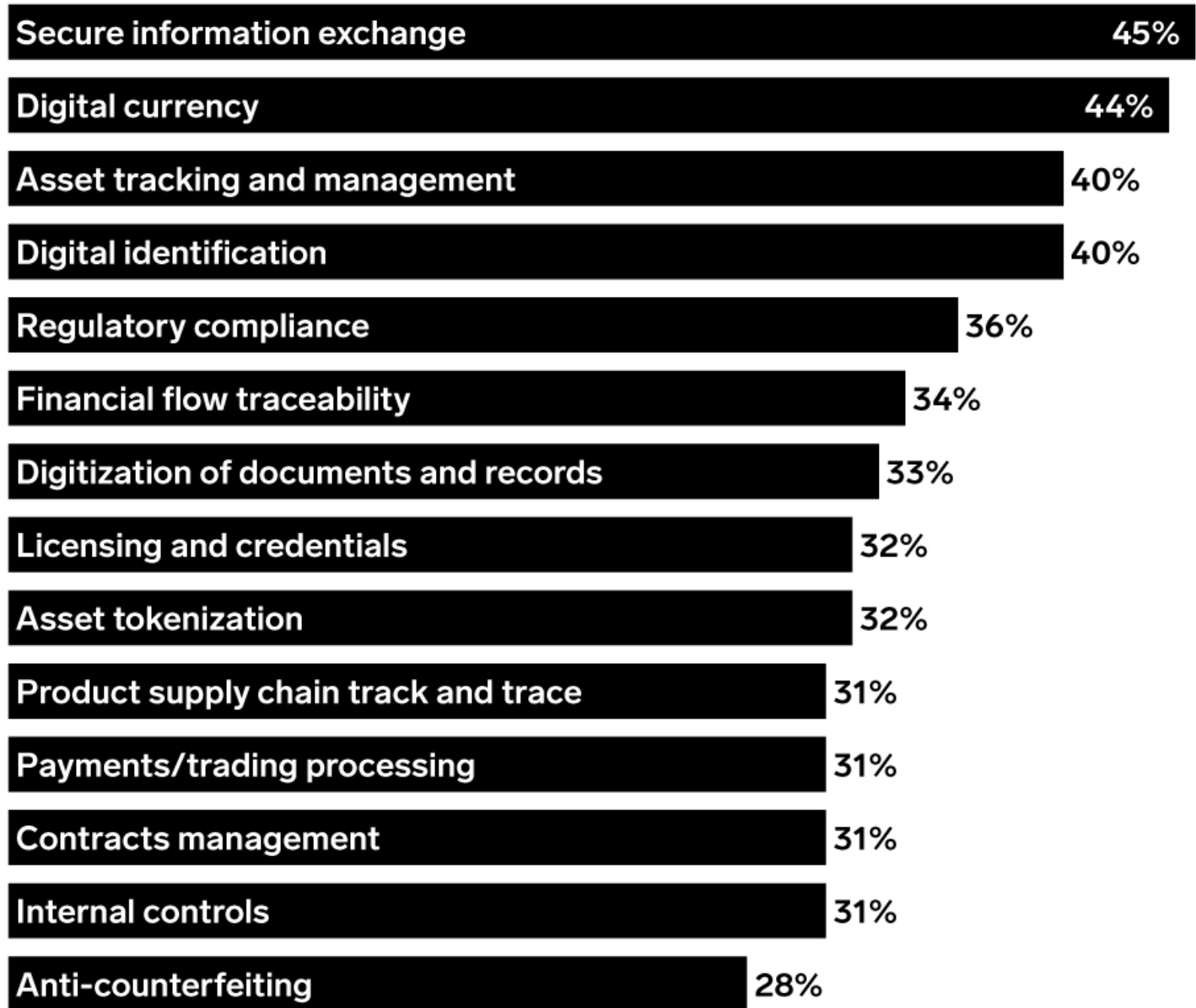
- Republic sees a gap in the US market for a platform that can offer this product while complying with SEC regulations. Its CEO, Kendrick Nguyen, brings his experience to the table, having started his career in securities litigation.
- As a result, major exchanges often avoid dealing with digital security tokens, per Republic CEO Kendrick Nguyen. For example, many delisted the cryptocurrency XRP last December after the SEC filed a lawsuit against its issuer, **Ripple**, regarding whether it was a security or a currency.

The opportunity: Republic sees digital securities as a way to increase trading activity on its platform.

- Private investments like company equity or real estate tend to come with high price tags that alienate swaths of buyers.
- Blockchain-based digital securities solve this thanks to tokenization: The expensive real-world asset is divided into digital security tokens that represent a percentage of ownership.
- This opens up the assets to a much larger pool of investors without having to discount their prices—like fractionalized shares on digital brokerage platforms.
- And digital securities investing will boost not only retail investing activity but also institutional activity: **EY's** global blockchain head said last month that he expects financial institutions will start tokenizing traditional financial assets in the next few months, suggesting demand from their clients.

Top Current Use Cases of Blockchain to Organizations and Projects According to Financial Services Executives Worldwide, April 2021

% of respondents



Note: n=1,280; respondents could select more than one

Source: Deloitte, "2021 Global Blockchain Survey," Aug 19, 2021

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