Executive Summary

Surge in Derivatives

Future contracts volume on cryptocurrencies has surged by close to 300% between H12019 and H22020, mainly driven by Institutional players demonstrated with higher volumes in Institutional platforms such as CME and Bakkt.

95% of the Volume Comes From Asia

8 exchanges account for +80% of the total market volume and +95% of all the derivatives futures volume comes from Asian exchanges.

M&A Driving Inorganic Growth in the Market

Demand for sophisticated financial products to onboard Institutional clients will result in strategic market consolidation & expansion.

Key Players Need to Increase Their Product Offering Through Acquisitions

Coinbase, Bitstamp, Huobi and Binance are the most likely to look into acquisitions for regulatory and expanded product offering rationale.

Selected Small Patchwork of Players with the Opportunity of Being Acquired

LedgerX, BitFlyer, ErisX are the most interesting acquisition targets for major players in the space.
The Top Spot Exchanges Tend to Control the Derivatives Market

Huobi, Binance and OKEX are now leading exchanges in both the spots and derivatives markets

Average Futures Trading Volumes (H1 2020)

- Having surpassed BitMEX, Huobi, Binance and OKEX are now the leading exchanges in both markets
- BitMEX and Coinbase are top tier exchanges focusing on derivatives and spot trading, respectively
- Several single-market players have expanded into both markets over the last year
- In Q2 2020, the average top 10 spot exchange trading volume went down 7% from Q1 2020
- Out of the top 10 crypto exchanges ranked by volume, 3 offers derivatives only, 5 derivatives & spot and 2 spot trading only

H1 2020 Volume of spot vs. derivatives & spot vs. derivatives

A combination of spot & derivatives products generates strong trading volume

- Spot only: ~$10t
- Spot & Derivatives: ~$3t
- Derivatives only: ~$3t

Source: Coingecko, Token Insight, BVV Analysis
Cryptocurrencies Derivatives Gaining Momentum in the Space

Derivatives volumes are growing much faster than spot volumes

Market Facts

Crypto derivatives market has developed into one of the hottest sectors in the crypto space and has the potential to be about 10 times larger than the spot market:

- Cryptocurrency derivatives total volume reaches $2.1 trillion in Q1 2020, with an increase of 314% from 2019 four quarters’ average, and reaching $2.16 trillion in Q2 2020.
- Derivatives volumes increased by 2.57% in Q2 2020 to an all-time-high, while spot volumes decreased by 18% (reaching $5.44t).
- Institutional futures contract (CME & Bakkt) reached an all-time high of $0.841b open interest (vs. $4.689b in retail).

Market Dominated by a Few Players & Assets (Q2 2020)

Derivatives volumes are growing much faster than spot volumes

Market share by volume top 8 (%)*

- Huobi: 29%
- Binance: 14%
- OkeX: 16%
- BitMEX: 7%
- Bybit: 4%
- Hopex: 3%
- FTX: 4%
- Bitforex: 3%

Market share for most used token (%)**

- BTC: 82%
- ETH: 7%
- EOS: 5%
- Other: 5%

*83% of market volume
**95% of market volume

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Source: CryptoCompare, CME, Token Insight, BVV Analysis
High Topic – Derivatives Elevated with DeFi

*Decentralized finance bringing in more sophisticated products into the market*

### Main Risks in Derivatives

Derivatives are **high-value** and a **competitive industry** where players engage in transaction through an **exchange** or **over-the-counter**. These transactions have several risk:
- **Counterparty risk**, where the other party will no fulfill their contractual obligation
- **Inefficiency** by using a CCP or passing over-the-counter which can lead to a loss of customization, value leakage, payments delays and systematic risks
- **Information Asymmetry** between parties
- **Lack of transparency** with private OTC transactions being more than 80% of the market share

**Smart Contract & Oracles to Mitigate Derivatives Risk**
- A **smart contract** can digitally **represent the operational clauses** of a **derivatives** with **boolean logic** and holding funds in **escrow** as a **custodian**, while **executing the contract**, **keeping records** of state changes and **store the contract** across the network with a perfect timing
- **Synthethix**, which account for **+90%** of the decentralized derivatives market shares, has seen a surge of **+450%** in **Total Value Locked (TLV)** in the last **90 days**

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**The Rise of Decentralized Derivatives**

<table>
<thead>
<tr>
<th>Total Value Locked ($m) in Decentralized Derivatives Protocols</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synthethix</td>
</tr>
<tr>
<td>ACDEX</td>
</tr>
<tr>
<td>ERASURE</td>
</tr>
<tr>
<td>Augur</td>
</tr>
<tr>
<td>01/06</td>
</tr>
<tr>
<td>08/06</td>
</tr>
<tr>
<td>15/06</td>
</tr>
<tr>
<td>22/06</td>
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<td>29/06</td>
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<td>06/07</td>
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<td>13/07</td>
</tr>
<tr>
<td>20/07</td>
</tr>
<tr>
<td>27/07</td>
</tr>
<tr>
<td>03/08</td>
</tr>
<tr>
<td>10/08</td>
</tr>
</tbody>
</table>

*Source: ChainLink, DeFi Pulse, BVV Analysis*
Asia as a Global Hub for Cryptocurrency Derivatives

Asia represent ~95% of future trading volume during Q22020

Monthly Volume of Cryptocurrency Future Trading is Focused in Asia

Source: CryptoCompare, Token Insight, BVV Analysis
Consolidation in the Market Will Likely Take Place in the Next Few Months

New entry and Institutional demand for additional product offerings will drive M&A consolidation

M&A Drivers

Several players are eyeing targets in the derivatives space as a means of continued strategic expansion of product offering and capabilities. Among other, we believe that the key drivers for M&A are:

- Attractive outlook and growth dynamic of the underlying market
- Expected entry of Institutional partially via crypto derivatives
- Further demand for more sophistication of financial product offerings by key players

Key Market Drivers

- The market is easier to access for new investors since derivatives largely mitigate the need for custody
- Comparing size relations in traditional spot versus derivative markets indicate massive further growth potential
- Automation, fast settlement and execution as well as programmability of financial products post trade are expected to drive demand for derivatives far beyond traditional market levels
- Unique coverage of value chain with digital asset derivatives potential
- The need to hedge and monetize digital asset generation

Product Offering Vary Widely Among Exchanges

<table>
<thead>
<tr>
<th>Exchange</th>
<th># Perpetual futures</th>
<th># Deliverable futures</th>
<th>Total trading pairs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huobi</td>
<td>-</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>OKEx</td>
<td>12</td>
<td>207</td>
<td>219</td>
</tr>
<tr>
<td>BitMEX</td>
<td>3</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>bitget</td>
<td>13</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td>bybit</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>FTX</td>
<td>32</td>
<td>94</td>
<td>126</td>
</tr>
<tr>
<td>ZBG</td>
<td>8</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>gateio</td>
<td>2</td>
<td>8</td>
<td>10</td>
</tr>
</tbody>
</table>

Volume of derivatives vs. spot

<table>
<thead>
<tr>
<th>Exchange</th>
<th>Futures</th>
<th>Spot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huobi</td>
<td>27%</td>
<td>73%</td>
</tr>
<tr>
<td>OKEx</td>
<td>3.07x</td>
<td>2.93x</td>
</tr>
<tr>
<td>Binance</td>
<td>7.26x</td>
<td></td>
</tr>
</tbody>
</table>

Ratio futures vs. spot trading

Source: CryptoCompare, Token Insight, BVV Analysis
### Key Findings

- Exchanges are mainly based in Asia
- Few exchanges are fully regulated
- Only a few players offer institutional grade products
- Key spot players are missing derivative offering

### Classification

<table>
<thead>
<tr>
<th>Volume</th>
<th>Fiat On-ramp</th>
<th>Number of Pairs Traded</th>
<th>Transparency &amp; Reputation</th>
<th>Technological Stack</th>
<th>Product Offering</th>
<th>Geographical Coverage</th>
<th>Regulatory Backing</th>
<th>Financial Strength</th>
</tr>
</thead>
</table>

**Strong**

- Huobi
- OKEX
- BitMEX
- Binance
- Bitget
- bitFlyer
- FTX
- BitForex
- Deribit
- HOPEX
- CoinFLEX
- BTSE
- Bibox
- gate.io
- CME Group
- Kraken

**Medium**

- BAKKT
- Delta
- LedgerX
- BaseFEX
- QUUME
- ErisX
- ALPHAS
- NOMISMA
- BITFINEX
- Biki.co
- KuCoin
- QUEUEX
- Blade

**Weak**

**n/a**

*Estimates based on 30 KPIs*
BVV Forecasts a Surge in M&A Deals in the Crypto Derivative Vertical

Derivatives volumes are growing much faster than spot volumes due to increasing demand

Major Rationale for Acquisition

- **Technological acquisition**: acquire a full technological stack able to handle crypto derivatives trades in a scalable manner and/or get access to Institutional infrastructure
- **Regulatory acquisition**: acquire a fully regulated entity enabling direct entry into the cryptocurrency spot and/or derivative market
- **Market domination**: increase market share and brand recognition
- **Geographical expansion**: enter a new geographical market

Selected Previous M&A Deals

<table>
<thead>
<tr>
<th>Date</th>
<th>#Acquirer</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>07-2020</td>
<td>BITMAIN</td>
<td>Source: BVV Analysis</td>
</tr>
<tr>
<td>12-2019</td>
<td>bit.com</td>
<td>Source: BVV Analysis</td>
</tr>
<tr>
<td>10-2019</td>
<td>Broadridge</td>
<td>Source: BVV Analysis</td>
</tr>
<tr>
<td>09-2019</td>
<td>Binance</td>
<td>Source: BVV Analysis</td>
</tr>
<tr>
<td>02-2019</td>
<td>Kraken</td>
<td>Source: BVV Analysis</td>
</tr>
</tbody>
</table>

Most Likely Next Acquirer

- Coinbase
- CME Group
- bitFlyer
- OKEX
- Huobi
- BitMEX
- Binance
- Bitstamp

*Based on M&A appetite, available capital and growth needs*
### Most Probable Acquisitions in the Next 18 Months

**Key Findings**

- Most likely next target are: bitFlyer, LedgerX, ErisX.
- Regulatory acquisition and geographical expansion as main rationale.

#### Classification

- **Strong Fit**
- **Medium Fit**
- **Weak Fit**
- **n/a**
- **Most attractive target**

#### Source: BVV Analysis

**Estimates based on 30 KPIs**

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**What’s Next?**

_Crypto exchanges looking for additional services & derivatives exchanges for regulatory entrance will consider M&As opportunities_

<table>
<thead>
<tr>
<th>Most likely next targets</th>
<th>Further M&amp;A buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>bitFlyer</td>
<td>BiKi.com</td>
</tr>
<tr>
<td>bybit</td>
<td>BitForex</td>
</tr>
<tr>
<td>LedgerX</td>
<td></td>
</tr>
</tbody>
</table>

**Most likely next M&As**

<table>
<thead>
<tr>
<th>Soon</th>
<th>Soon</th>
<th>Soon</th>
<th>Soon</th>
<th>Soon</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>coinbase</strong></td>
<td><strong>Bitstamp</strong></td>
<td><strong>Huobi</strong></td>
<td><strong>BINANCE</strong></td>
<td><strong>coinbase</strong></td>
</tr>
<tr>
<td><strong>bitFlyer</strong></td>
<td><strong>BiKi.com</strong></td>
<td><strong>LedgerX</strong></td>
<td><strong>ErisX</strong></td>
<td><strong>ErisX</strong></td>
</tr>
</tbody>
</table>

- Regulatory acquisition
- Product expansion
- Geographical expansion
- Additional token and product offering
- Volume consolidation
- Regulatory acquisition
- Geographical expansion
- Institutional onboarding
- Regulatory acquisition
- Geographical expansion
- Institutional onboarding
- Regulatory acquisition
- Product expansion
- Institutional onboarding

Additionally to cryptocurrency exchanges, we see other key industry verticals that could enter the market via an acquisition of a derivative exchange, namely:

- Market makers
- Miners
- Traditional brokers

_Source: BVV Analysis_
# Adding Derivatives to their Offering

## Key Rationale
- Geographical domination
- Regulatory acquisition
- Technological acquisition
- One-stop shop offering for Institutional

## Classification

<table>
<thead>
<tr>
<th>Strong Fit</th>
<th>Medium Fit</th>
<th>Weak Fit</th>
<th>n/a</th>
<th>Most attractive target</th>
</tr>
</thead>
</table>

## Estimates based on 30 KPIs

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**Source:** CryptoCompare, Token Insight, BVV Analysis
Status Quo & Targets

Coinbase is one of the most well-known cryptocurrency exchange platform in North America with more than 35m+ users and $220b+ in volume traded since inception in 2012. The platform currently offers spot trading for 24 different tokens, available in 102 countries and offering fiat onramp for popular currencies such as GBP, EUR, USD, SGD, CAD and many more.

The implementation of derivatives would help Coinbase to onboard more sophisticated investors into the platform. As they do not offer a wide variety of tokens, one might assume that they would only need one derivative (i.e. option vs. future vs. perpetual) with one of the most traded tokens, such as BTC or ETH, as underlying asset.

Following the same reasoning, the platform already offers fiat-onramp for major currencies therefore this attribute is not determinant in a potential acquisition target. They would require to have access to a wider geographical footprint to keep their offering attractive for cross-border investors.

In line with the strategy to increasingly attract an Institutional grade audience, Coinbase ability to offer derivatives is critical while specifically focusing on strong technological stack and strong reputation, as well as license and regulatory footprint.

Current Offering

- Spot & future exchange, vol. <$0.005b/m.
- Accessible on all the continents and major countries
- USD on-ramp
- Strong technical stack
- BTC and ETH trading
- Strong regulatory background

- Future & derivative platform, vol. ~$0.5b/m.
- Accessible on all the continents and major countries
- USD on-ramp
- Institutional technical stack
- BTC trading
- Wide and strong regulatory background

- Reputable future & derivative platform, vol. ~$30b/m.
  - Accessible in North America, Europe and APAC
  - JPY, EUR, USD on-ramp
  - Weak technical stack
  - 7 tokens trading
  - Strong regulatory background

- Spot & perpetual exchange, vol. #na
  - Accessible on all the continents
  - USD, EUR, CNY, HKD, KRW on-ramp
  - Good technical stack
  - 21 tokens trading
  - Weak regulatory background

- Reputable spot & perpetual exchange, vol. #na
  - Accessible in all major countries (except US)
  - USD, EUR, GBP, JPY on-ramp
  - Strong Institutional technological stack
  - 7 tokens trading
  - Weak regulatory background

Needs

- Spot & perpetual exchange, vol. #na
- Accessible on all the continents
- USD, EUR, GBP, JPY on-ramp
- Strong Institutional technological stack
- 7 tokens trading
- Weak regulatory background

Major Targets & Offering

Source: CoinGecko, BVV Analysis
### CME Group: Doubling Down via Broader Crypto Derivatives Offering

<table>
<thead>
<tr>
<th>Key Rationale</th>
<th>Volume</th>
<th>Fiat On-ramp</th>
<th>Number of Pairs Traded</th>
<th>Transparency &amp; Reputation</th>
<th>Technological Stack</th>
<th>Product Offering</th>
<th>Geographical Coverage</th>
<th>Regulatory Backing</th>
<th>Financial Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full entry into the crypto space</td>
<td></td>
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<tr>
<td>Volume consolidation</td>
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<td></td>
<td></td>
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<tr>
<td>Additional product offering</td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

### Classification

- **Strong Fit**
- **Medium Fit**
- **Weak Fit**
- **n/a**
- **Most attractive target**

Source: CryptoCompare, Token Insight, BVV Analysis

Estimates based on 30 KPIs

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## Status Quo & Targets

### Status Quo

**The Chicago Mercantile Exchange** is the world largest financial derivatives exchange by offering trade in diverse asset classes such as (crypto) currencies, interest rate, commodities and stock indexes generating a total of $4.87b revenue in 2019. The platform currently offers futures and options on future trading for bitcoin, available in 100+ countries and offering fiat onramp USD

### Needs

- As they already have relatively large volume ($2b+/month), the group could consider to increase market share by acquiring large derivatives exchanges by taking into consideration the number of trading pairs offered but not the fiat on-ramp capabilities or the geographical coverage as they do already have a wide variety inhouse
- They would require to have access to a strongly regulated entity, with major license in the US as it is their home market
- To keep their Institutional grade reputation intact, the derivatives offering needs to have a good technological stack coming from a company having a strong reputation of transparency in the market but also with a strong regulatory power with several licenses

### Current Offering

- Reputable future & derivative platform, vol. ~$32b+/m.
  - Accessible in North America, Europe and APAC
  - JPY, EUR, USD on-ramp
  - Weak technical stack
  - 7 tokens trading
  - Strong regulatory background

### Major Targets & Offering

<table>
<thead>
<tr>
<th>Source: Coingecko, BVV Analysis</th>
<th>bitget</th>
<th>bitFlyer</th>
<th>bybit</th>
<th>Huobi</th>
<th>OKEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessible in North America, Europe and APAC</td>
<td>Accessible in major countries in APAC only</td>
<td>Accessible in all major countries in EMEA/APAC</td>
<td>Accessible in all major countries (except US)</td>
<td>Accessible on all the continents and major countries</td>
<td>Accessible on all the continents and major countries</td>
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<td>USD on-ramp</td>
<td>USD on-ramp</td>
<td>USD on-ramp</td>
<td>USD on-ramp</td>
<td>USD, KRW fiat on-ramp</td>
<td></td>
</tr>
<tr>
<td>Weak technical stack</td>
<td>Weak technical stack</td>
<td>Strong technical stack</td>
<td>Strong technical stack</td>
<td>Strong technical stack</td>
<td></td>
</tr>
<tr>
<td>9 tokens trading</td>
<td>7 tokens trading</td>
<td>20 tokens trading</td>
<td>25 tokens trading</td>
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<tr>
<td>Weak regulatory background</td>
<td>Strong regulatory background</td>
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<td>Weak regulatory background</td>
<td>Weak regulatory background</td>
<td></td>
</tr>
</tbody>
</table>
Market Consolidation and Geographical Expansion

<table>
<thead>
<tr>
<th>Key Rationale</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional product offering</td>
<td>Strong Fit</td>
</tr>
<tr>
<td>Regulatory acquisition</td>
<td>Medium Fit</td>
</tr>
<tr>
<td>Technological acquisition</td>
<td>Weak Fit</td>
</tr>
<tr>
<td>Geographical expansion</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Most attractive target

**Volume**
- Fiat On-ramp
- Number of Pairs Traded
- Transparency & Reputation

**Technological Stack**
- Product Offering
- Geographical Coverage
- Regulatory Backing
- Financial Fit

**Classification**
- Strong Fit
- Medium Fit
- Weak Fit
- n/a

**Source:** CryptoCompare, Token Insight, BVV Analysis
Huobi is the world largest cryptocurrency exchange with an estimated monthly volume of $b140+ (spot, future, perpetual future). The platform is available in +140 countries (excluding US) and the group is involved into digital assets research, wallets, mining pool, proprietary investment and incubation as well. The platform offers trading on +230 tokens with fiat onramp for popular currencies such as USD, CNY, KRW, GBP, EUR.

- As Huobi already has large volume, many trading pairs and fiat onramp capabilities, those characteristics are not determinant for acquisition purposes
- The main market that is currently missing the platform is the USA due to regulatory burden they had in the past with US regulators, therefore the acquisition of an exchange that has regulatory approval for the region would make sense
- The only derivatives product missing is options trading (put & call) on crypto assets
- To keep their Institutional grade reputation intact, the derivatives offering needs to have a good technological stack coming from a company having a strong reputation in the market

### Current Offering

<table>
<thead>
<tr>
<th>Source</th>
<th>Future &amp; derivative platform, vol. ~$0.5b/m.</th>
<th>Spot &amp; future exchange, vol. &lt;$0.005b/m.</th>
<th>Future/option/perpetual platform, vol. ~$0.3b+/m.</th>
<th>Spot &amp; perpetual exchange, vol. #na</th>
<th>Reputable future &amp; derivative platform, vol. ~$30b/m.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accessible on all the continents and major countries</td>
<td>Accessible on all the continents and major countries</td>
<td>Accessible in all major countries (except US)</td>
<td>Accessible on all the continents</td>
<td>Accessible in North America, Europe and APAC</td>
</tr>
<tr>
<td></td>
<td>USD on-ramp</td>
<td>USD on-ramp</td>
<td>USD, KRW fiat on-ramp</td>
<td>USD, EUR, CNY, HKD, KRW on-ramp</td>
<td>JPY, EUR, USD on-ramp</td>
</tr>
<tr>
<td></td>
<td>Institutional technical stack</td>
<td>Strong technical stack</td>
<td>Good technological stack</td>
<td>Good technological stack</td>
<td>Weak technical stack</td>
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<tr>
<td></td>
<td>BTC trading</td>
<td>BTC and ETH trading</td>
<td>30 tokens trading</td>
<td>21 tokens trading</td>
<td>7 tokens trading</td>
</tr>
<tr>
<td></td>
<td>Wide and strong regulatory background</td>
<td>Strong regulatory background</td>
<td>Weak regulatory background</td>
<td>Weak regulatory background</td>
<td>Strong regulatory background</td>
</tr>
</tbody>
</table>

### Needs

- Future & derivative platform, vol. ~$0.5b/m.
- Accessible on all the continents and major countries
- USD on-ramp
- Institutional technical stack
- BTC trading
- Wide and strong regulatory background

- Spot & future exchange, vol. <$0.005b/m.
- Accessible on all the continents and major countries
- USD on-ramp
- Strong technical stack
- BTC and ETH trading
- Strong regulatory background

- Future/option/perpetual platform, vol. ~$0.3b+/m.
- Accessible in all major countries (except US)
- USD, KRW fiat on-ramp
- Good technological stack
- 30 tokens trading
- Weak regulatory background

- Spot & perpetual exchange, vol. #na
- Accessible on all the continents
- USD, EUR, CNY, HKD, KRW on-ramp
- Good technological stack
- 21 tokens trading
- Weak regulatory background

- Reputable future & derivative platform, vol. ~$30b/m.
- Accessible in North America, Europe and APAC
- JPY, EUR, USD on-ramp
- Weak technical stack
- 7 tokens trading
- Strong regulatory background
**Bitstamp**

Leveraging Professional Clientele Into Derivatives

### Key Rationale

- **Geographical expansion**
- **Volume consolidation**
- **Additional token offering**
- **Full derivatives stack on-ramp**

### Classification

<table>
<thead>
<tr>
<th>Strong Fit</th>
<th>Medium Fit</th>
<th>Weak Fit</th>
<th>n/a</th>
<th>Most attractive target</th>
</tr>
</thead>
</table>

### Table of Classification

<table>
<thead>
<tr>
<th>BitForex</th>
<th>bitFlyer</th>
<th>BitMEX</th>
<th>Bitrue</th>
<th>Kraken</th>
<th>Deribit</th>
<th>Bitfinex</th>
<th>Huobi</th>
<th>OKEx</th>
<th>CoinFLEX</th>
<th>Gate.io</th>
<th>Bakkt</th>
<th>Quedex</th>
<th>BLADE</th>
<th>BITFINEX</th>
<th>Alpha5</th>
<th>Nomisma</th>
<th>CME Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>Fiat On-ramp</td>
<td>Number of Pairs Traded</td>
<td>Transparency &amp; Reputation</td>
<td>Technological Stack</td>
<td>Product Offering</td>
<td>Geographical Coverage</td>
<td>Regulatory Backing</td>
<td>Financial Fit</td>
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</table>

Estimates based on 30 KPIs

Source: CryptoCompare, Token Insight, BVV Analysis

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## Status Quo & Targets

### Status Quo

**Current Offering**

Founded in 2011, Bitstamp is one of the oldest and most transparent cryptocurrency spot exchange in the world with an estimated monthly volume of $12b+. The platform is available in +60 countries (including China but excluding US) and offers trading on 7 different tokens with fiat onramp for major currencies such as USD and EUR only.

### Needs

- Bitstamp lost market shares in terms of volume in the last two years due therefore it could be a main rationale for acquisition to come back in the top 10 exchanges ranked by volume.
- The lack of token offering is another key consideration of the company that would be improved with an acquisition of a player wielder variety of altcoins.
- While most of the crypto exchanges are available in +100 countries, Bitstamp is only available in a limited number of geographies hence an acquisition increasing their geographical coverage (& fiat on-ramp capabilities two folds) could be of interest.
- Bitstamp is known to have an Institutional level technological stacks therefore the technological capabilities from a potential target can be omitted for the transaction.

### Major Targets & Offering

<table>
<thead>
<tr>
<th>Source</th>
<th>Spot &amp; perpetual platform, vol. ~$20b/m.</th>
<th>No fiat on-ramp capabilities</th>
<th>+130 tokens trading</th>
<th>Weak regulatory background</th>
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</thead>
<tbody>
<tr>
<td>BitForex</td>
<td>Accessible on all the continents and major countries</td>
<td>Good technological stack</td>
<td></td>
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<tr>
<td>bitFlyer</td>
<td>Reputable future &amp; derivative platform, vol. ~$32b+/m.</td>
<td>JPY, EUR, USD on-ramp</td>
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<td>Strong regulatory background</td>
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<tr>
<td>Accessible in North America, Europe and APAC</td>
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<td>Bibox</td>
<td>Spot &amp; perpetual, vol. ~$3/m.</td>
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<td>Weak technical stack</td>
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<tr>
<td>BTSE</td>
<td>Option &amp; perpetual exchange, vol. ~$30b+/m.</td>
<td>USD, EUR, GBP, CAD, JPY, HKD on-ramp</td>
<td>12 tokens trading</td>
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<td>No API integration</td>
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<tr>
<td>bitget</td>
<td>Spot &amp; perpetual exchange, vol. ~$50b+/m.</td>
<td>USD on-ramp</td>
<td>9 tokens trading</td>
<td>Weak regulatory background</td>
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<tr>
<td>Accessible in major countries in APAC only</td>
<td>Weak technological stack</td>
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<td></td>
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</table>

*Source: Coingecko, BVV Analysis*
## bitFlyer Cement Positioning by Completing the Offering

### Key Rationale

- Additional derivatives offering
- Volume consolidation
- Additional fiat on-ramp offering

### Classification

<table>
<thead>
<tr>
<th>Strong Fit</th>
<th>Medium Fit</th>
<th>Weak Fit</th>
<th>n/a</th>
<th>Most attractive target</th>
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<th>Volume</th>
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<th>Number of Pairs Traded</th>
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<th>Technological Stack</th>
<th>Product Offering</th>
<th>Geographical Coverage</th>
<th>Regulatory Backing</th>
<th>Financial Fit</th>
</tr>
</thead>
</table>

### Estimates based on 30 KPIs

Source: CryptoCompare, Token Insight, BVV Analysis
# Status Quo & Targets

## Status Quo

### BitFlyer

BitFlyer is one of the most known and transparent spot & future cryptocurrency exchange globally, especially in Japan and APAC, with an estimated monthly volume of $30b+ and has seen more than $250b+ in volume since inception in 2017. The platform is available in +40 countries, with strong regulatory backing in the US, and offers trading on 7 tokens with fiat onramp for major currencies such as USD, EUR and JPY.

### Needs

- BitFlyer has already some considerable trading volume but could increase market share by consolidating with another smaller exchange that has lower regulatory power or geographical outreach.
- The lack of token offering is another key consideration of the company that would be improved with an acquisition of a player wilder variety of altcoins.
- BitFlyer is known to have an Institutional level technological stacks therefore the technological capabilities from the potential target can be omitted for the transaction.
- While most of the crypto exchange are available in +100 countries, BitFlyer is only available in a limited number of geographies hence an acquisition increasing their geographical coverage (& fiat on-ramp capabilities two folds) could be of interest.

## Current Offering

<table>
<thead>
<tr>
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<td>No API integration</td>
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<tr>
<td>Bitget</td>
<td>Good technological stack</td>
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<td>USD on-ramp</td>
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<tr>
<td>BTSE</td>
<td>+130 tokens trading</td>
<td>+100 tokens trading</td>
<td>12 tokens trading</td>
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<tr>
<td>Deribit</td>
<td>Weak regulatory background</td>
<td>Weak regulatory background</td>
<td>Weak regulatory background</td>
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</table>

## Major Targets & Offering

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</thead>
<tbody>
<tr>
<td>BitForex</td>
<td>Accessible in major countries in APAC only</td>
<td>Accessible in all major countries in EMEA/APAC</td>
<td>Accessible in major countries in EMEA and Asia</td>
</tr>
<tr>
<td>Bibox</td>
<td>USD on-ramp</td>
<td>USD, EUR, GBP, CAD, JPY, HKD on-ramp</td>
<td>USD on-ramp</td>
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<tr>
<td>Deribit</td>
<td>BTC &amp; ETH trading</td>
<td>BTC &amp; ETH trading</td>
<td>BTC &amp; ETH trading</td>
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</tbody>
</table>

Source: Coingecko, BVV Analysis

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# Legitimize the Business and Build Trust

The table below compares various cryptocurrency exchanges based on several key metrics:

- **Volume On-ramp**
- **Number of Pairs Traded**
- **Transparency & Reputation**
- **Technological Stack**
- **Product Offering**
- **Geographical Coverage**
- **Regulatory Backing**
- **Financial Fit**

### Key Rationale

- Additional token offering
- Additional derivatives offering
- Geographical expansion
- Regulatory acquisition

### Classification

- Strong Fit
- Medium Fit
- Weak Fit
- n/a
- Most attractive target

![Comparison Chart](chart.png)

*Estimates based on 30 KPIs*
Status Quo & Targets

Status Quo

BitMEX is the oldest future and perpetual cryptocurrency exchange platform, created in 2014, and is mainly present in Asia and EMEA. The platform reported an estimated 365 days volume of ~ $1t, it’s highest ever recorded. The platform is available in +180 countries (excluding Hong Kong and the US), but is lacking regulatory backing, and offers trading on 8 tokens without any fiat onramp capabilities.

- BitMEX has already some significant volume on the platform therefore it would not be a major rationale for acquisition
- On the other hand, the lack of diversity in the amount of token offering is a key consideration that the company needs to improve, as well as offering additional derivatives offering such as options trading
- BitMEX is known to have an average technological stack but high level of security, therein an improvement of their technological stack through an acquisition could help the company to strengthen its market position
- BitMEX has a wide geographical coverage and is only missing key markets such as Hong Kong and the USA which could be entered though an acquisition of a regulated entity based in the region

Current Offering

Needs

Major Targets & Offering

| Source: Coingecko, BVV Analysis |
### Key Rationales

- Technological acquisition
- Additional fiat on-ramp offering
- Geographical expansion
- Regulatory acquisition

### Classification

- Strong Fit
- Medium Fit
- Weak Fit
- n/a
- Most attractive target

---

### Table

<table>
<thead>
<tr>
<th>Volume</th>
<th>Fiat On-ramp</th>
<th>Number of Pairs Traded</th>
<th>Transparency &amp; Reputation</th>
<th>Technological Stack</th>
<th>Product Offering</th>
<th>Geographical Coverage</th>
<th>Regulatory Backing</th>
<th>Financial Fit</th>
</tr>
</thead>
</table>

**Source:** CryptoCompare, Token Insight, BVV Analysis

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*Estimates based on 30 KPIs*
OkeX is one of the most complete cryptocurrency exchange platform globally, offering spot/future/option and perpetual product yielding to a monthly volume of ~$100b in H12020. The platform is available in +130 countries (excluding US), equipped with an Institutional grade technology, offering to trade more than +150 different tokens with +30 fiat on-ramp capabilities in currencies such as USD, CNY and EUR.

- OkeX has already one of the most important volume generate in the market therefore it would not be a major rationale for acquisition
- Additionally, the diversity in token offering as well as offering additional products are strong and not likely development area
- OkeX is known to have a one of the best technological and security stack in the market but had some transparency and reputational issues in the past. Therein, an acquisition from a reputable and transparent company would help OkeX to gain more trust from investors to onboard more Institutional investors
- OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country

### Current Offering

<table>
<thead>
<tr>
<th>Needs</th>
<th>Major Targets &amp; Offering</th>
</tr>
</thead>
<tbody>
<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
<td>ErisX: Spot &amp; future exchange, vol. &lt; $0.005b/m.</td>
</tr>
<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
<td>Accessible on all the continents and major countries</td>
</tr>
<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
<td>bitFlyer: Reputable future &amp; derivative platform, vol. ~ $32b+/m.</td>
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<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
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</tr>
<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
<td>LedgerX: Future &amp; derivative platform, vol. ~ $0.5b/m.</td>
</tr>
<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
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</tr>
<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
<td>Bibox: Spot &amp; perpetual, vol. ~ $3/m.</td>
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<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
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</tr>
<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
<td>bitget: Spot &amp; perpetual exchange, vol. ~ $50b+/m.</td>
</tr>
<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
<td>Accessible in major countries in APAC only</td>
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<tr>
<td>OkeX has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country</td>
<td></td>
</tr>
</tbody>
</table>

### Status Quo & Targets

**Status Quo**

ErisX: Spot & future exchange, vol. < $0.005b/m.  
Accessible on all the continents and major countries

- USD on-ramp
- Strong technical stack
- BTC and ETH trading
- Strong regulatory background

bitFlyer: Reputable future & derivative platform, vol. ~ $32b+/m.  
Accessible in North America, Europe and APAC

- JPY, EUR, USD on-ramp
- Weak technical stack
- 7 tokens trading
- Strong regulatory background

LedgerX: Future & derivative platform, vol. ~ $0.5b/m.  
Accessible on all the continents and major countries

- USD on-ramp
- Institutional technical stack
- BTC trading
- Wide and strong regulatory background

Bibox: Spot & perpetual, vol. ~ $3/m.  
Accessible on all the continents and major countries

- No fiat on-ramp capabilities
- Weak technical stack
- +100 tokens trading
- Weak regulatory background

bitget: Spot & perpetual exchange, vol. ~ $50b+/m.  
Accessible in major countries in APAC only

- USD on-ramp
- Weak technological stack
- 9 tokens trading
- Weak regulatory background

Source: Coingecko, BVV Analysis
### Volume Consolidation and Market Dominance

#### Key Rationale
- Volume consolidation
- Regulatory acquisition
- Technological acquisition
- Geographical expansion

#### Classification
- Strong Fit
- Medium Fit
- Weak Fit
- n/a
- Most attractive target

#### Estimates based on 30 KPIs

<table>
<thead>
<tr>
<th>Volume</th>
<th>Fiat On-ramp</th>
<th>Number of Pairs Traded</th>
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Source: CryptoCompare, Token Insight, BVV Analysis
Status Quo & Targets

Status Quo

Current Offering

Binance is one of the most recent and well-known cryptocurrency exchange platform, offering spot/future/option and perpetual product yielding to a monthly volume of ~$70b+ in H12020. The platform is available in +120 countries (excluding US), equipped with strong technology package, offering to trade more than +200 different tokens with +20 fiat on-ramp capabilities in currencies such as USD, CNY, INR and EUR

Needs

- Binance has a significant that is growing quickly organically but could grow it even further to reach the top 3 exchange ranking globally via an acquisition
- Additionally, the diversity in token offering as well as offering additional products are strong and not likely development area
- Binance has a strong technological stack but could be strengthened, to facilitate the onboarding of Institutional investors, by acquiring a company having a solid technological basis
- Binance has presence in major countries but not in the USA due to regulatory burden that could be resolved with an acquisition from a regulated entity based in the country

Major Targets & Offering

<table>
<thead>
<tr>
<th>Platform</th>
<th>Spot &amp; future exchange, vol. &lt;$0.005b/m.</th>
<th>USD on-ramp</th>
<th>BTC and ETH trading</th>
<th>Reputable future &amp; derivative platform, vol. ~$32b+/m.</th>
<th>JPY, EUR, USD on-ramp</th>
<th>7 tokens trading</th>
<th>Strong regulatory background</th>
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</thead>
<tbody>
<tr>
<td>ErisX</td>
<td>Accessible on all the continents and major countries</td>
<td>Strong technical stack</td>
<td>Strong regulatory background</td>
<td>Accessible in North America, Europe and APAC</td>
<td>Weak technical stack</td>
<td>Strong regulatory background</td>
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<td>LedgerX</td>
<td>Future &amp; derivative platform, vol. ~$0.5b/m.</td>
<td>USD on-ramp</td>
<td>BTC trading</td>
<td>Accessible on all the continents</td>
<td>USD, EUR, CNY, HKD, KRW on-ramp</td>
<td>21 tokens trading</td>
<td>Weak regulatory background</td>
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<tr>
<td>BiKi.com</td>
<td>Spot &amp; perpetual exchange, vol. #na</td>
<td>USD, CNY, HKD on-ramp</td>
<td>Weak regulatory background</td>
<td>Accessible on all the continents</td>
<td>Good technical stack</td>
<td>7 tokens trading</td>
<td>Strong regulatory background</td>
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<tr>
<td>bitFlyer</td>
<td>Reputable future &amp; derivative platform, vol. ~$32b+/m.</td>
<td>JPY, EUR, USD on-ramp</td>
<td>9 tokens trading</td>
<td>Accessible in major countries in APAC only</td>
<td>USD on-ramp</td>
<td>9 tokens trading</td>
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<tr>
<td>bitget</td>
<td>Spot &amp; perpetual exchange, vol. ~$50b+/m.</td>
<td>USD on-ramp</td>
<td>Weak regulatory background</td>
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</tbody>
</table>

Copyright © 2020 Blockchain Valley Ventures. All rights reserved. Source: Coingecko, BVV Analysis
We have looked at all global relevant crypto derivatives exchanges as well as crypto exchanges and traditional exchanges with crypto derivative offerings.

We have analysed these companies according to over 30 different parameters including volumes, product offering breadth, legal status and licences, technical specifications, regional footprint, financial strength & fit before categorising them from a competitive positioning standpoint to identify the relative attractiveness as a takeover target versus all relevant buyers we identified previously. On a discretionary basis, potential target have been excluded if the financial strength from the buyer was not strong enough.

We clustered these parameters into eight major categories for the sake of better visibility of the strongest areas.

For the attractiveness score as a potential acquirer versus different targets we have reflected the individual attractiveness of the sub-parameters per target in the eye of the potential acquirer and weighted them accordingly vs. peers.

To get to the overall strike score we weighted all categories equally, namely 1/8 each (12.5%).

We have decided on a discretionary basis to exclude certain potential target coming out from the probabilistic model to consider the capital requirement from the acquirer for such an acquisition.

We have not included information about the willingness to transact of the potential targets as we have only used publicly available data and have decided to exclude any confidential information of insight we may have on certain company set.
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All data gathered comes from publicly available sources such as online databases, social media accounts and relevant reports. The time period of interest is 2019 to 2020. To Identify the relevant companies we used the Tokeninsight Q22020 cryptocurrency derivatives exchange industry report as a starting data set and expanded upon it with information from CoinGecko, company websites and previous BVV analysis. As some datapoints were not always available we excluded the companies with lacking information when doing comparisons and ranking. The sources used only include public data such as press releases, websites and whitepapers. The accuracy of the datasets is therefore dependant on the accuracy of the underlying, publicly disclosed, data. While we made a best effort to check the information we do not guarantee the accuracy of provided data.