

# CRYPTO'S RICHEST REBEL GOES LEGIT

► **CHANGPENG ZHAO, A.K.A. C.Z., BUILT BINANCE INTO AN EXCHANGE THAT HANDLED \$34.1 TRILLION IN CRYPTO TRADING LAST YEAR—AND MADE HIMSELF PHENOMENALLY WEALTHY. BUT TO STAY ON TOP, HE'LL HAVE TO MAKE NICE WITH THE LAWMAKERS HE'S BEEN SIDESTEPPING.**

**BY VIVIENNE WALT**



**THE SLENDER MAN** in the dark-blue suit and crisp white shirt evidently looks unremarkable to the waiters at one of London's swankiest hotels. So when he arrives to meet *Fortune* for breakfast, they usher him to a desolate corner of the restaurant—and after indifferent service, proceed to ignore the cryptocurrency mega-billionaire for the following hour.

It's hard to imagine, say, Mark Zuckerberg going unrecognized if he happened to wander in for coffee. True, Changpeng Zhao, unlike Zuck, is almost unknown outside his industry. Yet the 44-year-old founder and CEO of Binance is worth about as much as the chief Meta-mate. Bloomberg estimates that Zhao's net worth has reached as high as \$96 billion. Though that figure fluctuates wildly

► **CLEANING UP**  
Zhao in London in March. The Binance founder has traded hoodies for suit jackets as he aims to repair the exchange's reputation among regulators.





with the crypto market—by late March it was a mere \$74 billion—it still makes him one of the planet's richest people. For his part, Zhao seems bemused by the idea that his wealth should impress anyone. "If they think I am worth that much, that is what they think," he tells me. "It's fictitious pricing."

Still, much like Facebook's founder, Zhao—universally known, to those who do know him, as C.Z.—sits atop an industry with the potential to drastically disrupt wide swaths of the economy. He reached the peak with lightning speed, even by tech standards. Since founding Binance in 2017, he has built it from scratch to being the world's biggest crypto exchange by a wide margin; he estimates the platform now has 100 million users. Binance regularly hosts far more trading volume than any other platform—for an astounding total of \$34.1 trillion during the crypto boom year of 2021, according to the company—with the exchange taking a commission on each trade. Sources inside Binance say that based on that volume of trades and fees, and crypto's projected growth rate, the company is now worth about \$300 billion, nearly six times the market cap of Coinbase, its nearest competitor.

It's little wonder, then, that the anonymity Zhao has enjoyed is ending. Worth about \$2 trillion by market capitalization today, crypto assets are steadily joining the global economic mainstream. One of the clearest signs of that came on March 9, when President Biden issued an executive order, telling every U.S. government department to urgently draft proposals on how to incorporate crypto into the world's biggest economy.

To crypto execs like Zhao, Biden's order was the stamp of approval they had long awaited, with all the opportunity that implies—and all the regulatory hassle too. For Zhao,

whose company has been accused of flouting rules and skimping on consumer protections to fuel its growth, the stakes are high. The night before our London meeting, in early March, he spent hours at a wine reception with U.K. government officials and lawmakers—making the case for Binance's good-corporate-citizen status in a nation where the exchange is currently barred from soliciting business.

Even Zhao's business attire signals a departure from the Binance sweatshirts and polos that have long been his go-to public uniform. It's the costume change of a rebel who's suggesting to the world that he's going legit. (Zhao's sole tattoo, a Binance logo on his right forearm, is there to stay.)

Respectability isn't the only thing at stake for Zhao. So too is whether Binance can retain its dominance as digital assets become more common, and many more competitors enter the field—from old-school traditional financial institutions to those not yet created. There's also the hope that crypto can move from being something people primarily buy and sell speculatively to something the world can constructively use.

"People are investing in crypto because it seems new and cool," he says over breakfast. But he adds, "It's like the internet was 20 years ago: It was slow, e-commerce didn't work, there was no social media." Zhao is convinced that will change: Crypto, he says, will eventually transform several industries. He is determined to have Binance play a leading role in that evolution, in part by claiming early stakes in sectors that seem ripe for remaking. (Zhao and the company won't confirm how much of Binance he owns, but estimates are as high as 90%; certainly, he calls the shots.)

In the first such stake-claiming, in February, Binance invested \$200 million in *Forbes*—a 104-year-old business-media brand (and com-

petitor of *Fortune*) where Zhao wants to roll out numerous crypto offerings. (More on that later.) "We're looking at every sector: gaming, social media, e-commerce," he says. "If you pick one business, and integrate [it] with crypto, I fully believe cryptocurrencies will give a much stronger financial funding power."

All this might have sounded implausible until recently. For years, crypto assets were traded on the fringes of the financial world. Then came the pandemic, when millions of people stuck at home looked for ways to invest their savings and supplement their suddenly threatened incomes. Captivated by get-rich-quick crypto tales (and Elon Musk's tweets), investors leaped in. Traditional financial institutions went from wary to welcoming: PayPal began accepting payments in cryptocurrency last May, for example, and Visa now issues crypto-linked credit cards.

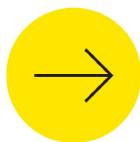
Crypto's stunning rise has far outpaced financial rules—creating gray areas in which inventive startups could thrive. Zhao says he capitalized by creating a business model rooted in one concept: simplicity. When he launched Binance in mid-2017, his idea was to create a crypto supermarket for regular folks, whether they had 10 bucks or millions to invest.

Five years on, Binance enables trading of 482 digital tokens, as well as its own cryptocurrency, BNB, converting them to and from 82 fiat currencies. Binance also has 1.6 million users on its platform for non-fungible tokens, or NFTs—digital versions of unique real-world creations like artworks. Bloomberg estimates that Binance's revenues more than tripled last year, from \$5.5 billion in 2020 to about \$20 billion in 2021, most of it from fees on trades. "Their success is not an accident," says Chris Brendler, senior



equity analyst for fintech at investment services firm D.A. Davidson in New York. "They have the best technology, the best platform, the best execution, you name it."

What Binance doesn't have is the safeguards and checks and balances that the public generally expects of its financial tools—and that perhaps explains why Zhao is wearing a jacket and not a sweatshirt. "We're communicating with all the regulators right now," he says. "The issues we had before we are solving, right now."



**JUST HOW SIMPLE IS**  
Binance? My own introduction to the platform came from a seasoned crypto investor in Paris—age 15. "I heard about crypto when I was 11 or 12," Hadrien Giral-Ghattas tells me. Two years ago, Hadrien borrowed €500 from his parents and opened a Binance account, using his mother's ID to sign up. He plowed the money into crypto, including Bitcoin, whose value has risen nearly 700% in two years. He also spent €120 on a wallet, a secure storage disk on which to safeguard his crypto assets. Now, instead of cash as pocket money, Hadrien uses a black Binance credit card (with his own name on it), earning 2% cash back on purchases—an unknown perk in France. "Crypto is amazing," he says.

By the time Zhao was Hadrien's age, his own life had undergone a total transformation. He was raised in a rural village in China's Jiangsu province; Zhao says his father, a university teacher, was banished there from a larger city for having bourgeois leanings. "We had rationing," he says. "You get a ticket to buy meat. We were not starving."

That modest life changed dramatically in 1989, during the Tiananmen Square student uprising and the

government's violent crackdown. By then, Zhao's father was studying for a Ph.D. in Vancouver. Zhao's mother seized the chaotic moment, parking herself and her two children outside the Canadian consulate in Beijing. Sitting in a line that snaked several times round the block, they took turns waiting for 36 hours to obtain visas to reunite the family.

The move to Vancouver was a revelation for 12-year-old Zhao. "I drank fresh milk for the first time," Zhao marvels. "My high school years were fantastic." He got his first taste of having money to spend, earning \$3.50 an hour flipping McDonald's hamburgers, and \$12.60 an hour refereeing volleyball games. He also pumped gas in overnight shifts at a Chevron station.

A software developer by training, Zhao spent years working in Tokyo and New York, where he helped build Bloomberg's trading software. He eventually moved back to China, where he heard about Bitcoin in 2013 during a poker game with friends. At their suggestion, he sold his Shanghai apartment and invested \$1 million in the cryptocurrency. One of the poker buddies, venture capital investor Daming Zhu, recalls that when Zhao began Binance, "none of us understood what he was doing. But he was very persistent." Zhu invested about a million renminbi (about \$157,000) in his friend's startup—"the best investment I ever made."

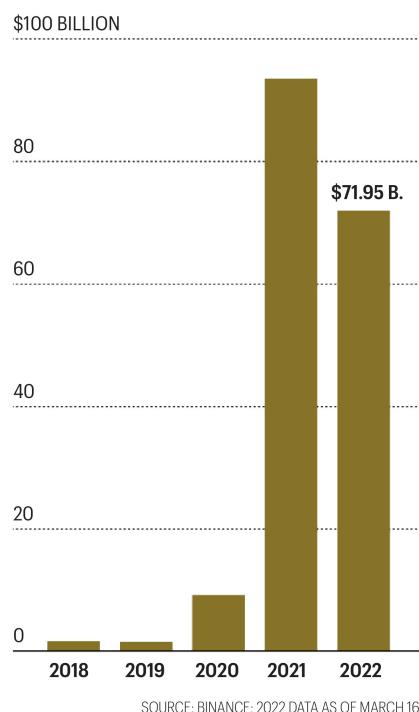
At the time, Bitcoin trades took days, even weeks, to complete. "We said we are going to shorten that response, hopefully within an hour," Zhao recalls. Individual and "retail" traders responded warmly, and the site's usage exploded as crypto took off (see chart at right).

Brendler, the fintech analyst, credits Binance's growth to superior online infrastructure, functionality,

and market liquidity—"a testament to C.Z.," he believes. He also says Zhao took advantage of crypto's unregulated status, essentially declaring, "We'll do what we want until you make the rules." That included rolling out technology quickly in new markets, without waiting for licenses or permits. By contrast, Coinbase, a \$40 billion company founded in the U.S. five years before Binance, "dotted every *i* and crossed every *t*" with regulators, Brendler says, to ensure its U.S. dominance, especially among institutional investors.

Zhao also proved willing to move Binance's home base, depending on how crypto-friendly the location was. With a globally dispersed staff, Binance (like many other crypto companies) has long waffled about whether it even has a headquarters. When

#### BINANCE AVERAGE DAILY TRADING VOLUME



Zhao launched the company in July 2017, he registered it in Hong Kong. Weeks later, China banned trading in cryptocurrencies. Zhao himself subsequently moved to Japan, then to Singapore; parent company Binance Holdings Ltd. is, for now, registered in the Cayman Islands.

But Zhao's itinerant ways may end soon, and pressure from regulators is a big reason why.



#### WITH NO NATIONAL

boundaries, links to fiat currency, or formal connections to traditional banks, crypto coins and tokens have been a headache for the world's financial cops. The use of crypto in drug deals, ransom payments, and money laundering has stirred scandal. Ponzi-like crypto schemes are distressingly common, says Amy Lynch, president of FrontLine Compliance, an asset management consultancy in Rockville, Md. "None of the regulators were prepared for how fast the market was going to grow," she says.

As the watchdogs catch up with crypto, many have trained their sights on Binance, and Zhao has

collided with government after government. Last year, the U.K. and Japan warned Binance it was trading in those countries without proper licensing. So did Thailand, which issued a criminal complaint against the company. Binance, for now, is barred from advertising its business in those countries, and officials elsewhere have raised similar warnings.

Binance has also taken heat for the products it hosts. Early in 2021, it began offering trading in so-called stock tokens—crypto assets tied to the value of traditional stocks. That raised hackles among regulators in several countries, and Binance withdrew the tokens in July. And in September, U.S. officials opened an insider-trading investigation against Binance.US, examining whether the U.S. entity or its staff took advantage of user data to profit from their customers' orders themselves before executing them.

At the heart of many officials' gripes is Binance's lack of fixed abode; the U.K.'s Financial Conduct Authority, for example, says the company's "extensive geographic spread" made it impossible to supervise. Aija Lejniece, an international arbitra-

tion lawyer based in Paris, argues that Zhao's frequent changes of home base amount to "jurisdiction hopping," with Binance doing business in the most laxly regulated locales.

Lejniece is representing Binance investors who lost millions when the platform crashed in May 2020 during a period of volatile trading in Bitcoin and Ether. She notes that Binance's terms of service—the fine print—require disputes to be arbitrated in Hong Kong, something both inconvenient and expensive, she says. "Binance is so proud of not having a headquarters," she says. "I think C.Z. just thinks it's cool." She also says Binance users cannot reach customer service when there are glitches—in part because Binance has no central base. (A Binance spokesman tells *Fortune* crypto's exponential growth "can occasionally pose technical bottlenecks, and that the risks are spelled out on the platform's terms of service.")

To all the many complaints and concerns, response from Zhao and Binance boils down to: We're working on it. Last fall, the company hired its first communications chief, after doing most of its public relations via Twitter: One of that chief's deputies tells *Fortune* that C.Z. and the company are ready "to become a more licensed, regulated business."

Zhao says Binance has hired hundreds of compliance officers since last year, out of a total of about 5,000 employees. It has also engaged a former U.S. Treasury investigator to help it more closely tackle concerns about money laundering and other criminality—addressing another frequent government concern.

Over breakfast, Zhao says he has told regulators in several countries that he will "very soon" announce a "proper headquarters." In mid-March, Binance finally secured its first licenses to be a virtual assets service

# -23%

**DECLINE IN DAILY TRADING VOLUME ON BINANCE**  
in the first three months of 2022 compared with 2021 levels, according to company data. Binance saw a huge surge in spot and derivatives trading as coin values soared to record highs last year. It now faces a possible revenue hit as falling crypto prices dull traders' enthusiasm.

provider, from Bahrain and Dubai, neither of which has income tax requirements. Last September, Zhao bought an apartment in Dubai and moved his family there from Singapore. "We're not dodging anywhere," Zhao tells me. "In fact, we're engaging everywhere."

**WHEN I ASK** how it feels to be unfathomably rich, Zhao claims he cannot grasp the reality of it. The billions accumulated faster than he could adapt. "I went from being an entrepreneur to somebody telling me I have tens of billions," he says. He notes that he bought his suit four years ago for about \$300, and he wears an Apple Watch, not an iconic timepiece. "It's all subjective," he says of his wealth. Though to be sure, some of it is objective: We met at the hotel where he was staying, where suites run to \$2,000 a night.

Though it can sound disingenuous, Zhao's puzzlement extends to crypto itself. Zhao says he is baffled by some outsize pricing of digital assets, especially NFTs. When I suggest that investors seem crazy to spend millions on digital artwork, he says, "I agree with you. I think people may have lost their mind."

That sentiment may help explain Zhao's *Forbes* investment, a chance to show that crypto can be concretely useful. Zhao says the publication's crypto strategy could include selling NFTs of articles and rewarding subscribers with blockchain tokens. "They may not even need to sell ads anymore," he says. "If that works, guess what? All the other media businesses will have to come into crypto as well." The publication would demonstrate crypto's commercial potential and be a prelude to other Binance investments. Still, six weeks after his *Forbes* investment,

► **"I WENT FROM BEING AN ENTREPRENEUR TO SOMEBODY TELLING ME I HAVE TENS OF BILLIONS. IT'S ALL SUBJECTIVE."**

no other crypto initiatives had been announced. Also yet to be seen is whether *Forbes* journalists will retain editorial independence; Binance once sued the publication for a report questioning its business tactics.

By the time Zhao met me in early March, one shattering event had brought crypto, and with it Binance, headlong into the real world: Russia's invasion of Ukraine.

Across the West, governments raced to impose sanctions on President Vladimir Putin and his oligarch backers, along with a host of Russian banks. The weak link, in the eyes of some governments, was crypto, which they deemed a way for sanctioned Russians to shift money. There were some signs of that happening: Bitcoin trades in Russian rubles rocketed within days of the invasion.

Zhao points out crypto's crucial role in supporting Ukraine. In just a month, Kyiv's government raised more than \$65 million in crypto donations for its military campaign against Russia—with a speed and ease that would have likely been impossible through regular banking channels. Binance itself donated \$10 million through crypto fundraising sites, most of it going to UN

aid organizations.

But Zhao's decision to keep trading in Russian rubles has come in for sharp criticism in Ukraine. "It's time for them to make a decision," Michael Chobanian, founder of the KUNA crypto exchange in Kyiv, told crypto news site CoinDesk. "Do they want to continue supporting the regime or do they want to join the civilized world?" he says.

At our meeting, Zhao insisted that freezing all Binance's Russian accounts—he does not say how many there are—would mostly impact innocent people. "It could be some Russian guy walking down the street in London, he can come into this restaurant, and suddenly we freeze all his assets," Zhao says. "What grounds do we have to do that?"

Binance says its compliance team has examined nearly 6,000 accounts, and shut about 150 of them for links to sanctioned individuals. (By comparison, Coinbase says it blocked about 25,000 Russian-held accounts, on suspicion of "illicit activity," though not all are necessarily connected to the new sanctions.)

The world is now living through the first war of the crypto age, witnessing in real time both its potential for good and its dark side. Zhao says he prefers being optimistic, seeing crypto's underlying blockchain technology as a breakthrough in closing the inequities in old-world banking—and in creating some transparency in a crisis like Ukraine's. "This is the first time in human history that we can collectively agree and maintain a record, and no one person is in charge," he says. "That has profound implications." He has grown more philosophical, he says, since his father died recently of leukemia. "We should live our positive impact on society while we can," he says. Even for those with bottomless digital riches, he adds, "Life is vulnerable." ■