

# The Entrex Capital Market

*How a trading platform is helping make the world a better place*

By **Cindy Taylor** - March 4, 2019



---

*FintekNews friend Stephen Watkins of Entrex Capital Market was recently featured in an IBM Blockchain case study. We thought our readers might be interested in learning how his alternative trading platform utilized blockchain technology to help crack open the emerging Opportunity Zone marketplace. Read below for further details.*

**Cindy Taylor/Publisher**

---

The US government's Opportunity Zone program aims to drive investments in low-income communities, or "opportunity zones." Recognizing that most businesses in these zones are too small for traditional public markets, Entrex built an alternative trading platform, powered by IBM® Domino® and Hyperledger software, to make it easier for opportunity zone companies and funds to access local capital.

## **Business Challenge**

Most opportunity zone projects are too small for Wall Street. As such, private companies lose the benefits of public trading, and poor communities are deprived of development. The Entrex



## Transformation

Entrex built a nationwide capital market system that helps investors and advisors find, research, track, manage and trade securities of private companies and funds within opportunity zones.

## Results

- Reduces launch time by two-thirds, from months to days by enabling constituents of a company's offering to collaborate online
- Brings together buy-side and sell-side stakeholders of transactions, creating powerful network effects
- Delivers a complete audit trail of all transactions helping manage regulatory compliance

## ***Business challenge story***

### **A disconnected market for investing**

Next time you see a revitalized neighborhood or a block of prospering small businesses, Entrex, IBM Domino software and Hyperledger Fabric technology might have had something to do with it. Here's the backstory: In 2017, the US Tax Cuts and Jobs Act (TCJA) introduced a community development program called Opportunity Zones.

Designated by the government across 50 states, opportunity zones are low-income, economically distressed communities. The aim of the federal program is to spur development in these struggling areas by offering tax breaks to investors who reinvest their capital gains in private companies and funds in the designated zones.

According to *Forbes Magazine*, the program could drive as much as USD 6 trillion in unrealized capital gains into these communities — opportunities that should catch the attention of Wall Street. But it hasn't been. The problem is a disconnect in the market: Wall Street struggles to efficiently invest in small local businesses with annual revenues of less than USD 200 million. Meanwhile, the majority of opportunity zone investing is in funds or businesses of just this size.

That's where Entrex comes in. Stephen H. Watkins, Founder and Chief Executive Officer at



employers and generate steady profits year after year, it's often difficult for them to secure the investments they need to take their growth to the next level. This is a significant portion of the market that wasn't being served by Wall Street broker-dealers and financial advisors, and we wanted to address it.

"Specifically, Entrex envisioned an alternative trading system that would simplify how investors and brokers offered capital to local entrepreneurial companies." "We wanted to empower businesses to trade securities in a way similar to the public markets," continues Watkins. "Our goal was to offer an end-to-end solution, from the originating brokers at the start of the process to the placement deal brokers, investors and secondary traders further downstream. But because we operate in a highly regulated industry, it was also crucial that our new platform could deliver a complete audit trail of all transactions for regulatory and compliance purposes." "So we set out to find a solution with the security and scalability we needed to meet our goals."...

---

[Full Case Study Published at IBM.com](#)

