Laying the groundwork for a platform's breakthrough moment

Executive coach and Maddyness contributor Victor Snyder spoke with Thor Chan, CEO of AAX Exchange, about leading a Hong Kong fintech startup that has global aspirations.

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Thor Chan has been involved in the Hong Kong tech ecosystem since 2007, having served in leadership roles at a few startups, as well as at diverse enterprises like FDT Group, Microsoft and HSBC.

In May of 2018, he was named the CEO of AAX, a platform for trading cryptocurrencies and other digital assets that is built on top of Millennium Exchange, software developed and licensed by the London Stock Exchange's LSEG Technology unit.

I recently spoke with Chan about his leadership values, what makes Hong Kong fintech different, what it's like partnering with LSEG Technology, and the crypto economy's trajectory towards the mainstream.

What are the biggest aspects of your experiences working in the enterprise setting, especially in corporate banking, that also inform the way you work today at AAX, and the team culture you're trying to build

there?

It's all about discipline, focus and consistency.

Perhaps in a more corporate setting aspects of this culture will have already had time to take root. At our exchange, the challenge and excitement lies in driving that focus and commitment but at the same time leaving enough room for experimentation, innovation and also the courage it takes to take a u-turn and change course.

How would you characterise Hong Kong's tech ecosystem as being different from others?

Hong Kong has a vibrant tech scene, and while that includes AI and IoT, especially fintech is big in Hong Kong.

However, when it comes to adoption, Hong Kong is not in the same place as it used to be. Years ago, compared to the Mainland, Hong Kong was lightyears ahead with its Octopus system and the adoption of bank cards. In the meantime, Mainland China seems to have leapfrogged from a cash-based to a digital economy, with WeChatPay and AliPay leading the way, and with the PBOC's Central Bank Digital Currency underway.

When it comes to the people of Hong Kong, there is indeed great familiarity with traditional financial products and capital markets. So with AAX, we initially focused more on global markets first, and we discovered that it's not too difficult to find receptive ears and even an eagerness to participate in the crypto markets.

So this is something we are currently allocating a lot of resources to.

One of the key ways you've differentiated AAX from other digital asset exchanges is your software's white labeled use of Millennium Exchange. What hoops did you need to jump through to make that happen? Do you think more diverse types of marketplaces powered by Millennium will begin to creep up?

AAX is the first cryptocurrency exchange to be powered by LSEG Technology, and actually we are also the first exchange to have joined London Stock Exchange Group's Partner Platform.

I do not see other crypto exchanges necessarily adopting this technology, but I do anticipate more collaboration between traditional exchanges and their crypto counterparts.

During the initial weeks before beginning our venture, in March 2018, we learned of an opportunity with LSEG Technology through our network, and in finding a common ground in the vision that crypto industry would benefit from a proven technology, we were able to become the first crypto exchange to adopt their matching engine.

It wasn't about jumping through hoops – we have good relations with LSEG. However, for them to have entrusted us with their technology is an indication of their trust in our ability to deliver on our ambitions and remain true to our principles, which is vital to a professional trading venue.

Deploying it on the cloud, and working with the team at LSEG to adjust the engine to the needs of a 24/7 market, took many months of hard

work.

You've said in other interviews that Millennium's matching system gives you the infrastructure you need to be able support massive spikes in transactions, putting you in a better position than other exchanges to scale up as needed once cryptocurrency trading becomes much more mainstream than it is today. What milestones need to be reached before crypto has that crossover moment? When do you predict it will happen, and why?

The Millennium engine is incredibly fast in its handling of orders that hit the order book – if we were to configure it to operate at maximum capacity, AAX would be among the top 10 stock markets in terms of its ability to handle volume. But at the moment, our industry is not yet there. And also for us, there is still much to learn about how to ready our systems for mainstream uptake. It requires continuous tweaking as we take on more liquidity.

The matching engine is easily adjusted to meet our growing needs as an exchange in serving more and more traders.

As for my predictions regarding crypto's mainstream crossover moment, there is no telling, and although in the crypto industry we often hear wild predictions about everything, I prefer to be cautious.

At the moment, I believe DeFi is not yet suitable for institutional or even

mainstream uptake – for the majority of participants, it's either too complex or risky. Centralised exchanges have improved a lot over the past two years, but the lack of integrity among some of the bigger exchanges, or at least the lack of genuine concern for users, is quite a big obstacle to real growth.

Technology is vital to the development of this space, but it's also about developing appropriate attitudes, articulating certain standards, and accountability. Perhaps this is not unique to crypto, but rather a global issue.

Article by Victor Snyder