Case Study Template

# TITLE BINANCE Cryptocurrency Exchange Case Study

## Overview and Origin

Binance Company is the third millennium exchange company based on cryptocurrencies, Binance was founded on 2017, the company founders are Changpeng Zhao (CZ) and Yi He, The company was incorporated on Cayman Islands and Mahe, Sychelle, the tax free zone countries to escape the taxation. [1]

CZ was born in Jiangsu, China. CZ parents were teachers, his father, a professor. The family eventually emigrated to Vancouver, Canada, in the late 1980s. When he was teenager, CZ work hard to cover the household expenses, working at McDonald's and overnight shifts at a gas station.

CZ graduate from software engineering at Montreal's McGill University, Zhao devoted his in both Tokyo and New York, In Tokyo Stock Exchange he tried to create the system matching trade order and in New York in Bloomberg he launch a software for future trading. CZ was a relentless software engineer he had a lot of promotions in his office’s and he jumped to management level of Tokyo, London and New Jersey, but he has something else in his mind and he quit his job and moved back to Shanghai, China. In 2005 he starts with company named Fusion Systems, the fastest high frequency trading systems for stock market dealers and brokers.

In 2013, CZ understand the concept of Bitcoin from Venture Capitalist in the poker room. He began searching for the Crypto projects, then joint Blockchain.info as a team member, the nature of business was cryptocurrency wallet. He worked for the company for about 8 months as a head of product development, he has a chance to work with the mogul of Bitcoin like Roger Ver and Ben Reeves, then onward he moved OkCoin company as CTO, Chief Technology Officer for almost a year, OkCoin was a platform for trading between fiat and digital assets.[2][3]

The idea of Binance how formed in his mind to start his own digital asset exchange without any fiat currencies involvement, without any connection to the banks. CZ launched his company in July 2017 and he fund the company by crowdfunding, and he raised the $15 million token during the ICO, Initial Coin Offering, the fund.

All the while, Zhao was thinking about starting his own pure play digital asset exchange that would not touch fiat currencies. Without the connection to financial institutions, the risks and regulatory complications that his former colleague Ver warned him about would be lower. But it wasn’t until last year when the ICO boom gained steam and volume began to soar, that he decided to make his move.  The $15 million he raised in Binance’s 200 million token crowd-sale last July caught Bitcoin’s breathtaking ascent perfectly.

Zhao’s recent relocation to the land of the rising sun, and then to Formosa has meant some changes. Binance’s trading volume is no longer dominated by China. Today, 38% of Binance’s users are in the U.S. Its second-biggest market is Japan. Because Binance didn’t have a record of scaling business in Japan, the company’s ability to sign a lease on a large office was limited. "We were growing so fast... they say the taxes you paid last year is not going to be able to cover one month of rent."

## Business Activities:

The CZ prominent programmer find that the being an employee is not a right place for him, he was working for several fin tech companies and regional manager of the critical regions, like Tokyo, New York, London, and he gained enough experience through watching the Bitcoin game changer, he know that the cryptocurrencies companies has the problem with fiat currencies and they are battling with regulations, hence he launch the cryptocurrency exchange without any connection to the banks and no trace of fiat currency.The first version of Binance was launched in China, the company usually served Japanese client’s, which were the most user came from Japan, then the U.S is almost the second most clients with 38% market share, but now the Binance find himself as the largest crypotocurrency exchange company in the world with serving more than 180 countries and 101 million people of the world use the cryptocurrency and more than half of them use Binance Exchange.

Based on company allegation they have 1’400’000 transactions per second.

The Binance market size of this company as of 12th May 2021, is $49.31 Billion. [5]

The Binance through the blockchain technology try to link more than 500 cryptocurrencies in the application, also the company have exchange and wallet by itself and allows the clients to keep and stake their crypto in the Binance Wallet. Bionance is one of the fintech company take advantage of the DeFi systems, Decentralized Finance is a blockchain-based format of finance that does not rely on central financial [intermediaries](https://en.wikipedia.org/wiki/Intermediary) such as [brokerages](https://en.wikipedia.org/wiki/Brokerage), [exchanges](https://en.wikipedia.org/wiki/Exchange_(organized_market)), or [banks](https://en.wikipedia.org/wiki/Bank) to offer traditional [financial instruments](https://en.wikipedia.org/wiki/Financial_instrument), and instead utilizes [smart contracts](https://en.wikipedia.org/wiki/Smart_contract) on [blockchains](https://en.wikipedia.org/wiki/Blockchain), the most common being [Ethereum](https://en.wikipedia.org/wiki/Ethereum). DeFi platforms allow people to lend or borrow funds from others, speculate on price movements on a range of assets using derivatives, trade [cryptocurrencies](https://en.wikipedia.org/wiki/Cryptocurrencies), insure against risks, and earn [interest](https://en.wikipedia.org/wiki/Interest" \o "Interest)in savings-like accounts. DeFi uses a layered architecture and highly composable building blocks. Some DeFi applications promote high [interest rates](https://en.wikipedia.org/wiki/Interest_rate) but are subject to high risk. By October 2020, over $11 billion (worth in cryptocurrency) was deposited in various decentralized finance protocols, which represented more than a tenfold growth during the course of 2020. As of January 2021, approximately $20.5 billion was invested in DeFi. The TVL of the DeFi derivatives market is currently $2.78 billion or roughly 7.4% of the total DeFi market. [5]

## Landscape:

The Binance is now the real game changer in the market, even though they ranked 1st among all the competitors and is the major player of the cryptocurrency exchange and wallet industry.

The cryptocurrency is one of the disruptive technologies which has been arisen recently, and almost 10 years ago nobody knows about it, even now only 101 million people across the globe use the cryptocurrencies for the different purposes. And Binace since begging the activity 2017 until now, from $0 company reached to almost $2 Billion company.

There are several major players in this realm, like Coinbase, Huobi Global, Kraken, which are ranked all of them after the Binace by volume.

## Results

Since beginning the company has rise and fall, once they have faced with the cybercrime and 7000 Bitocins on that time with the value of $40 Million, the company promised to pay back the clients, it was phishing, virus and cyberattack, and although on May13th, 2021, Company faces probe by U.S money laundering and tax sleuths by Department of Justice in U.S.

The Binance core business layer is the sell, buy, trade and lending the crypto and it has some advantages over other competitors, they keep customers information confidential and many people migrate from other exchange to that, even the app is banned by authorities in U.S, but the second largest consumers of this exchange company is American. The company is try to absorb early adopters in different ways by implementing so many different features and options on the app that competitors do not have it yet, for instance the NFT was added recently by Binance, although the number of trading would not be the same as Cryptocurrencies, because NFTs is like the auction and it is suitable for those who has passion and interest in Art and Antiques.

The company for sure performed better than the competitors because they are absorbing many too many customers and there is the huge gap in terms of users and daily trade between other companies like Coinbase, Crypto.com and so on.

We can distinguish 7 major reason why Binance succeed over their competitors;

1. The Role of Binance Coin (BNB): BNB is the native Binance Blockchain token has multiple usage in the ecosystem of Binance, from trading and paying the fees and accepting by all major credit cards and payment method.
2. User Referral Fees, which allow many people enter this ecosystem due to these incentives.
3. Decentralized Operation; this allows flexibility and avoid from anti-cryptocurrency regulations, by this way company moved 2 times their head office.
4. Verticalization and Speed of Market: by this strategy the CEO, CZ create new paradigm of finance that allows company worked beyond the regular exchange company.
5. Token Listings: Binance attract plenty of users by leveraging token listing, hundreds of alt coins listed in the Binance, also the company allows everyone to ICO their own tokens in the company.
6. Gamifications: Thanks to the gamification features, Binance was able to become an attractive exchange, which attracted users to register and exchange, and differentiate itself from other exchanges that took a less aggressive approach. Some examples include the frequent trading competitions organized by Binance regarding Binance futures or individual cryptocurrencies. Even in this context, BNB plays a ubiquitous role as it is often used as a competition prize. [8]

##Recommendations

Here are couple of recommendations for the Binance, Clean up the dust features which other competitors have it in multiple format, but the Binance has a limited version and all dust up toi the BNB coin,

The Other proposal, Since the company is enough rich, they should offer the green and environmentally friendly mining and activities to reduce their carbon foot print, also they may create a solution like the Helium the people can mining the data at their own paced in a green way to be mutual benefits for both users and company.

The other issue company do not have it, is the early adaptation in the new coin and token, for instance the SHIBA INU adapted by Binance as the last exchange company, all other competitors act faster than Binance. The company should have the transparent policy in their financial statement and annual income and they should reveal this information, I rest on this credence that more transparency in business create more added value and trust for customers.

Last but not the list, the company may go IPO like the Coinbase, but the owner and eco system of company has the Asian culture and it has not North American style, since the CZ believes that since you have enough fund and power in the market there is no reason to go to public. [4] [7]

**References:**

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