Landmark Approval from the Vienna Stock Exchange Opens Gate for Fineqia AG to list ETNs with Digital Assets as Collateral

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Fineqia International Inc. (CSE: FNQ), known for its cutting-edge approach in the fintech and digital asset investment sphere, made headlines earlier today with its subsidiary, Fineqia AG, securing approval from the Vienna Stock Exchange (VSE) in Europe to list Exchange Traded Notes (ETNs) with digital assets as their underlying collateral. This landmark approval opens the gates for Fineqia AG to automatically list ETNs that adhere to its base prospectus, bypassing the need for individual listing approvals.

The news has stirred considerable excitement, and to delve deeper into its implications, Tracy Weslosky from InvestorNews sat down with Bundeep Singh Rangar, CEO and Director of Fineqia International Inc., for an insightful discussion on what this development means for Fineqia and the wider digital economy.

Tracy Weslosky: Can you elaborate on the importance of the VSE's recent approval for Fineqia AG?

Bundeep Singh Rangar: If you look at the trends in the industry for digital assets, there's a legitimization of digital currencies taking place. Regulators and exchanges have dovetailed in their opinions to allow for a listed instrument, such as an exchange-traded fund, to hold digital assets as collateral. The model of that, of course, is the U.S. approval of a Bitcoin ETF earlier this year, which has seen a phenomenal inflow of capital to create ETFs worth billions. So, you had one ETF here, $10 billion in two months. The next best one was gold several years ago, which took two years. So, the legitimization of Bitcoin is going to be followed by the legitimization of other coins, and what we have now is an approval from an exchange that says you can list ETNs, which are very similar to ETFs in the U.S. You can list these ETNs in Europe for any underlying digital asset, as long as it conforms to your prospectus, which has been approved by the regulator. So, our prospectus permits us to list not only Bitcoin but Ethereum, Solana, Cardano, Polkadot, and multiple coins that are not yet approved in the U.S. We're kind of two steps ahead of what has just been approved in the U.S. because, within the future, are further approvals – and we want to stay ahead of that flow.

Tracy Weslosky: What do you believe positioned Fineqia for this unprecedented approval?

Bundeep Singh Rangar: Sure. So, I'd say there are three things to bear in mind. The first thing is that we have expertise in the digital asset economy. We have investments in digital asset management companies such as Wave digital assets in LA; we're investors in a fund from San Francisco. We've invested in blockchain gaming companies. We're investors in a company called WeSendIt, which is like WeTransfer on the blockchain. So, we've demonstrated our acumen when it comes to blockchain technologies. The second thing is we have a very credible team, so aside from myself, there's our Chairman (Martin Graham), who's a former head of the AIM, the Alternative Investment Market on the London Stock Exchange. He was the director of the London Stock Exchange. So having a combination of digital asset expertise and high-level governance standards that come with being listed and having a regulated entity is a good, formidable mix. Lastly, Europe is a bit ahead of many parts of the world, particularly the U.S., when it comes to its products…there are other issuers in Europe who have been approved for other coins — we're not new in that sense, but where we have something that's very new is that we allow for the underlying assets to be deployed in decentralized finance. That's the novelty.

If you want me to explain that here's what that means: People forget that currencies as we know them, like Bitcoin and Ethereum, are also software protocols. Right? When people try to cubbyhole them as just currency, it's doing a disservice because it's also a store of value, a currency, a unit of record or store of value, and it's also a software layer. That's where these decentralized apps or dApps are being built on Bitcoin's Lightning Network or Ethereum, Solana, or Cardano. Now, those software developments take place because the layer underneath the protocols, i.e., Bitcoin, Ethereum, Solana, Avalanche, Cardano, create incentive mechanisms for participants in that network. If you validate a transaction, if you enable a payment, you enable a remittance, you're rewarded. There's economics behind the software protocol. The most commonly understood one is Bitcoin mining, where miners get rewarded for validating transactions. And we're coming up to a Bitcoin halving event where those rewards get halved. When you deploy an app on a protocol and there's a transaction mechanism that rewards, there's an economic upside. All the upside is captured by the token holders because they're part of that network. If they're part of Bitcoin's network and hold a Bitcoin token, they get rewarded, or in Ethereum, it's done through staking. It gets more complex with decentralized finance (DeFi), which essentially mimics real-world finance, allowing for lending, borrowing, payments, and remittances.

Tracy Weslosky: Following up on that wonderful explanation for all of us, can you explain the significance of the automated listing process approval?

Bundeep Singh Rangar: Ordinarily, as an issuer, you might say, “I want to issue a Bitcoin spot ETF,” as you’ve seen in the U.S., and in Europe, it would be a Bitcoin ETN. You go to the regulator and then to the exchange for approval. They approve that specific product. A case in point is Bitcoin is approved in the U.S. by the SEC; Ethereum is not. In our case, we’re approved as an issuer based on an issuance program of upcoming notes.

W have approval for issuing any kind of exchange-traded note that conforms to our underlying prospectus. We don’t need to seek approval for each individual note thereafter, as long as it adheres to our prospectus. Our prospectus was approved last year by the regulator in Europe and in Liechtenstein, which is approved for passporting across all European Union countries, plus the European Economic Area, adding up to 30 countries. Our passport-able prospectus was up for renewal, so we got it renewed and approved as a renewed prospectus on Friday. Now we have the ability to issue ETNs that conform to our prospectus, covering a wide range of coins, without needing approval for each one because they already conform to the prospectus. It’s like a master license to issue notes without getting permission each time.

Tracy Weslosky: You’ve partnered with FTSE and are offering benchmark pricing data and distribution capabilities for your exchange-traded notes. Can you comment on that?

Bundeep Singh Rangar: Yes, and this is where is gets really interesting because looking at the history of ETFs, they’ve been banned in a lot of places or were not permitted. This is akin to what happened with hedge funds 20-30 years ago. And if you go back even further, bonds were once traded illicitly in coffee shops before stock exchanges recognized and legitimized them. In Canada, for instance, the initial refusal by the Ontario Securities Commission to approve an application by 3iQ was based on the inability to ensure that the pricing for Bitcoin was legitimate. The challenge was that Bitcoin and other cryptocurrencies are traded 24/7 across the globe, so how could one be certain that the price on one exchange was accurate? Ensuring the integrity of pricing required sourcing from multiple exchanges to derive a weighted average price, given the round-the-clock trading that doesn't align with traditional stock exchange hours.

3iQ argued that the CME was a valid index provider and ultimately won their case against the OSC, leading to the approval to list crypto assets such as Bitcoin and Ethereum backed ETFs. Our approach involved partnering with FTSE Russell, a leading provider of benchmark pricing for listed securities and assets worldwide, akin to the Dow Jones in the US or the FTSE 100 in the UK. FTSE Russell, as a subsidiary of the London Stock Exchange Group, provides us with robust and credible pricing, ensuring there's no question about the integrity of our benchmark pricing. This partnership benefits us in multiple ways: it assures the market of the reliability of our pricing, it involves us with the London Stock Exchange's promotion to their institutional clients (benefiting us both), and it allows us to co-brand with a recognized name from traditional finance, lending credibility and trustworthiness to our product in the eyes of fund managers and family offices.

This arrangement with FTSE is a significant stride into integrating digital asset ecosystems with traditional financial markets, benefiting all parties involved and providing assurance to investors regarding the credibility and reliability of the products they are subscribing to.