Business Plan

Currency Exchange

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Capstone Course

Innovation and Entrepreneurship

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# Executive Summary

This business plan outlines the establishment and operation of Currency Exchange LLC. Currency Exchange will be a crypto currency exchange, which will specialize in exchanging crypto currencies (e.g., Bitcoin, Litecoin) for government fiat currencies (e.g., US dollar, Euro). Currency Exchange will be located in New York, NY and operate much like traditional currency exchanges, the principle difference being our offering of crypto currencies as a trading option.

One of the results of the 2008 financial meltdown was the creation of Bitcoin; a digital currency that can be used much like exciting currencies. Crypto currencies are safe and less expensive then exciting credit / debit system and popularity and use have been increasing. The use of crypto currency cannot grow without the ability for people to exchange between crypto and government currencies. Currency Exchange will provide this critical service to the rapidly growing Bitcoin community.

Reckless behavior by the financial firms that control government currencies and the realization that the collapse even one of these institution would have devastating and lasting effects on the global economy has created a very passionate and growing community. Over the last several year billions has been invested in the development of systems to support the mass adoption of crypto currencies. It is our intention to join this growing community and provide an extremely important service.

To support the growth of crypto currencies Currency Exchange will establish a currency exchange in New York. The association with the online black market and Silk Road and the collapse of the largest Bitcoin exchange has led to wide spread mistrust of crypto currencies. Rebuilding public trust is critical to the success of the exchange therefore we will operate under the BitLicense, the first official license of its kind. Through the legitimacy of the New York issued license and the association with the financial center of the world Currency Exchange will become that the world’s most reliable and secure crypto currency exchange.

Scattered throughout the world, 10 crypto exchanges account for 95% of daily volume. Only one of these exchanges operates within the US. Our initial strategy will be to focus on US to Bitcoin trading. Because we will operate inside the United States we will be able of offer services to US customers without the added complexity of moving US dollars across international borders, a complex and costly processes. This reduced complexity and cost will enable us to offer our services at lower costs than exchanges operating overseas.

The daily operation of the exchange will be carried out by three teams; technology / information, marketing / customer services and financial / compliance. Technology and information will be responsible for developing the systems necessary to operate the exchange. Marketing and customer service will be tasked with finding new customers and addressing the concerns of existing ones. Finance and compliance will be responsible for keeping the exchange compliant with government regulations and protecting custom funds entrusted to the exchange.

The bitcoin community is segmented into three groups; people wanting to buy bitcoin, people wanting to sell bitcoin and traders looking for profit. Buyers of bitcoin include people how would like to buy goods or services from one of the growing number of business that except Bitcoin as payment. Billions of dollars has been spent on specialized equipment that process Bitcoin transaction in exchange for new Bitcoin, these companies and individuals together with merchants who except Bitcoin make up the people looking to sell bitcoin. High price volatility coupled with active markets creates a good environment for algorithmic traders to make profit. There activities both stabilize prices and increase liquidity and are therefore and important segment to attract.

To minimize the cost of establishing the exchange our initial product offerings will be few and highly focused. The only trading pair we will offer will be BTC / USD. To attract people looking to buy bitcoin we will offer a smartphone app and web portal they can use to deposit, withdraw and exchange currencies. For merchants who would like to accept Bitcoin payments we will offer a merchant application which will interface seamlessly with the exchange. For traders we will provide a full serves API. User accounts will be protected by Two-factor authentication.

Currency exchange will be located in New York City with redundant datacenters located in Virginia and Utah. While most interaction with customers will be via our web offerings, we will offer over the counter services in our New York office. Customer service is critical to the success of the exchange. We will therefore be the first exchange to offer person to person services.

Promotion will be divided into three primary activities; Social media, Bitcoin conferences and print media. Among current exchanges the most utilized method of attracting customers is through engagement in social media. The bitcoin Reddit community being the most important, we will therefore spend a great deal of effort engaging various online communities to attract new customers. Throughout the world community members are attending Bitcoin conference to share news coordinate efforts to spread crypto currencies to a wider audience. Attending these conferences will be vital to the acquisition of customers. Though tradition print media has not been highly used we will test various print markets to assess weather or not print promotion can be effective at attracting new business.

The principle source of revenue for the exchange will be trading fees. Like most operating exchanges we will utilize a maker taker model where the taker pays all fees associated with the trade. To avoid abuse we will set one dollar minimum amounts for both trading and currency withdraws.

It is our goal to obtain 1 million customers and 5% total trading volume by the end of third year of operation. We project a 500,000 dollar loss for the first year and a 100,000 profit in year two. Year three we expect 300,000 in profit with an annual growth of between 5 and 10% thereafter. The costs of operating the exchange will not increase significantly will the addition of new customers and increased trade volume, so we expect to see good return on our marketing efforts.

It is our intention to become a world leading exchange by being the first Currency exchange operating in New York under the BitLicense. By offering a critical service to the growing Bitcoin community we will insure the continuing growth of the community and become an important driving force to the spread of this very innovating and necessary technology.

# Mission Statement

Our mission is to provide a safe and reliable place for customers to exchange currency.

**Provide:** We are a first and foremost a service provider. By maintaining a digital currency exchange we will provide an important currency exchanging service.

**Safe:** The safety of the currency customers have entrusted to the exchange is a paramount concern. Only customers who trust us will be willing to use our service. Building trust begins with demonstrating our ability to keep our customers money safe.

**Reliable:** Currency Exchange will operate 24 hours a day 7 days a week. The continuous availability of our services with demonstrate to our customers both our reliability and commitment to our customers’ needs.

**Place:** Currency Exchange is a place where customers can come to safely exchanged on currency for another. Providing an online place for currency to occur is our primary business.

**Customers:** Our customers are our most important asset. Finding new customers and maintaining current customers is and will always be a principle goal of Currency Exchange. For this reason customer satisfaction will be an extremely important measure of success.

**Exchange:** Currency Exchange core service we provide and this service is made possible by the online digital exchange that is a the heart of the company

**Currency:** The exchange of one currency for another is a vital function of the modern global economy. Crypto-currencies are a new form of money and the exchange between these new currencies and traditional government money is critical factor in their continued adoption.

## Core Competency

The core competency of the currency exchange is the operation of a 24 by 7 digital currency exchange. The account management and transaction processing that is vital to the operation of a digital exchange will be the primary area of expertise Currency Exchange will demonstrate.

# Industry Analysis

## NAICS

*U.S. Census Bureau 2012 NAICS Code:* 523210

*Title:* Securities and Commodity Exchanges

*Definition:* “This industry comprises establishments primarily engaged in furnishing physical or electronic marketplaces for the purpose of facilitating the buying and selling of stocks, stock options, bonds, or commodity contracts.” (NAICS, 2012)

## Industry history

Currency trading has been going on for a long time. “Foreign-exchange trading dates back to ancient times.” Throughout history countries and banks have engaged in currency trading. In 2013 on average $5.3 trillion dollars changed hands each day. (Levinson, 2014) Prior to 2007 most currency trading involved government issued currencies (e.g., US dollars, Chinese Yuan). However in 2009 Satoshi Nakamoto introduced a new non-government currency.

“Bitcoin is the first implementation of a concept called "cryptocurrency", which was first described in 1998 by Wei Dai on the cypherpunks mailing list, suggesting the idea of a new form of money that uses cryptography to control its creation and transactions, rather than a central authority. The first Bitcoin specification and proof of concept was published in 2009 in a cryptography mailing list by Satoshi Nakamoto. Satoshi left the project in late 2010 without revealing much about himself. The community has since grown exponentially with many developers working on Bitcoin.” (“Bitcoin Faq,” 2015) Since its introduction there have been a growing number of businesses and individuals using Bitcoin. One way to acquire Bitcoin by is by purchasing them at a Bitcoin exchange. This has created a new industry around the exchanging of Bitcoin for government issued currencies.

## Industry profile

*Background:* In the early days of Bitcoin the only way to acquire them was to “mine” them, a process of solving a mathematical problem the resulted in the creation of a new Bitcoin. On July17, 2010 MtGox was established as a currency exchange where customers could go to purchase and sell Bitcoin.(“History of Bitcoin,” 2015) Between 2010 and 2014 several currency exchanges established throughout the world. In February 2014 Mt. Gox suspended trading following the theft of 850,000 Bitcoin valued at over 450 million dollars belonging to customers of the exchange. Mt. Gox’s collapse was the first of several exchanges to cease operations. As the value of Bitcoin rose and transaction volume increased these early exchanges proved to be easy targets for international hackers.

*Key industry players:* As the first Bitcoin exchanges collapsed several new exchanges were established with stronger safe-guards against hackers and thieves. Today the industry is dominated by six exchanges; BTC-e, Bitstamp, Kraken, Cryptsy, CCEDX and ICE3X. These six exchanges have a combined daily volume of 71,000 bitcoin valued at over 16 million US dollars.

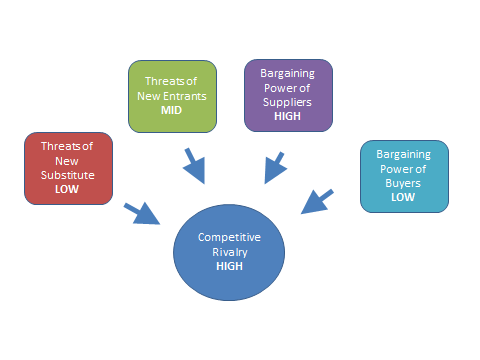
*Trends*: Despite the collapse of Mt. Gox and the resulting price fluctuations the remaining exchanges have seen steadily increasing transaction volume. Throughout the world an increasing number of business and individuals are using Bitcoin. This increased use is driving demand for currency exchanging services.

*Forecasts:* After a year of wild fluctuations in 2015 the price of Bitcoin stabilized. Price stability together with the increased trading volume indicates a positive future for the Bitcoin and the supporting crypto currency ecosystem. As use of new currency spreads there will be an increased demand for currency exchanges.

## STEP Analysis

|  |  |
| --- | --- |
| Social and Cultural Forces | *Opportunities:* The near collapse of the banking industry in 2008 has resulted in distrust in the currency system we depend on. Crypto currencies are legitimate alternative. Adoption of crypto currencies will increase demand for currency exchanging. |
| *Threats:* Black market online sites have adopted crypto currency. The association with illegal activities may discourage mass adaption and decrease need for currency exchange. |
| Technological Advances | *Opportunities:* Blockchain technology has created a viable form of money that is safer and less expensive then government currency. As use of the new technology spreads demand for support services such as currency exchange will increase. |
| *Threats:* Demand for currency exchange is driven by crypto currency use which relies on blockchain technology. Blockchain technology demands on unbreakable encryption. I technological advances enable the breaking of current encryption systems crypto currencies be rendered obsolete. |
| Economic Trends | *Opportunities:* Online sales continue to grow. Crypto currencies especially useful for online transactions, they are both safer and cheaper than current payment options. Continued growth in online commerce creates additional demand for crypto currencies. |
| *Threats:* High unemployment and stagnant wages is decreasing consumer spending. Less spending will result in decreased demand for currency exchanging. |
| Political and Regulatory Factor | *Opportunities:* New York city has recently established the BitLicense the first license for crypto currency exchanges. The first few exchanges to obtain the new license will likely attract early adopters of crypto currencies. |
| *Threats:* Governments throughout the world are discussing what should be done about cyber currencies. To date only two have out right banned them. There is always the possibility that a government could prevent the spread of cyber currencies. |

## Michael Porter’s Five Forces



*Bargaining power of suppliers:* High. There are only a few exchanges, 90 percent of daily volume comes from only three exchanges. Customers have few choices and must deal with one of the dominate exchanges. Currencies exchanges are more attractive to customers if they have many buyers and sellers. Because most crypto currencies buyers and sellers are in one of the big three exchanges new customers are very likely to use one of those exchanges which increase their domination of the currency market.

*Bargaining power of consumers:* Low. There are only a few exchanges in operations. Customers looking to buy and sell cyber currencies deal with the handful of exchanges.

*Threat of new entrants:* Mid. Crypto exchanges are primarily online business with a well understood business modeled. It is technically easy to design and build an online currency exchange. However, a currency exchange is only useful if there are many buyers and sellers. For this reason customers gravitate toward the most used exchanges which offer many buyers and sellers. Attracting new customers is extremely difficult for a small exchange.

*Threat of substitute products:* Low. New payment methods are difficult to introduce. Customers will not use a new form of payment until merchants except it. Merchants will not purchase equipment to except new forms a payment until customers are using it. In the six year following the introduction of Bitcoin the currency has seen exponential growth in both value and number of people using it yet still represents only a fraction of global commerce. It can take decades for a new payment to gain wide acceptance so it is unlikely that a substitute will come in the near future.

*Rivalry amongst existing competitors:*Low. There is little competition because there are virtual no options for customers. The market is dominated by a few exchanges and the difficulty involved with new entrants and the lack of alternatives reduces the treat of competition for the dominate players.

# Competitor Analysis

## Bitstamp

**Basic Information**

*Business Name:* Bitstamp

*Brief History:* “Bitstamp was founded in 2011 as an alternative to MtGox, and is now the largest exchange by trading volume. Its banking is based in Slovenia but the exchanges headquarters are in London. Since its move to the UK and particularly since MtGox’s bankruptcy, Bitstamp has strived to be as transparent and well-regulated as possible. Its CEO Nejc Kodric is a well-known member of the bitcoin community and the company is open about developments that affect its users, including potential security issues. (“Bitcoin Exchange Guide,” n.d.)"With the fall of MtGox, they’ve taken up the position of banner-bearer–and they’ve carried it excellently so far." (“Bitstamp Review,” n.d.) Bitstamp website features a proprietary simple and easy to use user interface with an excellent and responsive customer support. They actively develop Bitstamp to improve its services. (“Bitstamp Facebook,” n.d.) "Slovenia-based Bitstamp is one of the world’s most popular bitcoin exchanges"(“Bitstamp Bitcoin Exchange News,” n.d.)

*Mission Statement:* We believe bitcoin is here to stay. Our goal is to provide reliable easy to use service for companies and individuals to exchange bitcoins.

*CEO:* Nejc Kodric

*Year Founded:* 2011

*Important relationships:* "Bitstamp is one of the longest-running exchanges in the world–they’ve kept it simple and as a result have picked up some excellent connections in the industry. They work closely with Coinbase, one of the biggest and best exchanges. At the end of 2013, hedge fund Pantera Capital Management invested $10 million in it.(“Bitcoin Exchange Guide,” n.d.) Pantera Capital is a fairly major Bitcoin-specific venture capital investor, owned in part by Benchmark, Fortress Investment Group, and Ribbit Capital." (“Bitstamp Review,” n.d.)

**Product**

Deposit and withdraw EUR or USD

Deposit and withdraw Bitcoin

Trading pair BTC/USD

API for access and control of accounts

**Place**

Customers primarily interface with Bitstamp via the company website https://www.bitstamp.net/. The exchange is based in Slovenia. Bitstamp has offices in Luxembourg, the United States and the United Kingdom. They can be contacted via email or telephone.

**Promotion**

Bitstamp maintains a Facebook and Twitter account to promote the exchange. They also post news on a number of Bitcoin focused boards on Reddit. Bitstamp also promotes the exchange buy posting coupons on Savevy.com

**Price**

Bitstamp charges a transaction fee to both parties in a trade. The fee is depends on the customers trading volume over the last 30 days and follows the table below

| **Fee** | **30 Day Volume** |
| --- | --- |
| 0.25% | < $20,000 |
| 0.24% | < $100,000 |
| 0.22% | < $200,000 |
| 0.20% | < $400,000 |
| 0.15% | < $600,000 |
| 0.14% | < $1,000,000 |
| 0.13% | < $2,000,000 |
| 0.12% | < $4,000,000 |
| 0.11% | < $20,000,000 |
| 0.10% | > $20,000,000 |

Bitstamp has minimum trade amount of $5.

In addition to the trading fees Bitstamp also charges a withdraw fee. SEPA withdraws have a fixed .9 euro fee and minimum withdraw amount of $10. International withdraws are charged a .09% fee and subject to $15 minimum fee is $15 and minimum withdraw amount of $50.

## Bitfinex

**Basic Information**

*Business Name:* Bitfinex

*Brief History:* The Bitfinex trading platform is currently in a beta phase (testing phase). The platform is owned and operated by iFinex Inc. (Bvi), and during this final phase the platform is being prepared to operate under a fully licensed model. Fascinated by Bitcoin and the new possibilities it gives to people, the Bitfinex team has gathered experts from financial markets, programming and system administration to develop a versatile one-stop platform to make transfers, trade and a growing host of other services. (“Bitfinex,” n.d.)

*CEO:* Raphael NICOLLE

*Year Founded:* 2013

**Product**

* Bitfinex offers a full API to access account and make trades
* Enhanced security policies provided by BitGo
* Segregated customer wallets
* Multi-sig hot wallet provided by BitGo that only holds minimal amounts (~0.5% of customer funds)
* Secure cold wallet to hold crypto-currencies
* Your Bitcoins are stored in the cold wallet. We do not store more than 0.5% of our assets on hot wallets for convenient deposits and withdrawals.
* Two-factor authentication (2FA) token and SMS/Voice authentication to validate your withdrawals.
* We have advanced verification tools to try and detect if your account is compromised
* Once a day, the database of the platform is backed up, encrypted and compressed as an archive.

(“Bitfinex,” n.d.)

**Place**

*Webpage:* https://www.bitfinex.com/

*Office location:* Hong Kong

*Customer support:* Email Only

**Promotion**

Bitfinex actively promotes their exchange on the following social media platforms.

* Facebook
* Twitter
* Reedit

**Price**

Bitfinex trading fees are based on the total volume of trades made by a customer in the previous 30 days. Maker fees are paid when you add liquidity to our order book. Taker fees are paid when you remove liquidity from our order book.

| **Executed in the last 30 days** | **Maker fees** | **Taker fees** |
| --- | --- | --- |
| $0.00 or more traded | 0.10% | 0.20% |
| $500,000.00 or more traded | 0.08% | 0.20% |
| $1,000,000.00 or more traded | 0.06% | 0.20% |
| $2,500,000.00 or more traded | 0.04% | 0.20% |
| $5,000,000.00 or more traded | 0.02% | 0.20% |
| $7,500,000.00 or more traded | 0.00% | 0.20% |
| $10,000,000.00 or more traded | 0.00% | 0.18% |
| $15,000,000.00 or more traded | 0.00% | 0.16% |
| $20,000,000.00 or more traded | 0.00% | 0.14% |
| $25,000,000.00 or more traded | 0.00% | 0.12% |
| $30,000,000.00 or more traded | 0.00% | 0.10% |

Deposit fee: 0.1%

Minimum deposit: $20

Withdraw fee: 0.1%

Minimum withdraw: $20

## Coinbase

**Basic Information**

*Business Name:* Coinbase

*Mission statement:* Coinbase's mission is to make payments more open and efficient for the world.

*Brief History:* Coinbase has set itself apart as a very professional and easy-to-use service that covers several major aspects of the bitcoin ecosystem, rather than focusing on its bitcoin exchange alone. It is one of the highest-profile bitcoin companies in the world and has attracted significant VC funding. Coinbase have also made efforts to secure their services, and have recently hired security experts from Facebook and Amazon partly to reassure the public after MtGox’s bankruptcy.

Unlike other exchanges, it combines the ability to buy and sell bitcoins for US dollars with wallet software that allows customers to store send and receive bitcoins. Additionally, Coinbase offers merchant services so that businesses can accept bitcoins as payment. This wide-ranging approach has led to strong demand and the company now has more than 1 million customer wallets. Coinbase are a one-stop shop for bitcoin business and transactions, which has earned them the name the PayPal of bitcoin. (“Bitcoin Exchange Guide,” n.d.)

*CEO:* Brian Armstrong

*Year Founded:* 2012

*Legal Issues:* Coinbase is insured against employee theft and hacking in an amount that exceeds the average value of online bitcoin it holds at any given time. Specifically, Coinbase's insurance policy would respond in the event that bitcoin stored in Coinbase was lost or stolen as a result of a breach of our physical security, cyber security, or as a result of employee theft. Coinbase has held this insurance since November 2013 with highly rated carriers (S&P rating of A+ or A.M. Best Rating of A XV or higher). (“Coinbase,” n.d.)

**Product**

* Coinbase has emerged as the foremost integrated wallet, exchange and business service
* 2-Step Verification on All Accounts you'll enter a code from your mobile phone, adding an extra layer of security for your account
* Offline storage provides an important security measure against theft or loss.
* We distribute bitcoin geographically in safe deposit boxes and vaults around the world
* Up to 97% of customer funds are stored offline
* Full API to access account and make trades
* Dollar deposits through linked bank account
* Majority of customer funds kept offline in bank vaults
* Wallets fully protected with AES-256 encryption
* Merchant tools available
* Bitcoin-only no alternative cryptocurrencies offered

**Place**

*Webpage:* https://www.coinbase.com/

*Office location:* San Francisco

*Customer support:* Email

**Promotion**

Coinbase is an active participant at Bitcoin conference around the world. In addition to promoting the exchange at conferences Coinbase use social media platforms such as; Twitter

Facebook and Linked in.

**Price**

Coinbase does not charge withdraw fees.

There is a .25% taker fee and 0% maker fee for all trades.

## BTC\_e

**Basic Information**

*Business Name:* BTC\_e

*Brief History:* BTC-e offers a range of services not provided by Coinbase and Bitstamp, particularly trading in alternative cryptocurrencies. Since the decline of MtGox it has taken a larger market share and is now an extremely popular exchange, particularly in Russia where bitcoin trading is discouraged. BTC-e is a Bulgaria-based bitcoin exchange which began trading in 2011. At first the exchange offered trading between bitcoins and multiple physical currencies including US dollars, Russian roubles and Euros. BTC-e also supports Litecoin, Namecoin and other cryptocurrencies. The site has English and Russian interfaces. These features make it one of the most international and far-reaching of the major exchanges. However, BTC-e effectively remains anonymous, which has led to questions about its security and the guarantees it can offer to its customers since there is a lack of transparency around ownership. (“Bitcoin Exchange Guide,” n.d.)

*Year Founded:* 2011

**Product**

* Trading API but no API for bitcoin withdrawals
* Trollbox chatroom
* Limit orders supported
* Physical cash deposits in USD and Euros through numerous methods
* SEPA transfers accepted
* Multi-option withdrawal, including PayPal
* Bitcoin, Litecoin, Namecoin and other cryptocurrency trading

BTC\_e offers the following trading pairs (“BTC\_e,” n.d.)

* BTC/USD
* BTC/RUR
* BTC/EUR
* LTC/BTC
* LTC/USD
* LTC/RUR
* LTC/EUR
* NMC/BTC
* NMC/USD
* NVC/BTC
* NVC/USD
* USD/RUR
* EUR/USD
* EUR/RUR
* PPC/BTC
* PPC/USD

**Place**

*Webpage:* https://btc-e.com/

*Office location:* Its exact location is unknown. Some critics have suggested that it is really based in Russia, rather than Bulgaria.

*Customer support:* Email, online chat

**Promotion**

BTC\_e uses Facebook and Twitter as well as posts on Reddit bitcoin boards

**Price**

BTC withdraw fee: 0.01 BTC

Transaction fee: .2% - .5%

## LakeBTC

**Basic Information**

*Business Name:* LakeBTC

*Brief History:* LakeBTC project was started in early 2013 as a virtual bitcoin exchange initially for traders and other financial professionals. Later that year, the exchange was incorporated and operated under the current domain name. LakeBTC is currently owned by Lake Investments Limited (BVI), with Shanghai Trading IT, Inc. providing technical and customer support. To protect your fund, we implemented a number of rigorous mechanisms including SSL encryption, cold storage, 2-step verification, SMS withdrawal confirmation, trade notifications and so on. (“LakeBTC,” n.d.)

*Ownership:* Thomas Xie

*Year Founded:* 2013

**Product**

* LakeBTC also provides bitcoin wallet service to all accounts.
* SMS withdrawal confirmations and trade notifications
* SSL encryption, cold storage, 2-step verification,
* Highly-secure market data and trading API's for advanced users

**Place**

*Webpage:* https://www.lakebtc.com/

*Office location:* Shanghai

*Customer support:* Email, Phone or Twitter

**Promotion**

LakeBTC uses social media platforms such as; Facebook, Twitter, Linked in and Reddit to promote the exchange.

**Price**

Taker trading fees are a flat 0.2%

Maker fees depend on previous 30 day volume

| **30 day Volume** | **Fee** |
| --- | --- |
| > 20,000 BTC | 0.00% |
| > 15,000 BTC | 0.02% |
| > 6,000 BTC | 0.04% |
| > 3,000 BTC | 0.06% |
| > 500 BTC | 0.10% |
| < 500 BTC | 0.15% |

Withdraw fees

|  |  |
| --- | --- |
| **30 day Volume** | **Fee** |
| > 15,000 BTC | 0.10% |
| > 6,000 BTC | 0.20% |
| < 6,000 BTC | 0.30% |

No deposit fees

## OkCoin\_Intl

**Basic Information**

*Business Name:* OkCoin\_Intl

*Brief History:* OKCoin.com is a worldwide digital currency trading platform founded in 2013. In early March 2014, OKCoin reached a BTC transaction volume of roughly 293,000 BTC and an LTC transaction volume of roughly 12.9 million LTC. This is the highest crypto-currency transaction volume that any exchange, the world over, has ever had. They constantly strive to provide their users with the best system, products, and services in the industry. OkCoin\_Intl employ a team that is young, professional, meticulous, dedicated, and thirsty for success. Their team consists of employees with extensive experience working at Google, Alibaba, Baidu, IBM, Microsoft, and other industry leading companies.(“OkCoin\_Intl,” n.d.)

*Number of Employees:* 51-200 employees (“OkCoin LinkedIn,” n.d.)

*CEO:*  Mingxing Xu

*Year Founded:* 2013

**Product**

* We use distributed cluster technology to ensure we are always online
* Except for a very small portion, all Bitcoins are stored in an offline account
* All transmitted data goes through 128 bit encryption
* Multi-platform: Web platform, mobile app and API
* Margin Trading
* BTC/LTC futures trading
* High-speed matching engine
* GSLB and distributed servers
* Distribution of global data center
* Cold Storage, SSL

**Place**

*Webpage:* https://www.okcoin.com/

*Office location:* Beijing

*Customer support:* Email or Phone lines in; Hong Kong, Canada, Ireland, Singapore and Russia

**Promotion**

OkCoin\_Intl uses social media platforms such as; Facebook, Twitter, Linked in and Reddit to promote the exchange.

**Price**

*Trading Fees are based on previous 30 day volume*

|  |  |  |
| --- | --- | --- |
| **30 Day Volume** | **Taker Trading Fee** | **Maker Trading Fee** |
| 0 BTC | 0.20% | 0 |
| 50 BTC | 0.18% | 0 |
| 200 BTC | 0.16% | 0 |
| 600 BTC | 0.14% | 0 |
| 1500 BTC | 0.12% | 0 |
| 5000 BTC | 0.10% | 0 |

*Deposit & Withdrawal Fees*

USD Deposit: Bank Transfer/Wire: Only the fees charged by banks will be incurred.

USD Withdrawal: TT fee: 0.1%, minimum fee $15 USD

BTC Withdrawal: 0%

LTC Withdrawal: 0%

## Kraken

**Basic Information**

*Business Name:* Kraken

*Mission Statement:* Our mission is to provide an exceptional bitcoin exchange experience

*Brief History:* Founded in 2011, San Francisco-based Kraken is the largest Bitcoin exchange in euro volume and liquidity and also trading Canadian dollars, US dollars, British pounds and Japanese yen. Kraken is consistently rated the best and most secure Bitcoin exchange by independent news media. Kraken was the first Bitcoin exchange to have trading price and volume displayed on the Bloomberg Terminal, the first to pass a cryptographically verifiable proof-of-reserves audit, and is a partner in the first cryptocurrency bank. (“Kraken,” n.d.)

Kraken is a relatively new but highly professional bitcoin exchange, based in Europe. It is billed as a ‘Forex meets bitcoin exchange’ platform, and the site offers advanced trading tools that are suitable for more sophisticated and professional investors. Kraken is well-regarded and can be considered as an up-and-coming player in the bitcoin exchange space. Although it is strategically positioned, at the present time it is not as popular as some of the larger exchanges such as Coinbase and Bitstamp. As well as bitcoin, traders can buy and sell a limited range of altcoins. (“Bitcoin Exchange Guide,” n.d.)

*CEO:* Jesse Powell

*Year Founded:* 2011

*Important relationships:* Kraken places a strong emphasis on proving they are operating within a recognized and approved legal framework, to the extent that is possible with existing regulation. The parent company recently raised $5 million in venture capital funding and has a partnership with a German bank for fast withdrawals and deposits.(“Bitcoin Exchange Guide,” n.d.)

*Legal Issues:* Kraken has passed a rigorous proof of reserves audit, verifying that the exchange held more than enough funds to cover customer deposits – a critical step following the MtGox bankruptcy. Representatives have stated they plan to hold regular audits in the future.

(“Bitcoin Exchange Guide,” n.d.)

**Product**

* Professional and sophisticated exchange suitable for pro-traders
* Dollar and Euro denominated trading and deposits
* Bitcoin, Litecoin, Namecoin, Dogecoin and Ripple trading
* Advanced trading tools available
* API available
* Margin trading
* Encrypted cold storage

Trading pairs

* BTC/EUR
* BTC/USD
* BTC/CAD
* BTC/GBP
* BTC/JPY
* LTC/EUR
* LTC/USD
* BTC/LTC

**Place**

*Webpage:* https://www.kraken.com/

*Office location:* 548 Market Street #39656 San Francisco, CA 94104-5401

*Customer support:* Email or mail

**Promotion**

Kraken uses social media platforms such as; Facebook, Twitter, Linked in and Reddit to promote the exchange.

**Price**

*Fee Schedule*

| **Maker Trading Fee** | **Taker Trading Fee** | **30 Day Volume** |
| --- | --- | --- |
| 0.16% | 0.26% | < 10,000 |
| 0.14% | 0.24% | < 50,000 |
| 0.12% | 0.22% | < 100,000 |
| 0.10% | 0.20% | < 250,000 |
| 0.08% | 0.18% | < 500,000 |
| 0.06% | 0.16% | < 1,000,000 |
| 0.04% | 0.14% | < 5,000,000 |
| 0.02% | 0.12% | < 10,000,000 |
| 0.00% | 0.10% | > 10,000,000 |

## Coinsetter

**Basic Information**

*Business Name:* Coinsetter

*Brief History: “*Coinsetter is based in New York, and the organization has a strong ethos of customer service. It’s one of a number of new and professional exchanges that are coming online with the increasing regulatory clarity around bitcoin. It is open to most businesses and individuals within and outside the US, and is particularly suitable for payment processors and ATM providers.”(“Bitcoin Exchange Guide,” n.d.) Coinsetter is a venture capital financed bitcoin exchange that is dedicated to making bitcoin safe and reliable for active users globally. Operating since 2012, our company offers a Wall Street class bitcoin trading platform with easy-to-reach customer support. (“CoinSetter,” n.d.)

Coinsetter boasts that it is a Wall Street-built exchange, designed to provide the power of institutional bitcoin trading to both individuals and organizations. In practice, this means excellent liquidity and deep order books, so there is limited slippage. Liquidity is sourced from other bitcoin exchanges to ensure there is always adequate supply. Margin trading is also available, with various other trading tools. (“Bitcoin Exchange Guide,” n.d.)

*CEO:* Jaron Lukasiewicz

*Year Founded:* 2012

*Important relationships:* Securicoin is an enterprise bitcoin security solution designed specifically to meet the standards of Wall Street institutions. Bitcoins held in the Securicoin system are contained in highly-protected offline wallets that never directly touch the internet. Furthermore, a human is always involved to verify the validity of each withdrawal made from your account. Bitcoin market participants that value security over all else will take comfort in Securicoin's complete separation of your bitcoins from outside threats. (“CoinSetter,” n.d.)

Coinsetter’s ‘Securicoin’ system was designed as an institutional-grade way of securing bitcoins, protecting them in offline wallets that are never connected to the internet. Automatic withdrawals are never made: a human always has to approve a transfer from the cold wallet, meaning that it is impossible for a hacker to drain the account remotely (as has happened with several other exchanges). Around 50% of coins are ensured through Xapo Vault.(“Bitcoin Exchange Guide,” n.d.)

**Product**

* With Coinsetter's margin trading capabilities
* Connect to Coinsetter through our FIX, WebSockets and REST API
* Trade before sending funds
* APIs enable millisecond latency
* Charting tools
* DDOS protection

**Place**

*Webpage:* https://www.coinsetter.com/

*Office location:* Office in New York, NY

*Customer support:* Contact via Email, Phone, Mail, Personal visit. Our call hours extend from 1PM to 4PM Eastern Time. Email support throughout the business day.

**Promotion**

Coinsetter uses social media platforms such as; Facebook, Twitter, Linked in and Reddit to promote the exchange.

**Price**

*Trading fees*

| **30 Day Trading Volume** | **Our Trade Fee** |
| --- | --- |
| 0 BTC to 999 BTC | 0.25% |
| 1,000 BTC to 4,999 BTC | 0.20% |
| 5,000 BTC to 9,999 BTC | 0.15% |
| 10,000+ BTC | 0.10% |

Coinsetter offers partner programs to designated market makers on our exchange.

## Cryptsy

**Basic Information**

*Business Name:* Cryptsy

*Brief History:* Cryptsy is an exchange with a difference. Its stated aim is to provide a safe environment for users to trade crypto-currencies with other users in an efficient and easy to use manner. Although the site plans to offer USD deposits and withdrawals soon, at the present time it is designed to act specifically as an exchange for a huge range of different cryptocurrencies. Cryptsy is based in Florida and was launched in May 2013. It currently offers trading between pairs of over 100 types of cryptocurrency. In the near future, Cryptsy plans to offer further services, including cryptocurrency escrow and merchant services for cryptocurrency transactions, as well as USD exchange.(“Bitcoin Exchange Guide,” n.d.)

*Year Founded:* 2013

*Legal Issues:* Because Cryptsy does not offer fiat exchange, it is not currently bound by the rules that other exchanges are subject to. This means it is straightforward and easy to get started with, albeit at the cost of not being able to convert cryptocurrencies into USD or other physical currencies. The result is that Cryptsy has become the go-to exchange for almost all minor cryptocurrencies.(“Bitcoin Exchange Guide,” n.d.)

**Product**

* Cryptocurrency-only exchange at present
* Over 100 cryptocurrencies supported
* Majority of funds held offline in several locations
* Wallets protected with AES-256 encryption
* Regular security scanning by third party
* API available
* Two-factor authentication supported
* New markets added all the time

**Place**

*Webpage*: https://www.cryptsy.com/

*Office location:* **160 Congress Park Dr Suite 101, Delray Beach, FL 33445**

*Customer support:* Email, Online forums, Mail

**Promotion**

Cryptsy uses social media platforms such as; Facebook, Twitter, Linked in and Reddit to promote the exchange.

**Price**

Cryptsy charges a base fee which is typically aligned with the network fee imposed by each coin + 0.5%.

## Critical Success Factors Matrix

The goal of a currency exchange is to facilitate the trading of currency. The ultimate mark of a successful exchange is the daily volume moved through the exchange. A more successful exchange will move more money and have a higher average daily volume. My analysis of the successful crypto exchanges has reviled 4 critical success factors they are; Price, Customer service, Diversity of products and Security.

**Price**

|  |  |
| --- | --- |
| **Rubric** |  |
| Critical Success Factor | Price |
| Rationale | Because there the service provided by competitor exchanges is similar price is one of the few ways an exchange can differentiate itself. Lower prices will attract more traders which will increase exchange volume a key measure of success. |

|  |  |
| --- | --- |
| **Points** | **Decision Criteria** |
| 5 | Trading fee < .10%; Discount Maker fees |
| 4 | Trading fee < .10% |
| 3 | Trading fee < .15% |
| 2 | Trading fee < .25% |
| 1 | Trading fee < .25%; Withdraw fees |

**Customer Service**

|  |  |
| --- | --- |
| **Rubric** |  |
| Critical Success Factor | Customer Service |
| Rationale | When the Mt Gox exchange collapse customers of the exchange found it very difficult to reach the contact the exchange regarding the lost funds. Since then cyrpto traders are cautious about which exchange to trust. Trust is important when traders are picking an exchange to do business with. Exchanges that offer more ways to contact them will appear more trust worthy. |

| **Points** | **Decision Criteria** |
| --- | --- |
| 5 | Personal visit; Email; Phone |
| 4 | Email; Phone multi city options; Mail |
| 3 | Email; Phone; Mail |
| 2 | Email; Phone |
| 1 | Email Only |

**Available Products**

|  |  |
| --- | --- |
| **Rubric** |  |
| Critical Success Factor | Available Products |
| Rationale | All exchanges offer basic trading functionality. Innovative exchanges add additional features that make it easier for traders to interact with the exchange. Offering additional product or advanced trading feature like margin trading draws trader to the exchange and increase overall exchange volume. |

|  |  |
| --- | --- |
| **Points** | **Decision Criteria** |
| 5 | Advanced trading options such as Margin or Furture trading |
| 4 | Online wallet; Merchant services |
| 3 | Withdraw and deposit government currencies |
| 2 | Multiple trading pairs |
| 1 | Single trading pair; Basic API interface |

**Security**

|  |  |
| --- | --- |
| **Rubric** |  |
| Critical Success Factor | Security |
| Rationale | Since the collapse of Mt. Gox security has become paramount to any exchange. Nothing is more important to than an exchange then its ability to safe guard trader funds. Demonstrating sound security measures is important to an exchanges ability to attract traders. |

|  |  |
| --- | --- |
| **Points** | **Decision Criteria** |
| 5 | Geographically dispersed systems |
| 4 | Majority of funds stored off line |
| 3 | Encryption cold storage |
| 2 | 2 factor authentication |
| 1 | No security measures |

**Critical Success Factors Matrix**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Critical Success Factors** | **Weight** | **Bitstamp** | **Bitfinex** | **Coinbase** | **BTC\_e** | **LakeBTC** |
| Price | 0.2 | 1 | 3 | 2 | 2 | 3 |
| Customer Service | 0.25 | 1 | 1 | 1 | 2 | 3 |
| Available Products | 0.25 | 5 | 3 | 3 | 3 | 4 |
| Security | 0.3 | 4 | 4 | 5 | 2 | 2 |
| Total | **1** | **2.9** | **2.8** | **2.9** | **2.25** | **2.95** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Critical Success Factors** | **Weight** | **OkCoin** | **Kraken** | **Coinsetter** | **Cryptsy** |
| Price | 0.2 | 3 | 2 | 3 | 3 |
| Customer Service | 0.25 | 3 | 2 | 5 | 2 |
| Available Products | 0.25 | 5 | 5 | 4 | 3 |
| Security | 0.3 | 5 | 4 | 2 | 3 |
| Total | **1** | **4.1** | **3.35** | **3.45** | **2.75** |

# Company Background

**Name of Company**

Currency Exchange

**Address**

New York, NY

**Legal Structure**

LLC – Currency Exchange is a new company owned by President and CEO James LeBlanc. The exchange will operate under the BitLicense issued by New York State Department of Financial Services. (“NYS Department of Financial Services,” 2015) The exchange will also acquire the Transmitter of Money License also issued by New York State Department of Financial Services. The Chief Compliance officer will coordinate the acquisition and retention of the appropriate licenses.

**Intellectual Assets and Protection**

The company’s Logo and Name which will appear on all marketing materials and throughout the web portal will be trademarked. Currency exchange will design build and maintain comprehensive proprietary software platform to operate the exchange. We will also design and maintain a web portal with versions for PC’s, tablets and Smartphones. All software will be copy written by the exchange.

## Management Team

**James LeBlanc, President and CEO**

**Chief Financial Officer**

**Summary:** Responsible for overseeing and directing the organization's financial goals, objectives, and budgets. CFO will meet with the Board and other company executives to develop financial goals and budgets.

**Chief Information Officer**

**Job Description:** Responsible for the technological direction of a company. Proposes budgets for programs and projects, purchases and upgrades equipment, supervises computer specialists and IT workers, and presides over IT-related projects.

**Chief Technology Officer**

**Job Description:** Responsible for developing, enhancing, and deploying a company's web presence. CTO ensures execution of company's business goals and strategies.

**Chief Operation Officer**

**Job Description:** Responsible for overseeing and guiding the day-to-day operations of a company. Presides over; revenue and sales growth, expense, cost and margin control, and monthly, quarterly and annual financial goal management.

**Chief Compliance Officer**

**Job Description:** The Chief Compliance Officer oversees the companies Compliance Program, functioning as an independent and objective body that reviews and evaluates compliance issues/concerns within the organization. The position ensures the Board of Directors, management and employees are in compliance with the rules and regulations of regulatory agencies, that company policies and procedures are being followed, and that behavior in the organization meets the company’s Standards of Conduct.

**Education/Experience Required:** A Legal degree plus 7 years’ experience working in compliance.

## Support Staff

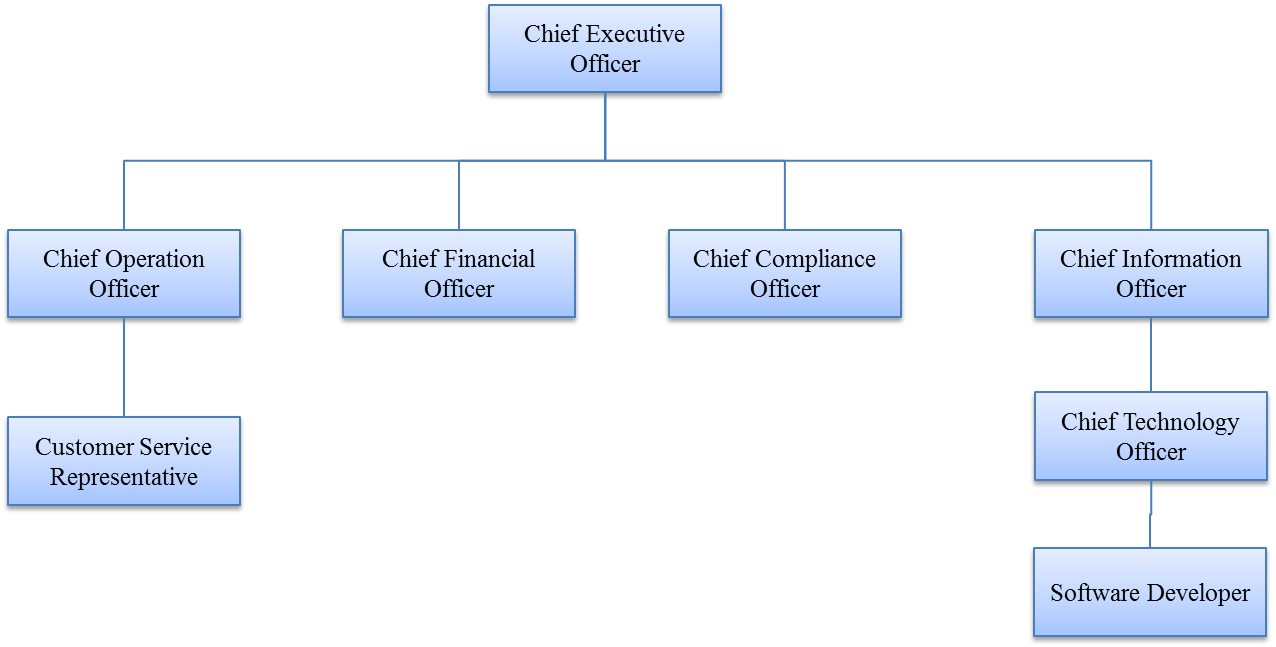
**Customer Service representative**

**Job Description:** The position is the face of the company and will interact directly with customers.

**Software Developer**

**Job Description:** The position will be responsible for the design and development of the exchange software.

## Organization Chart

****

# Macro Marketing Challenges

Finished first draft

**Year 1:**

What are we going to do, how much of it are we going to do, when will we do it by.

* + Aquire 100,000 users by the end of our first year of operation.
  + Establish a 5% of total volume or 20,000 daily volume within first 12 months of doing business.
  + Establish a presence on Facebook and Twitter and have at least 1,000 followers by within 6 months of operation.
  + Get listed on the bitcoin exchange within 12 months of operation.

**Year 2:**

* + Increase user base by end of year 250,000
  + increase volume by end of year
  + increase follows
  + Sign up 100 vendors who except bitcoin as payment by year end

**Year 3:**

* + Increase user base by end of year 1,000,000
  + account for 25% total volume by end of year
  + increase follows
  + Sign up additional 100 vendors who except bitcoin as payment by year end

# Macro SWOT Analysis

Finished first draft

Aquire 1,000 users by the end of our first year of operation.

|  |  |
| --- | --- |
| **Strengths** | **Opportunities** |
| * Things we are * We are located in New York. * Small firm with low overhead | * If we do this then this might happen * If we get some customers we will make money |
| **Weaknesses** | **Threats** |
| * Things we are not * Have no experience running an exchange | * If this happens then this might happen * If government change there view of bitcoin the market could collapse |

**Strengths**:

Rational for Strength

**Weaknesses:**

Rational for Weaknesses

**Opportunities:**

Rational for Opportunities

**Threats:**

Rational for Threats

Establish a 20,000 daily volume within first 12 months of doing business.

|  |  |
| --- | --- |
| **Strengths** | **Opportunities** |
| * Located in the financial capital of the country * Surrounded by businesses * Located in an international city | * If we do this then this might happen * If we get some international customers we can capitalize on the fact that international Bitcoin transfers are cheap |
| **Weaknesses** | **Threats** |
| * Things we are not * Established in other countries | * If this happens then this might happen * Heavily regulate Crypto currencies the cost of compliance will increase the cost of operating the exchange |

**Strengths**:

Rational for Strength

**Weaknesses:**

Rational for Weaknesses

**Opportunities:**

Rational for Opportunities

**Threats:**

Rational for Threats

Establish a presence on Facebook and Twitter and have at least 1,000 followers by within 6 months of operation.

|  |  |
| --- | --- |
| **Strengths** | **Opportunities** |
| * Things we are * Internet based company | * If we do this then this might happen * If we can be the first to reach new Bitcoin users and give them a good experience we can create loyal customers |
| **Weaknesses** | **Threats** |
| * Things we are not * We do not have an established following to tap into | * If this happens then this might happen * If user have a bad experience they may reject Bitcoin. |

**Strengths**:

Rational for Strength

**Weaknesses:**

Rational for Weaknesses

**Opportunities:**

Rational for Opportunities

**Threats:**

Rational for Threats

# Segmentation

Finished first draft

**Macro Segment 1**

Domestic Bitcoin users

**Micro Segment 1: Contractors/freelancers**

***Demographics***

* Male
* Ages 18 to 35
* Median income: $50,000

***Psychographics***

* Works as an independent contractor or a freelancer
* Read technology magazines or similar online content
* Libertarian
* Active on social media platforms (e.g., Facebook, twitter, istagram)
* Belongs to Bitcointalk.org
* Belongs to Reddit

***Technographics***

* Pays for good and services online
* Uses PayPal
* Use mobile pay via smartphone where accepted

***Position Statement***

The Currency Exchange will be a safe and reliable place for contractors, freelancers and other individuals to safely convert wages paid in cryto-currencies into government currency.

***Micro Challenge***

We will have 10,000 contractors as customers within one year of operation.

***Micro SWOT Analysis***

|  |  |
| --- | --- |
| **Strengths** | **Opportunities** |
| * Things we are | * If we do this then this might happen |
| **Weaknesses** | **Threats** |
| * Things we are not | * If this happens then this might happen |

**Micro Segment 2: People who want to buy goods and services with bitcoin**

***Demographics***

* Male or Female
* Ages 18 to 35
* Median income: $35,000

***Psychographics***

* Buys things online
* Has donated to a charity
* Is active on social media
* Was a victim of credit card theft

***Technographics***

* Has used PayPal to buy stuff
* Uses credit cards
* Use mobile pay via smartphone where accepted

***Position Statement***

The currency exchange online wallet will enable customers to quickly convert cash into crypto currency to make online purchases.

***Micro Challenge***

We will sign up 50,000 people to our online wallet within 12 months

***Micro SWOT Analysis***

|  |  |
| --- | --- |
| **Strengths** | **Opportunities** |
| * Things we are | * If we do this then this might happen |
| **Weaknesses** | **Threats** |
| * Things we are not | * If this happens then this might happen |

**Micro Segment 3: Merchants accepting Bitcoin**

***Demographics***

* Male
* Ages 18 to 45
* Median income: $45,000

***Psychographics***

* Owns a business
* Is active on social media
* Is a member of Bitcointalk.org
* Has been to Reddit

***Technographics***

* Accepts credit and or debit cards
* Has a computer and internet connection

***Position Statement***

Currency exchange merchant service account allows you to take crypto currency payments, provided a safe and realiable place for you to convert crypto payments into government currency

***Micro Challenge***

Sign up 50,000 merchants to our merchant account within 12 months

***Micro SWOT Analysis***

|  |  |
| --- | --- |
| **Strengths** | **Opportunities** |
| * Things we are | * If we do this then this might happen |
| **Weaknesses** | **Threats** |
| * Things we are not | * If this happens then this might happen |

**Macro Segment 2**

International Bitcoin users

**Micro Segment 1: Bitcoin Miners**

***Demographics***

* Male
* Ages 20 to 35
* Median income: $50,000

***Psychographics***

* Drink alcohols
* Smokes
* Gambles
* Libertarian
* A member of Bitcointalk.org

***Technographics***

* Mines crypto-currencies
* Has a computer and internet connection
* Has a debit account

***Position Statement***

Currency exchange miner program provides discount trading fees to high volume crypto to government traders.

***Micro Challenge***

Sign up 50,000 miners to the minor program within 12 months

***Micro SWOT Analysis***

|  |  |
| --- | --- |
| **Strengths** | **Opportunities** |
| * Things we are | * If we do this then this might happen |
| **Weaknesses** | **Threats** |
| * Things we are not | * If this happens then this might happen |

**Micro Segment 2: Organizations requesting donations**

***Demographics***

* Male or Female
* Ages 35 to 55
* Median income: $40,000

***Psychographics***

* Is a member of a non-profit charity
* Is active on social media
* Has given to a charity

***Technographics***

* Accepts online donations
* Has a computer and internet connection

***Position Statement***

Crypto-currencies are a fast and cheap way to move money across international borders, currency exchange make accepting crypto donations safe and easy.

***Micro Challenge***

Obtain 10,000 non-profit charities as customer within 12 months

***Micro SWOT Analysis***

|  |  |
| --- | --- |
| **Strengths** | **Opportunities** |
| * Things we are | * If we do this then this might happen |
| **Weaknesses** | **Threats** |
| * Things we are not | * If this happens then this might happen |

# Product

The principle product provided by the exchange is the service of exchanging one type of currency for another. On launch day the exchange will provide one trading pair between US dollars (USD) and Bitcoin (BTC). Ancillary services provided by the exchange include service related to customer account creation, withdraws /deposits to the exchange and safe storage of customer funds. In year on services will be focused on trading inside the US.

## Year 1 products

* Deposit and withdraw USD
* Deposit and withdraw BTC, LTC
* Trading pair BTC/USD, LTC/USD
* Full API
* Secure cold wallet storage to hold crypto-currencies
* Two-factor authentication
* Smart phone wallet app
* Encrypted hot wallet protection
* Multiple deposit / withdraw options; Cash, Linked debit/credit account, wire transfer
* Merchant wallet / payment application

In year two of operations the exchange will expand to Europe trading by offering Euro (EUR) trading pairs and SEPA transfers. We will also expand our trading system to allow margin and futures trading.

## Year 2 products

* Futures trading
* Margin trading
* SEPA transfers
* EUR trading pair and wallets

# Place

Currency exchange will be operated from three locations; the corporate headquarters in New York, NY, one east coast data center and one west coast data center. Currency Exchange will operate from one location in New York, NY. The exchange will use a direct distribution channel. All services will be provided via the company website, or through the customer service call center. The company web site which will be hosted in the company data center. The corporate headquarters will include a call center to handle customer service.

The exchange will offer two methods for customers to interact with the exchange. The primary channel for interacting with the exchange will be the web site where customers can setup an account, deposit and withdraw funds, exchange currency, access the exchange message board and contact customer service. Advanced users and developers will be able to access all exchange service via the exchange API.

Currency Exchange will maintain a two tiered storage system for crypto currencies. To minimize the risks of theft 95% of customer funds will be held in servers which not connected to the internet. The remaining 5% of customer funds will be stored in the primary exchange servers. To facilitate long term crypto currency storage the exchange will operate a cold storage facility where customer funds will be stored in servers that are completely offline.

## Channel System

*Direct:* The only channel system Currency exchange will use is a direct channel.

*Indirect:* NA

## Wholesalers

NA

## Retailers

NA

## Logistics

What user will experience will depend on the type of users. When customers first visit the exchange web site they will be non-registered users. Customers will be able to register with the exchange which will give them access to services not available to non-registered users (e.g., bitcoin deposits and withdraws, active trading). To become a full registered user customers will have provide the exchange with a debit and credit account which will be verified and linked to the users account. The processes each type of user will encounter are outlined below.

**Non-registered users**

* Visit home page
* View live order book
* View trade history
* View terms of use and FAQ
* Create a user account
* Contact customer service Via email or phone

**Partially registered users**

* Log into user account, using two factor authentication
* View account balances
* Deposit and withdraw crypto currencies
* Submit buy and sell orders to live order book
* Send service request to customer service

**Full registered users**

* Deposit withdraw USD
* Margin trading
* Futures trading

## Customer Services

Good customer service is essential to the operation of the currency exchange. The quality of service will be measured by how fast customers issues can be resolved and how satisfied customers are by the resolution. Whenever a customer issue is resolved a survey will be sent to the customer asking them to rate the experience for quality assurance purposed.

To facilitate good customer relation and effect resolution of customer issues the exchange will staff and operate a call center in the corporate headquarters. The call center will be maned 24 / 7 year round to ensure customers will be able to speak with a company representative who can assist them with whatever issue prompted the call. In addition to the call center customer will be able to reach the customer service representatives via Email. Registered customers will be able to create a service request via the company website.

# Promotion

Promotional efforts will be divided into four primary activities; Social media posting, Networking at conferences, print media adds and email campaign.

## Social media posting

Posting on social media will be primarily performed by the CEO, COO and customer service representatives. The time spent posting on line will be valued at $18,750 per quarter. Social media posting will be focused on the following platforms.

* Facebook
* Twitter
* Reddit
* LinkedIn

*Rational:* Most competitors have a strong presence on the above platforms and use it as their primary method of reaching out to potential customers.

## Bitcoin Conferences

As the Bitcoin eco system has grown Bitcoin conferences have become increasing popular. Having a presence at these conferences is good way to reach potential customers. Most competitors regularly attend these conferences. $2,000 will be set aside each quarter to support conference attending activities.

## Print Media

*Magazine:* One effort per quarter budget at 5000 per quarter

*New paper:* One effort per quarter budget at 5000 per quarter

## Email

One effort per quarter budget at 1000 per quarter

## Marketing Plan



# Operations

## Location and Layout

The exchange will be located in Manhattan New York. The main office will be approximately 2,000 square feet and consist of the following:

* Reception area
* Offices for management personal
* Cubes for support personnel
* Secure data center
* Employee pantry
* Protected storage for on-site cash

## Supply Chain

NA – The exchange will deal directly with customers. All services will be provided via the company web portal or in person at the company office.

## Technology

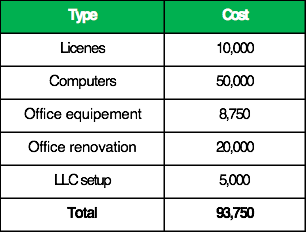
* Internet
* Phone system
* Personal computers for employees
* Kiosk computers for customers
* Networking equipment
* Servers
* Proprietary software
* Email system

## Operation Budget

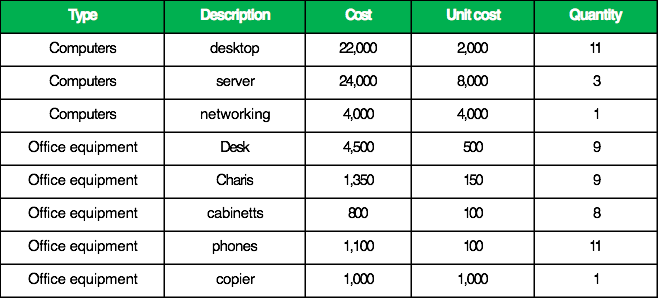


## One-Time/Start-up Costs

**Summary**



**Details**



## Business Processes

Business processes will be grouped into the following categories. For further explanation see Appendix A.

*Hire Employee:* Hire employee processes will include all activities related the on boarding of a new employee. Included activities will be; develop job description, establish budget for salary, search for candidates, interview candidates, hire employee and setup new hire in HR system.

*Pay Employee:* Processes related to payroll

*Add new customer account:* Adding new users processes include; registering user in system, verifying customers identity, setting up two factor authentication, adding credit/debit account to customers profile.

*Deposit money:* Processes for handling all types of deposits such as; online credit / debit, in person cash deposits, wire transfers.

*Withdraw money:* Processes for handling all types of withdraws such as; online credit / debit, in person cash withdraws, wire transfers.

*Post Trade:* These processes relate to all trading activities including; retrieve order book status, retrieving trade history, posting bid / ask, completing buys and sells, assessing trade fees, canceling bid /ask.

*Customer Support:* Processes relating to customer service issues not covered by adding new customer processes such as; problems withdrawing funds, problems depositing funds, questions about web portal and user apps, help with web API.

*Marketing:* Processes relating to the creating and running of marketing campaigns. These include all process addressing customer acquisition and retention.

## Organization Chart



**Chief Financial Officer**

*Summary:* Responsible for overseeing and directing the organization's financial goals, objectives, and budgets. CFO will meet with the Board and other company executives to develop financial goals and budgets.

*Job Responsibilities:*

* Develop and implement and organization's financial goals.
* Oversee the investment of funds and manage associated risks.
* Supervise cash management activities.
* Execute capital-raising strategies to support a firm's expansion.
* Handle mergers and acquisitions.
* Act as financial gatekeeper.
* Supervise the preparation of the annual budget.
* Monitor and control accounts receivables.
* Prepare monthly financial statements, financial packages, and other informational reports/analysis.
* Develop and monitor policies and procedures within generally accepted accounting principles and corporate guidelines to ensure sufficient cash flow, reduced operating costs, and increased revenues.
* Improve profitability.
* Review prior financial results and discusses anticipated changes to highlight future needs and trends.
* Ensure underlying accounting records are accurate, complete and in accordance with GAAP.
* Review monthly operating reports for accuracy, completeness and major variances between actual and budget results.
* Approve monthly bank reconciliations.
* Prepare quarterly and annual fair value reports.
* Prepare summaries and forecasts for future business growth and general economic outlook.

*Annual Salary:* $75,000

*Education/Experience Required:* BA accounting or other financial discipline, 7 year financial / accounting experience.

*Personality Synopsis:* This person will be responsible to the financial health of the exchange. They must be organized, methodical and pay close attention to detail.

**Chief Information Officer**

*Summary:* Responsible for the technological direction of a company. Proposes budgets for programs and projects, purchases and upgrades equipment, supervises computer specialists and IT workers, and presides over IT-related projects.

*Job Responsibilities:*

* Provide technological guidance within an organization.
* Supervise information system and communications network.
* Develop and implement a customer service platform to serve the organization in every aspect.
* Design, establish, and maintain a network infrastructure for local and wide area connectivity and remote access.
* Consult with administration, department managers, and manufacturing representatives to exchange information, present new approaches, and to discuss equipment/system changes.
* Participate in vendor contract negotiations for all new computer equipment and software purchased for the corporation.
* Create a cost-benefit analysis as well as supporting a detailed definition of data requirements and departmental workflows.
* Oversee Internet and computer operations.
* Manages the day-to-day operations of the information technology department including directing staff, who support administrative computing, networking, user services, telecommunications and other information technology functions.
* Assess and anticipate technology projects and recommend appropriate action and resources.
* Establish and direct the strategic and tactical goals, policies, and procedures for the information technology department.
* Propose hardware/software solutions to accomplish the company's business objectives.
* Identify user needs and resolve problems.

*Annual Salary: $*75,000

*Education/Experience Required:* BA in Information System Management, 7 year experience as an IT professional. Background must include experience helpdesk and software development.

*Personality Synopsis:* This person must be will to wear many hats. As the leader of the IT the CIO must be forward thinking and always looking for ways to improve business processes.

**Chief Technology Officer**

*Summary:* Responsible for developing, enhancing, and deploying a company's web presence. CTO ensures execution of company's business goals and strategies.

*Job Responsibilities:*

* Establish governance processes of direction and control to ensure that objectives are achieved.
* Direct and development a security plan.
* Protect the confidentiality, integrity, and availability of the company’s data and servers.
* Identify and implement technology trends and platforms.
* Communicate the company’s technology strategy to investors, management, staff, partners, customers, and stakeholders.
* Evaluate and recommend technologies.
* Select and register company's domain names.
* Establish email service.
* Implement web-based internal communications system.
* Oversee graphic designer's efforts to create a company corporate identity and website.
* Manage vendor relationships.
* Conduct code reviews and specification conformance testing.
* Establish quality assurance process.
* Establish an application deployment process.
* Monitor web analytics regime to ascertain site traffic.
* Implement technical requirements for Internet marketing and search engine optimization.
* Integrate customer service and support with the software engineering process to support resolution of customer issues and improve application usability.

*Annual Salary:* $70,000

*Education/Experience Required:*  BA in Information System Management, 7 year experience working as a IT professional including experience implementing software solutions and managing software development efforts. Must also have experience in direct tech support.

*Personality Synopsis:* This person must enjoy the deployment and maintenance of IT systems. Must display a positive attitude and be ready to assist personal with all technology assistance.

**Chief Operation Officer**

*Summary:* Responsible for overseeing and guiding the day-to-day operations of a company. Presides over; revenue and sales growth, expense, cost and margin control, and monthly, quarterly and annual financial goal management.

*Job Responsibilities:*

* Develop and implement budgets.
* Direct company operations.
* Establish performance goals and barometers.
* Distribute resources.
* Develop, implement, and revise company policies as needed.
* Execute business strategies.
* Direct and participate in acquisition and growth activities to support overall business objectives and plans.
* Establish and monitor performance reporting system.
* Monitor department performance against performance goals to ensure that progress is being made.
* Oversee human resources department.
* Manage business relationships with key suppliers.
* Ensure products and services meet standards of quality and cost effectiveness.
* Perform quality control and order fulfillment duties.
* Manage internal systems and business processes.
* Develop new processes and programs.
* Inform the chief executive officer, and ultimately the board of directors, of all program issues and accomplishments.
* Assist the CEO in planning, organizing, and implementing public and private fund-raising initiatives

*Annual Salary:* $75,000

*Education/Experience Required:* BA in Business management, 5 year management experience.

*Personality Synopsis:* The COO must interact well with other people especially customers. Working well with others and demonstrated ability to motivate staff are requirements for this position.

**Chief Compliance Officer**

*Summary:* The Chief Compliance Officer oversees the companies Compliance Program, functioning as an independent and objective body that reviews and evaluates compliance issues/concerns within the organization. The position ensures the Board of Directors, management and employees are in compliance with the rules and regulations of regulatory agencies, that company policies and procedures are being followed, and that behavior in the organization meets the company’s Standards of Conduct.

*Job Responsibilities:*

* Develop, initiate, maintain, and revise policies and procedures for the general operation of the Compliance Program and its related activities to prevent illegal, unethical, or improper conduct. Manages day-to-day operation of the Program.
* Develops and periodically reviews and updates Standards of Conduct to ensure continuing currency and relevance in providing guidance to management and employees.
* Collaborates with other departments (e.g., Risk Management, Internal Audit, Employee Services, etc.) to direct compliance issues to appropriate existing channels for investigation and resolution. Consults with the Company attorneys as needed to resolve difficult legal compliance issues.
* Responds to alleged violations of rules, regulations, policies, procedures, and Standards of Conduct by evaluating or recommending the initiation of investigative procedures. Develops and oversees a system for uniform handling of such violations.
* Acts as an independent review and evaluation body to ensure that compliance Issues/concerns within the organization are being appropriately evaluated, investigated and resolved.
* Monitors, and as necessary, coordinates compliance activities of other departments to remain abreast of the status of all compliance activities and to identify trends.
* Identifies potential areas of compliance vulnerability and risk; develops/implements corrective action plans for resolution of problematic issues, and provides general guidance on how to avoid or deal with similar situations in the future.
* Provides reports on a regular basis, and as directed or requested, to keep the Corporate Compliance Committee of the Board and senior management informed of the operation and progress of compliance efforts.
* Ensures proper reporting of violations or potential violations to duly authorized enforcement agencies as appropriate and/or required.
* Establishes and provides direction and management of the compliance Hotline.
* Institutes and maintains an effective compliance communication program for the organization, including promoting (a) use of the Compliance Hotline; (b) heightened awareness of Standards of Conduct, and (c) understanding of new and existing compliance issues and related policies and procedures.
* Works with the Human Resources Department and others as appropriate to develop an effective compliance training program, including appropriate introductory training for new employees as well as ongoing training for all employees and managers.
* Monitors the performance of the Compliance Program and relates activities on a continuing basis, taking appropriate steps to improve its effectiveness.

*Annual Salary:* $75,000

*Education/Experience Required:* A Legal degree plus 7 years’ experience working in compliance.

*Personality Synopsis:* The compliance officer is the watch dog of the organization. He/she must be able to enforce company and regulator policies. The COO must not be afraid of confrontation or difficult situations.

**Customer Service representative**

*Summary:* The position is the face of the company and will interact directly with customers.

*Job Responsibilities:*

* Answer phone and address customers issues
* Handle cash deposits and withdraws
* Register customers

*Annual Salary:* $50,000

*Education/Experience Required:* Associate degree. With 1 year customer service experience

*Personality Synopsis:* Must have a sunny personality and be will to work directly with the public. Must be patient and understand and above all friendly and professional.

**Software Developer**

*Summary:* The position will be responsible for the design and development of the exchange software.

*Job Responsibilities:*

* Design and develop software
* Debug and patch existing software
* Research new technologies and framework that will benefit the exchange

*Annual Salary:* $50,000

*Education/Experience Required:* Associate degree. With 3 software development experience

*Personality Synopsis:* The person must be able to work independently. He/she must be detail oriented and demonstrate good time management. He/she must be able to work on multiple projects simultaneously.

**Start-up personal**



**End of year 1:** If revenue projections hold by then end of year 1 we will add 2 additional developers and one additional customer service representative bring the total developers to three and customer service reps to two.

**End of year 2:** If revenue projections for year two hold will add additional developers and customer service representatives as needed.

## Operations calendar

**September 2016:** Hire CFO, CIO, CCO

**December 2016:** Build prototype of exchange software, setup development server.

**June 2016:** Obtain required licenses and permits.

**July 2016:** Hire CTO and developer.

**July 2017:** Build production datacenter and exchange software

**August 2017:** Hire COO and customer service rep

**September 2017:** Launch exchange

**October 2017:** First promotional effort

# Price

## Pricing Strategy

Currently there is very little difference between the products offered by the limited number of existing exchanges. We will offer most of the service offered by the popular exchanges. Because the types and quality of services we will be nearly identical to current exchanges lower prices will be the main difference between us and are competitors. Therefore we will adopt and strategy of keeping our prices lower than the most widely used exchange will the goal of attracting customers concerned about price to our exchange.

We will use the maker / taker model when assessing trading fees. A maker is defined as the trader who added value to the order book. Takers are defined as the trader who removes value from the order book. Two encourage liquidity all fees will be paid by the taker.

## Trading fees



## Additional fees

Minimum trade value $1

No withdraw fees

Minimum withdraw value $1

No maker fees

$5 fee for wire transfers

## Marketing Budget



## Promotion Calendar



## Print marketing break even analysis

**Magazine**

Need to select a magazine to promote the exchange in

Need to design a magazine promotion for each quarter 1

|  |  |
| --- | --- |
| **Q1** | |
| Cost | 5000 |
| Expected Customers | 600 |
| Daily Revenue | 16.19 |
| Days to break even | 309 |

Need to design a magazine promotion for each quarter 2

|  |  |
| --- | --- |
| **Q2** | |
| Cost | 5000 |
| Expected Customers | 600 |
| Daily Revenue | 16.19 |
| Days to break even | 309 |

Need to design a magazine promotion for each quarter 3

|  |  |
| --- | --- |
| **Q2** | |
| Cost | 5000 |
| Expected customers | 600 |
| Daily renue | 16.19 |
| Days to break even | 309 |

|  |  |
| --- | --- |
| **Q3** | |
| Cost | 5000 |
| Expected Customers | 600 |
| Daily Revenue | 16.19 |
| Days to break even | 309 |

Need to design a magazine promotion for each quarter 4

|  |  |
| --- | --- |
| **Q4** | |
| Cost | 5000 |
| Expected Customers | 600 |
| Daily Revenue | 16.19 |
| Days to break even | 309 |

**Newspaper**

Need to select a newspaper to promote the exchange in

Need to design a newspaper promotion for each quarter 1

|  |  |
| --- | --- |
| **Q1** | |
| Cost | 5000 |
| Expected Customers | 600 |
| Daily Revenue | 16.19 |
| Days to break even | 309 |

Need to design a newspaper promotion for each quarter 2

|  |  |
| --- | --- |
| **Q2** | |
| Cost | 5000 |
| Expected Customers | 600 |
| Daily Revenue | 16.19 |
| Days to break even | 309 |

Need to design a newspaper promotion for each quarter 3

|  |  |
| --- | --- |
| **Q3** | |
| Cost | 5000 |
| Expected Customers | 600 |
| Daily Revenue | 16.19 |
| Days to break even | 309 |

Need to design a newspaper promotion for each quarter 4

|  |  |
| --- | --- |
| **Q4** | |
| Cost | 5000 |
| Expected Customers | 600 |
| Daily Revenue | 16.19 |
| Days to break even | 309 |

# Financial Statements

Balance Sheet

assets = Liabilities + Owner Equity

Income Statement

Net Profit = Sales Revenue - Expenses

Statement of Cash Flows

change in firmst working capital

sources and uses of funds by time

Anual cost

Rent

Insurance

Salaries

Utilites

cost fixed and variable

Break even analysis

# Exit Strategy

Needs to be done

\*Look at Term sheet in appendix of example plans

# Appendix

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