

Swyftx-Superhero merger on track despite surprise capital raise

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Brisbane-based crypto exchange Swyftx has rejected concerns its capital injection is in response to the dramatic collapse of FTX, insisting the cash is for global expansion plans, and its \$1.5 billion merger of budget stockbroker Superhero remains on track.

The group said the cash call for an undisclosed amount would help it emerge as one of Australia's dominant fintechs, although it was yet to integrate the Superhero business in a delay it attributed to regulatory and customer service issues.

“Swyftx’s uniquely strong customer experience offering is a model that we expect to translate well into new markets, especially where you see a lot of grassroots adoption of digital assets and other investment classes,” the company said in a statement.



Alex Harper and Angus Goldman from Swyftx, and John Winters, Wayne Baskin from Superhero: the merger remains on track.

As first revealed by Street Talk [<https://www.afr.com/street-talk/crypto-exchange-swyftx-hunts-funding-flags-bridging-round-20221122-p5c0at>], the capital raise is being run by Spartan Group, a specialised blockchain investment and advisory firm based in Singapore and Hong Kong.

Swyftx is reported to still owe Superhero \$55 million as part of the acquisition it agreed near the top of the cryptocurrency and tech stock bubble in June 2021.

“We haven’t put a timeline on full integration between Swyftx and Superhero. Our priority is getting the merger right for our customers and regulators, not getting it quick,” the company said. “If that means it takes more time to integrate the platforms, so be it.”

The crypto exchange has 600,000 customers and offers trading in more than 300 cryptocurrencies including digital flagships bitcoin and ethereum, although it had to lay off 74 workers or 21 per cent of its staff just three months ago.

[<https://www.afr.com/street-talk/crypto-exchange-swyftx-hunts-funding-flags-bridging-round-20221122-p5c0at>]

It uses the world’s largest crypto exchange, Binance, as a liquidity provider to match trades, although it said it was not exclusively engaged with them as a counterparty.

Proof of reserves

Swyftx said Australian crypto businesses were operationally sound, despite the collapse of FTX casting a shadow over the sector.

To emphasise a commitment to good governance, Swyftx is one of nine local exchanges that pledged this week to reveal their audited financial results and provide on-chain “proof of reserves” through lobby group Blockchain Australia.

CoinJar, Independent Reserve, BTC Markets, Caleb & Brown and Binance Australia are among the committed signatories, with Coinbase and Elbaite adding their support, despite not holding digital currencies on behalf of customers.

The Australian exchanges have declared that customers’ holdings are held on a 1:1 basis with cash deposits held fully in reserve and no customer money or assets lent to third parties.

“FTX isn’t the first business to treat its customers with contempt and sadly it won’t be the last,” Alex Harper, co-founder and chief executive of Swyftx, said.

“But it is an imperative that no cryptocurrency exchange on our own shores ever exercises such a total failure of corporate controls.”

FTX’s collapse was sparked by a run on its liquid assets as customers learned the exchange had lent up to \$US10 billion in customer money to a sister company named Alameda that lost the funds on risky trades.

The wipeout has spilled across the Australian crypto industry for the past two weeks.

On Tuesday, Brisbane-based crypto exchange Digital Surge admitted it has frozen withdrawals because of its exposure to FTX, sparking outrage from its customers, who are largely made up of self-managed super funds.

Fred Schebesta-founded tech company Finder closed its crypto-based FinderEarn product this week [<https://www.afr.com/technology/finder-shuts-down-crypto-product-amid-ftx-meltdown-20221122-p5c0g5>], which has attracted criticism for hiding how it generated a “fixed” yield for customers.

Swyftx also has an “Earn” product, but when questioned on how Swyftx generated the yields, the company said it had trimmed exposure to stablecoins and other digital assets.

“We took a decision early in October to limit our Earn offering to stakeable assets,” Swyftx said.

“We were being deliberately cautious to provide an additional blanket of protection to our customers. We’re monitoring the market extremely closely at the moment and will continue to appropriately protect our customers.”

Cryptocurrency prices rose on Tuesday afternoon, with bitcoin adding 4 per cent to \$US16,539.



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