



SOME THOUGHTS ON CRYPTO

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HOW CAN A NEW CRYPTO COMPANY WIN?

1. User target: Serve sub-segments of the U.S. crypto community that Coinbase doesn't appeal to.
2. Product differentiation: Identify differentiated products, especially derivatives, staking, IEO and NFT that crypto users want in the US but are unserved by Coinbase or other competitors.
3. Execution: Move faster with nimble team and efficient decision making.
4. Regulatory Trust: build trust with regulators by proactively engaging with them, discussing code-level details and customer demands with regulators.

THE CURRENT STATE OF CRYPTO



- Coinbase has established market leadership in the U.S. by being around the longest. It is analogous to “Yahoo!” in the early 2000s of the search market. Coinbase is known for the fiat gateway, brand awareness, and emphasis on compliance.
- Outside of the US, Binance.com and its ecosystem has risen to the top through laser focus to serve users with evermore diversified crypto products and community building.
- DeFi seems to be challenging the centralized exchange model by sticking to Bitcoin’s original vision of a P2P network.
- With DeFi’s usability of smart contracts getting better, DeFi has the potential to be the disruptor of the traditional financial market.
- While decentralization fosters greater innovation, the centralized exchange model offers stability, efficiency, and ease of use. The Holy Grail of crypto adoption is perhaps finding the right balance between decentralization and centralization.

A NEW CRYPTO COMPANY HAS AN OPPORTUNITY TO BECOME THE CRYPTO INFRASTRUCTURE LEADER IN THE U.S.

- Offer differentiated products, especially derivatives, staking, IEO and NFT through geo-arbitrage:
 - First, study the user demand insights of major crypto exchanges across the world. Find the best-selling products that grow fast elsewhere
 - Then, select the product offerings that have the best product market fit locally in the U.S. with relatively less regulatory hurdle. For example, simple derivatives like margin, calls and puts can be beachhead. The American regulators are already familiar with derivatives.
 - Other trendy products include NFT and IEO.
- Provide users easy access to DeFi offering without leaving the centralized platform.
 - Example: Despite the recent crypto bear market, Binance Earn continues to see healthy growth by providing passive income to crypto holders. It enables users to benefit from the DeFi automated market maker pool without the hassle of dealing with DeFi setup.

COMPARISON OF PRODUCT OFFERINGS

Best selling product offering	Coinbase	Binance.US	Binance.com	FTX
Derivatives	N/A	N/A	No.1 in Market Share globally	Growing in market share fast
Staking	Supports ETH 2.0, ALGO and XTZ	Supports 7 coins including ALGO	In addition to ETH 2.0, accommodates a diversity of coins including DAI, Tether, BUSD, BTC and BNB	Lots of innovations around increased referral rates, maker fee rebates, bonus votes.
IEO	Hinted at offering it	N/A	No.1 in market share outside of U.S	Fast growing outside of U.S
NFT	N/A; can connect to other crypto wallets with NFT	N/A	Launching NFT marketplace in June	free swag NFTs, non-US marketplace

COMPARISON OF PRODUCT OFFERINGS

Best selling product offering	Coinbase	Binance.US	Binance.com	FTX
CryptoCard	Visa Debit Card	N/A	Visa Debt Card	Visa Card (US only)
Payment	Coinbase Commerce	N/A	Binance Pay that supports >30 currencies	Receive payments to an FTX account or external wallet
Custody	Supports 90% of crypto; fiduciary under NY State Banking Law	Partners with third party banks	Partnership with Etana Custody	Provided by Coinbase Custody
Wealth Management	N/A	N/A	N/A	N/A

COMPARISON OF PRODUCT OFFERINGS

Best selling product offering	Coinbase	Binance.US	Binance.com	FTX
DeFi	N/A	N/A	Binance DEX, Binance Chain, Binance Smart Chain (BSC)	Serum built on Solana
Fiat Channel	No. 1 market share in U.S.	No. 2 market share in the U.S.	No. 1 market share outside of the U.S. and China	Fast growing

LEVERAGE BD TO INCREASE REVENUE AND ACQUIRE END USERS (POTENTIAL PARTNERS' LOGOS ARE SHOWN)

1. Empower companies and sports clubs with high frequency purchases to create their own token economy that increases customer engagement and sales. (learning from BNB)



2. Reduces exposure to crypto price volatility for companies that might want to offer crypto payments.



3. Help companies with an existing digital native user base issue their own tokens.



4. Manage crypto assets for companies that want to hedge against inflation.



M&A OPPORTUNITIES TO GROW PRODUCT DEPTH AND ECOSYSTEM FASTER

Target	Acquisition Rationale	Deal Size	Execution Risk	Integration Risk
BitMEX	Previously world's leading crypto derivatives trading house. The recent legal scandal stalled its momentum. The team is talented and can be brought into to create a strong derivatives arm. Acqui-hire top performing teams.	Unknown, perhaps in the tens of millions for acqui-hire	High for wholesome acquisition but low for acqui-hire	Medium; BitMEX needs to adapt to the rigorous U.S. compliance environment
OKEx Jumpstart	An unit of OKEx, it's one of the leading IEO platforms. It placed 13 IEOs in lending, energy, DeFi sub-sectors. Acqui-hire this team.	Unknown	Medium; the team is likely from overseas so deal team needs to do DD abroad.	Medium; the team is likely decentralized and overseas, which presents cultural challenges
SuperRare	An NFT art platform that has garnered tens of millions in new sales in 2021. raised Series A of \$9mm from Mark Cuban, Marc Benioff and a few other well known Silicon Valley investors.	~\$40-60mm	Low	Low