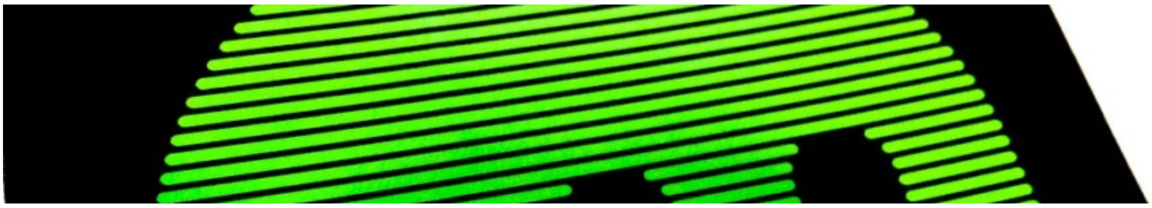


Over 2,000 Investors Back Kraken Crypto Exchange’s $13 Million Crowdfunding

Daniel Kuhn
Jun 25, 2019 at 10:15 UTC Updated Jun 25, 2019 at 11:00 UTC

Regulated spot and futures crypto exchange Kraken has completed a $13.5 million round of financing on Bnk To The Future (BF), an online investment platform.

With 2,263 participants, at press time, the campaign also represents BF’s most successful funding round by individual donors.

The exchange sought the capital as a way to push its valuation past the $4 billion mark and fund new acquisitions, according to Simon Dixon, co-founder of BF.

The firm previously acquired CryptoWatch, a US-based market data and trading platform, as well as Crypto Facilities, based in London, which provides a platform for derivatives and futures trading.

One of the busiest exchanges with more than $85 billion in trade volume in 2018 – from 4 million clients spread across nearly 200 countries – Kraken envisions itself expanding into and providing additional financial services and products for the crypto industry.

BF created a Special Purpose Vehicle for Kraken to receive equity indirectly from more than 2,200 investors – in what is known as an illiquid investment. The SPV then pools all the individual funders and acts as a single capital investor. This technique allows Kraken to bypass the SEC requirement that force it register as a public company under the 1934 Securities and Exchange Act.

These investors are therefore not shareholders of Kraken, and will only realize a return if Kraken floats its shares through an IPO, is purchased through another organization, or if the exchange undergoes a Management Buy-Out.

“This is a high risk high returns platform – please understand this before investing,” wrote BF representatives in a chatroom dedicated to the equity grab. Though speculative, Kraken noted that this was also a preferred share class with liquidation preference, which minimizes some risk.

The company’s original ask of $10.2 million was extended due to market interest after four days. The company did not reach its second goal of $15.45 million. Dixon said they are waiting for around 250 bank wires to clear for the final total. He suspects a final tabulation around $14 million.

To make an omelet you have to Kraken a few eggs

Dixon said the average investor put in around $100,000 dollars, nearly ten times the average investment from BF’s 120 previous funding rounds.

He also said that 60 percent chose to stake fiat, with the remaining 40 percent putting up some assemblage of crypto. This is another anomaly of this funding round, as BF usually sees a 70/30 split between crypto and fiat. "People may have wanted to keep hold of crypto because of rising prices," he suggested. He also said the unusual interest in this project may be due to the perks Kraken offered.

According to an email investors received staking capital in Kraken came with ancillary benefits, including:

> "CryptoWatch Premium membership, the ability to leverage shares for margin collateral, priority service from our client support team, invitation to Kraken's exclusive investor chat room, subscription to Kraken's Daily Hash newsletter and OTC Daily report, bi-annual Kraken investor update, beta access to new Kraken products and features, limited edition Kraken swag, [and] 5% investment rebate in KFEE."

Despite the swag, one incredulous BF client crunched the numbers and found:

> "Your $1k investment bought you about 48 future shares (from 201.612.210 in total). If Kraken is really worth $4bn in the end you own 0,00002380808% of this pie. And that's about the sum that you invested. But as you are in the "preferred share class" you get your investment back even if Kraken sells only for $112 million. Only if Kraken sells for more than 4bn we will make money."

In the investment deck, Kraken noted that it is a high growth company, with a higher compound annual growth rate than traditional firms. They see most of their value coming from future cash flow potential.

The company supports trading in 24 crypto assets and 74 trading pairs, with plans of offering more. Additionally, Kraken earns margins of up to 5 percent on transactions, and up to 50 percent on futures trading, according to the company.

"Kraken is already leading in terms of delivery of must-have trader services and tools, and our product road-map is packed with new features aimed at growing our revenues and increasing market share," a company representative wrote in the chatroom.

Release the valuation

Dixon alleged that investors had to sign a nondisclosure agreement to view a document that broke down how Kraken valued itself around $4 billion.

CoinDesk previously reported that the company was looking to tap a small number of clients for a fundraising round, not open to the public, which would push the firm towards a $4 billion market capitalization.

Dixon also alluded to a coterminous round of private equity funding.

"The main thing is, they are allowing investors to diversify in a niche industry against a wide pool," said Dixon. "I think it's a great alignment of interest to take traders on their exchange and make them shareholders."

To register for the BF platform all investors must either prove they have incomes over $200,000 for the past two years, a combined income with a partner of $300,000 over the past two years, or have a net worth of over $1 million. They must also comply with local KYC regulations.

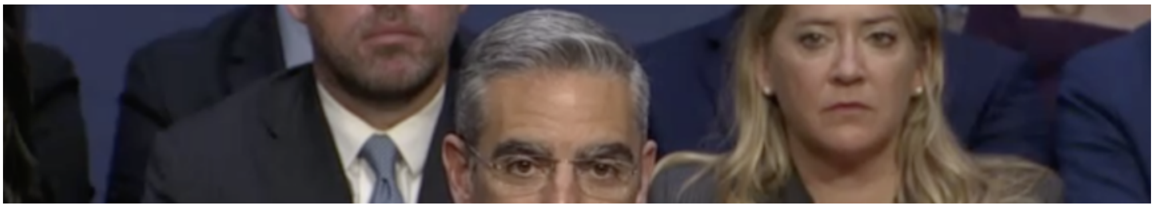
The exchange received $1.5 million in a seed round investment in 2011, $5 million in a 2012 Series A, and $100,000 in a second Series A in 2016. Dixon also said his company staked $100,000 in an earlier funding round.

Additionally, the exchange has forged relationships with seven established bank and payments partners.

BF charges a 5 percent fee – paid up front in the share price – and can expect another 5 percent when investors cash out, a 5 percent charge on any future dividends, and a 2.5 percent fee to sell their stock on Kraken's secondary market.

Kraken logo via CoinDesk archives

Exchanges Kraken Bnktothefuture Fundraising



PayPal Might Withdraw From Libra Association: Report

Nikhilesh De
Oct 3, 2019 at 22:00 UTC Updated Oct 3, 2019 at 23:34 UTC

One of the founding Libra Association members may be on the verge of pulling out.

The Financial Times reported Thursday that payments firm PayPal is considering leaving the Facebook-initiated crypto project due in part to the regulatory backlash Libra has received in recent months.

According to the Financial Times, PayPal representatives did not attend a Libra Association meeting on Thursday, in what may be a sign of the broader turmoil.

Facebook first revealed Libra in June, unveiling a grand ambition of providing financial services to more than a billion unbanked individuals through a stablecoin accessible by any smartphone.

As part of its project, Libra will be overseen by a governing council of 100 members, including Facebook and its subsidiary Calibra. PayPal, Visa, Mastercard, Uber and 22 other prominent payments and services firms were listed as founding members of the council, dubbed the Libra Association.

Dante Disparte, the Libra Association's head of policy and communications, told the FT in a statement also shared with CoinDesk that building a project like Libra "is not an easy path."

"We recognise that change is hard, and that each organisation that started this journey will have to make its own assessment of risks and rewards of being committed to seeing through the change that Libra promises," he said.

Doubts

Thursday's revelation follows a Wall Street Journal report that Visa and Mastercard are also considering withdrawing from the project. Like PayPal, it is possible that these companies are concerned that the regulatory backlash and scrutiny to Libra will extend to their current businesses as well.

Calibra CEO David Marcus, himself the former president of PayPal, addressed the Journal's report on Twitter, writing that he had "no knowledge of specific organizations' plans to not step up."

He added:

> "The tone of some of this reporting suggests angst, etc... I can tell you that we're very calmly, and confidently working through the legitimate concerns that Libra has raised by bringing conversations about the value of digital currencies to the forefront."

A spokesperson for PayPal did not immediately return a request for comment.

David Marcus image via U.S. Senate Banking Committee

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PayPal Facebook Libra Calibra