


Crypto exchanges are charging up to \$1 million per ICO to list tokens: 'It's pure capitalism'



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🕒 Mar. 12, 2018, 2:45 AM 🔥 3,775



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- **Cryptocurrency exchanges are charging between \$50,000 and \$1 million to list initial coin offerings, according to a Business Insider investigation.**
- **"The exchanges are where the liquidity is — it's where the money is — so that's where the power is just at the moment," Michael Jackson, a partner at venture capital firm Mangrove Partners, told BI.**
- **Exchanges are dominant now but that may change with tougher regulations and more standardised business models.**

LONDON — Cryptocurrency exchanges are charging up to \$1 million to list initial coin offerings on their platforms, according to multiple industry sources.

Around half a dozen market participants, from investors to CEOs of companies with their own coins, told Business Insider that some exchanges are charging anywhere between \$50,000 to \$1 million to get their tokens listed.

A \$1 million listing charge is higher than the cost to list on most stock exchanges, the mainstream equivalent, and one ICO advisor told BI the charges were "too much." The costs reflect the current power imbalance between exchanges and crypto projects."

The people who spoke to Business Insider, both on and off the record, declined to name the exchanges charging high fees for fear of falling foul of them. Exchanges wield huge power in the crypto market as access to larger ones can mean the difference between success and failure for many of projects.

"Basically there are a lot of people who want their coins listed," Michael Jackson, a partner at venture capital firm Mangrove Partners, told BI. "The exchanges are where the liquidity is — it's where the money is — so that's where the power is just at the moment."

'They've got to be able to trade it'

Initial coin offerings boomed in 2017. ICOs — where companies issue their own digital currencies or tokens structured like a cryptocurrency — were in most cases sold to investors, allowing startups to fund their projects.

For businesses, ICOs offer a quicker and cheaper alternative to venture investment or going public. For investors, these tokens offer exposure to a red-hot sector as well as the ability to quickly and easily trade their stake in a project — something not traditionally possible with early-stage investments.

But in order to get this liquidity, the companies issuing tokens have to get them listed on at least one of the cryptocurrency exchanges that have sprung up around the world over the last few years. Like stock markets, these online exchanges based all around the world offer a venue for people to trade tokens.

Jackson said: "Investors are hoping to make money on it. They've got to be able to trade it and a lot of [ICOs] are almost promising their investors that, which is kind of dangerous."

This promise of liquidity — which many investors see as a ticket to the crypto get-rich-quick lottery — puts power in the hands of the liquidity providers: the exchanges.

Oliver Bussmann, the former CIO of UBS who now runs his own Swiss fintech advisory firm, told Business Insider: "If you prepare for an ICO, you have to prepare for a listing. It's important to get access to liquidity. That means the bigger the exchange is, the more effort and also more cost to get listed."

'It's pure capitalism'



Oliver Bussmann. UBS

Bussmann has advised a number of high-profile cryptocurrency projects, such as Ripple and IOTA, and is the president of Switzerland's Crypto Valley Association, a public-private partnership promoting the region of Zug as a hub for cryptocurrency businesses.

Asked how much fees to list on exchanges are, he said: "At the lower end it's \$50,000, up to \$1 million — I've heard that. It's depending on the size of the exchange."

Multiple industry sources confirmed this range of charges. Jackson said: "I was doing a project, I won't tell you specifically what one — one token on a number of exchanges — and that was the ballpark we were in."

The CEO of one company planning an ICO told BI they had been asked for \$1 million by a top-tier exchange to list their coins. They declined to be named or to name the exchange or speak publically as the whole process is currently under an NDA.

Not all exchanges are equal, which is why the range of fees varies greatly. The 24-hour trading volume of Binance, which vies for the title of biggest exchange in the world, was \$1.7 billion as of Wednesday, according to market data provider CoinMarketCap.com. Bitstamp, the tenth biggest exchange globally, had a volume of \$334 million — around a sixth of Binance. CoinMarketCap.com lists almost 200 exchanges, with volumes declining steadily as you go down the list.

Access to the best exchanges carries a premium because the bigger the liquidity pool, the higher the potential market value of a coin, and the higher the chance of success for a project.

"Good exchange means a high probability of good market fit, because you have access to liquidity and investors," Bussmann said. "If you don't get access to certain exchanges, then it's tier two exchanges, which means access to investors is limited."

This week the price of [Ripple](#) jumped 5% on rumours it was going to be added to [Coinbase](#), showing the influence exchanges wield on the perception of a project or coin.

'It's too much'



A man walks past an electric board showing exchange rates of various cryptocurrencies at Bithumb cryptocurrencies exchange in Seoul Thomson Reuters

Not all exchanges charge companies to list their coins. Some chose coins to list themselves, based on a project's merit, or ask their customers to vote for coins to be added. (Exchanges earn money from trading so popular coins earn cash regardless of whether the company pays.)

But the ability of those exchanges that *do* charge to effectively name their price highlights the growing power of these market infrastructure operators.

"It's too much," Bussmann said. "\$1 million is too much. Usually, if you do a proper ICO, with legal, accounting, etc. it's half a million to a million. Then another million for listing? It's not a fair relationship."

IPOs can easily cost \$1 million in fees but these tend to be spread across lawyers, compliance costs, accountants, and other sundry costs — not simply up-front fees to exchanges.

Many ICO projects will also seek to list their token on multiple exchanges, meaning they can be hit with multiple up front costs.

But Jackson said: "What we see on the crypto side is people who have raised \$100 million and the exchanges are saying, 'why the hell would I not get \$1 million of that?' It's pure capitalism, is probably the best way of expressing it."

Companies and projects [raised \\$5.6 billion through ICOs last year](#) and the top 10 ICOs last year raised a combined \$1.4 billion. The exchanges could make a reasonable argument that these projects can afford to pay an entry fee.

The counter-argument is that the exchanges themselves aren't doing too badly either. Bloomberg estimated earlier this month that the top 10 exchanges are [making as much as \\$3 million a day in fees](#), based on calculations from publically available volume data and trading fees.

'We do not release this kind of information to the public'

So who is charging companies big listing fees? Business Insider contacted the ten largest exchanges by volume, according to CoinMarketCap.com, to ask how much they charge to list coins.

A spokesperson for US exchange Kraken told BI: "We do not release this kind of information to the public."

Korean exchange Huobi lets customers vote on which new coins to list with no charges, according to a spokesperson.

Coinbase, which also owns the GDAX exchange, pointed out that neither of its platforms currently support ICO tokens. The company highlighted [a framework published by last November](#) setting out how it might assess any potential new listings. The framework makes no mention of any possible associated costs.

Mandy Lau, a PR manager for OKEEx, told BI: "There will be no listing fees for any tokens to be listed on OKEEx. However, we would require the token to commit on a marketing budget to promote their companies, their business models/ideas, missions & visions etc. in order to drive awareness, as well as efficiency."

[Bittrex's published guidance](#) says: "Bittrex does not currently charge a fee for listing a token on our Exchange. We believe in promoting the blockchain industry, and we have spent, and will continue to invest, significant resources to review tokens for listing on our Exchange."

A spokesperson for Bitfinex told BI: "We do not charge a fee for projects to be listed on Bitfinex. We are excited to support the development of the digital token ecosystem by providing quality projects, of all sizes, with a platform through which they can build a community of supporters."

The spokesperson said that the company has a two-step review process that involves a quality review and an internal compliance review.

"Through applying these rules we strive to list only the highest quality tokens which we believe have a long future, and which therefore align with the best long-term interests of our customers," the spokesperson said. "We find that every situation is different and we do not adopt a one-size fits all approach. Moreover, all of our commercial agreements and relationships are confidential."

Binance, Upbit, Bithumb, and HitBTC did not respond to Business Insider in time for publication.

'I think it will calm down'

BI's inquiries did not yield a clear view of fee structures across the industry. That's perhaps because there isn't one.

"It's normally a negotiation from my experience," Bussmann said. "It's variable. You can bring it down [by] even \$100,000 I've heard."

The lack of clarity and variability of exchange listing fees across the market could raise questions for regulators.

Huge amounts of money have poured into cryptocurrency markets over the last year, largely going to exchanges. But most remain unregulated and, in many cases, the operations and ownership of these businesses remain opaque. Business Insider reported in December that customers of Bittrex were furious after [being unable to withdraw money and kept in the dark as to why](#). Customers of Binance were similarly left confused when they were [unable to withdraw money without explanation for a few hours this week](#).

Regulators are beginning to catch up. [Japanese](#), [British](#), and [US officials](#) have all recently called for cryptocurrency regulation and the US Securities and Exchange Commission said last week that [crypto exchanges must register with the regulator](#). Jackson and Bussman both believe these moves will push down fees and increase transparency in the market.

"There's always going to be a premium for listing on good exchanges but I think in the end it will get more rational when things become more rational," Jackson said. "I think it will calm down a bit."

He added that decentralized exchanges are also being developed that could also disrupt the exchange businesses. These decentralised exchanges would allow people to trade with each other without the oversight of a central party.

Bussmann said: "I think with regulation the business will become more standard and professionalised and I think the listing fees will be impacted by that. It will attract more players, different players, and on the other side, there will be more mature, more professionalised ICOs that will be 100% in line with the regulatory requirements.

"The more we go into the securities business, this will be more transparent, the fee structure has to be published etc. — the whole sector of the market will change."

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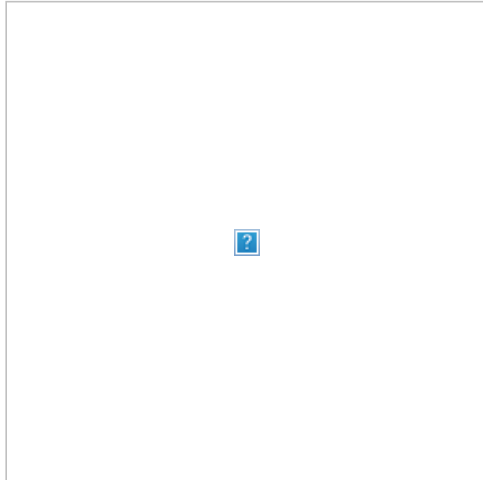
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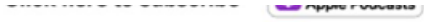
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