

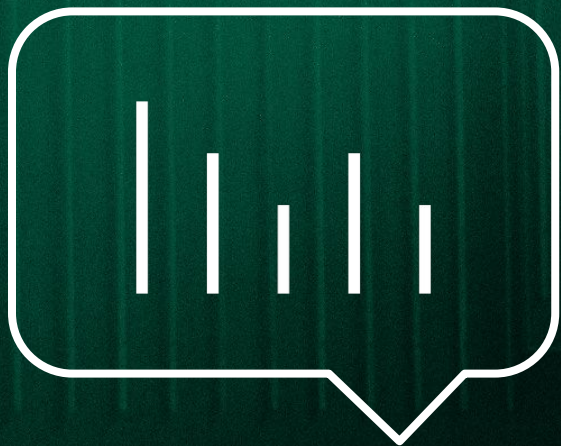


BLOCKCHAIN IMPACT MASTERCLASS

Integrating & Launching a Crypto Offering

July 2021





POLL

What industry
do you work in?





PAXOS

Our Mission: Enable the movement of
any asset, any time, in a trustworthy way

Paxos is a regulated financial institution building infrastructure
to enable movement between physical and digital assets

Paxos Key Facts

Founded

2012

9 years in operation

2015

New York Department of Financial Services (NYDFS) grants Trust Charter status to Paxos, making Paxos the first and most regulated cryptocurrency exchange

Size

180+

Employees

3

Global offices in New York, London, and Singapore

~180

Countries / territories can access Paxos products and services with “follow the sun” technical support

Funding

\$540M+

Raised over 3 rounds

\$300M

Series D (April 2021) including key investors:

OAK
HC/FT



MITHRIL



Volume

\$13B+

Assets Under Custody

20+

Financial clients served.
Key partners include:

BANK OF AMERICA 



Revolut



CREDIT SUISSE 

Today's Topics

Crypto Adoption:
History & Impact

Crypto Offerings:
User Features & Behind the Scenes

Integrating Crypto:
Licensing, Custody and Trading

Crypto Go-to-Market:
Communications & Press

About Paxos Crypto Brokerage

The Paxos Enterprise Platform is purpose-built to power crypto solutions for businesses and institutions.

Our Crypto Brokerage solution offers frictionless, safe end user experiences for crypto investments and transactions.

Today's Speakers



Hongzhe Sun

Head of Business Development



Zach Kwartler

Senior Product Manager



Leighton Dellinger

Senior Regulatory Counsel



Josh Giles

Director of Engineering



Rebecca McClain

Director of Communications



Allison Whaley

Director of Product Marketing

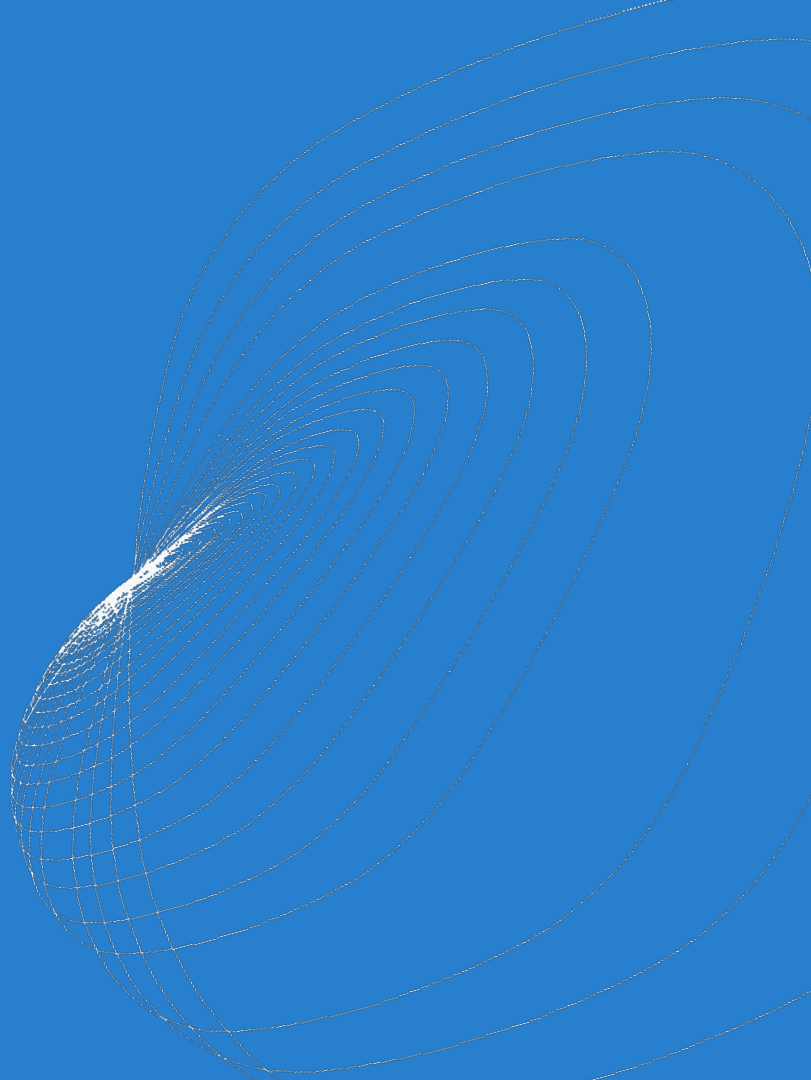
Crypto Adoption

History & Impact



Hongzhe Sun

Head of Business Development





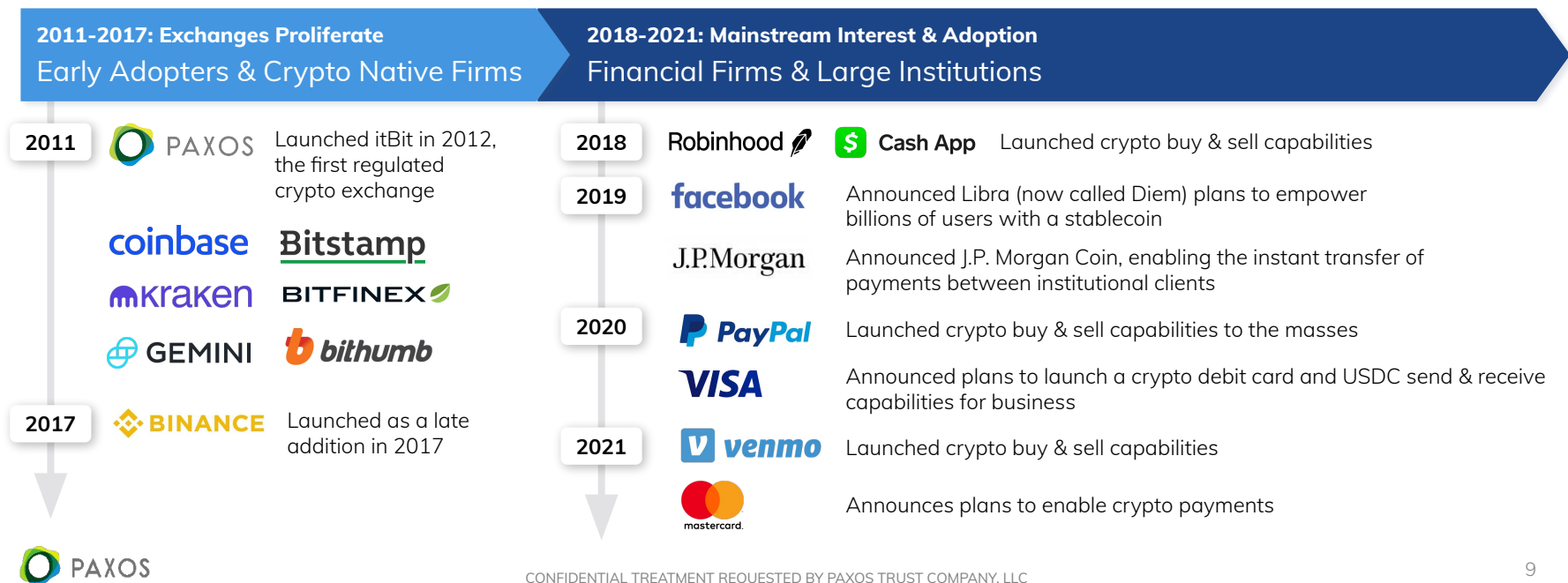
POLL

Have you ever
purchased crypto?



A Brief History

Initially comprised of early adopters and crypto native firms, the industry has undergone a recent shift towards mainstream financial firms and crypto adoption



The Strategic Impact of Adding Crypto

More mainstream financial firms see adding crypto as a strategic business opportunity, including 3 key benefits:

- 1 Add Additional Revenue Streams
- 2 Drive New Customer Acquisition
- 3 Increase Customer Engagement

Market Shift

We're seeing a shift in the mindset among financial services firms: companies who offered crypto early on did so to stand out in a rapidly expanding fintech space.

Now, companies - from fintechs to large financial institutions - fear being left behind.

1. Build Revenue Streams

Companies who have added crypto to their offerings found it to be a low-cost and consistent revenue stream



Consistent Revenue

Companies earn revenue on each user trade (crypto users trade frequently) as well as from custody fees



Low Maintenance

Few ongoing costs after the initial setup

Market Examples

Robinhood  **17%**

of total revenue was derived from transaction-based revenues earned from crypto transactions from January 1 to March 31, 2021

 Cash App **\$97M**

gross profit from bitcoin in 2020 a 12X increase over 2019

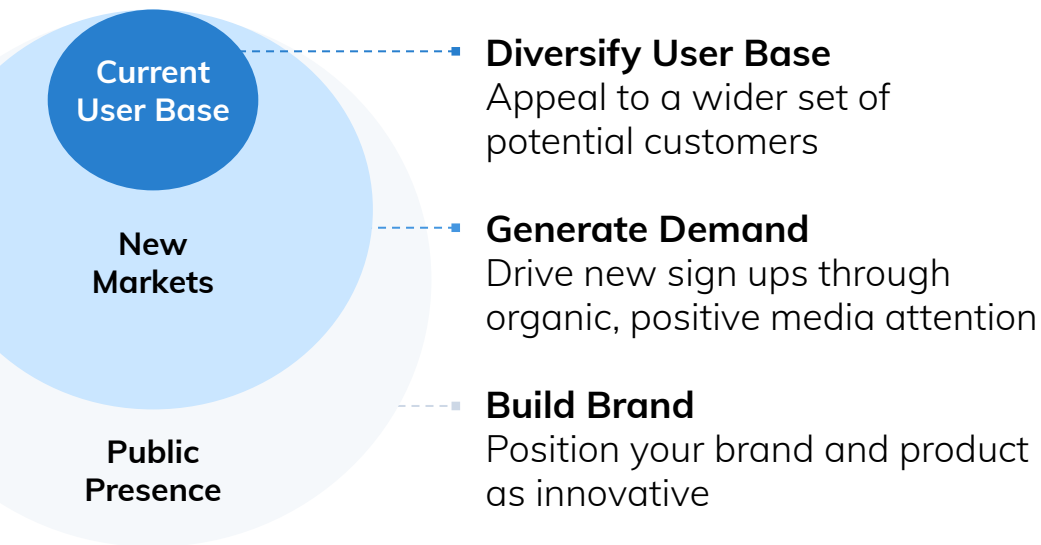
Examples from:

"Robinhood S1 Filing". SEC. bit.ly/2Taly2H

"Q4 2020 Shareholder Letter." Square. bit.ly/3cTOgux

2. Drive New Customer Acquisition

Adding crypto allows you to expand top-of-funnel user and market reach beyond existing core segments



Market Examples

Robinhood  **+6M** new crypto users in first 2 months of 2021

coinbase **+13M** new users added from Q4 2020 to Q1 2021

Examples from:

"Crypto Goes Mainstream." Robinhood. bit.ly/3xTXrED

"Q1 Earnings Report & Monthly Active Users." Coinbase. bit.ly/2V2fAS4

3. Increase Customer Engagement

Offering crypto can increase your share-of-wallet
and embed you more deeply in your customers' financial life



Bitcoin has helped...increase engagement in our broader ecosystem, as Bitcoin actives use other products... more frequently compared to the average Cash App customer.”

- Square Q4 earnings report

Market Example



Cash App

2.5X

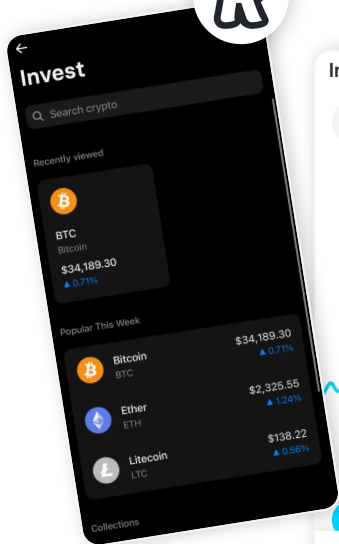
**increase in bitcoin
trade volumes per user
year over year in Q4
2020**

“Q4 2020 Shareholder Letter.”
Square. bit.ly/3cTOgux

Fintech Apps Offering Crypto User Interface

"Go from cash to crypto, in seconds"

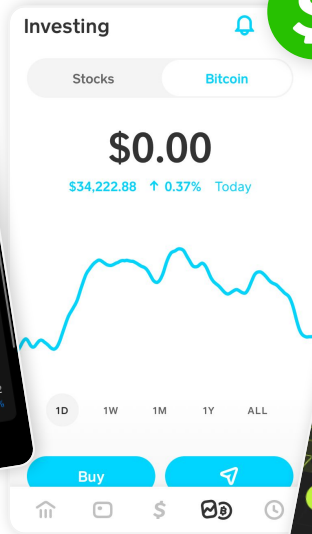
Revolut



"My first bitcoin"

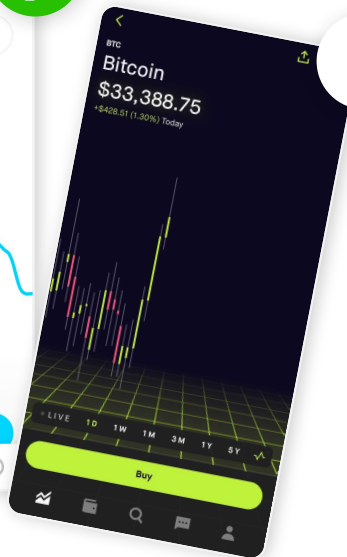


Cash App



"Buy and sell... commission free"

Robinhood





POLL

How does crypto fit into your company's growth strategy?

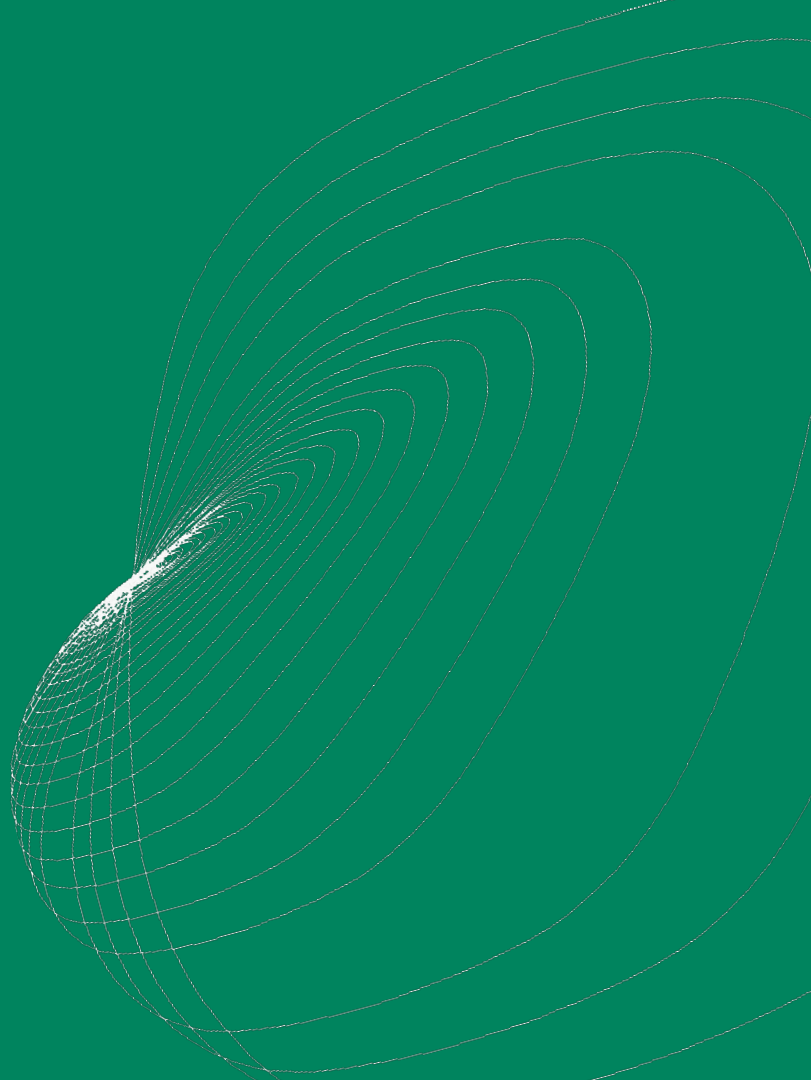


Crypto Offerings

End User Features and Behind-the-Scenes Infrastructure

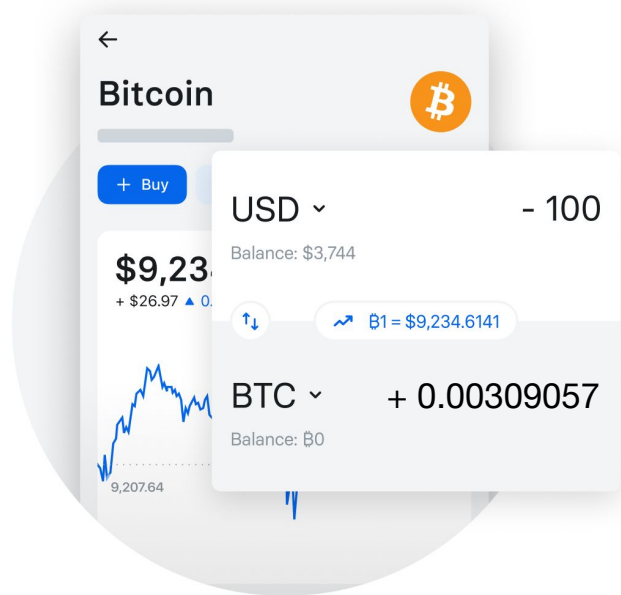


Zach Kwartler
Senior Product Manager



Crypto End User Capabilities

End users could engage with the \$1 trillion crypto market in the following ways:



Custody. Hold crypto assets



Trading. Buy and sell crypto



Transfers. Send and receive crypto



Payments. Use crypto for payments



Yield: Earn interest on owned crypto



Credit: Receive loans from your crypto holdings

What You Can Do to Start

Custody and trading is the starting place and gateway for most users.



Suggested Approach

- Establish the regulatory and compliance foundations you need
- Get your users acquainted with buying, selling and holding crypto in your product
- Expand your crypto offerings based on user feedback



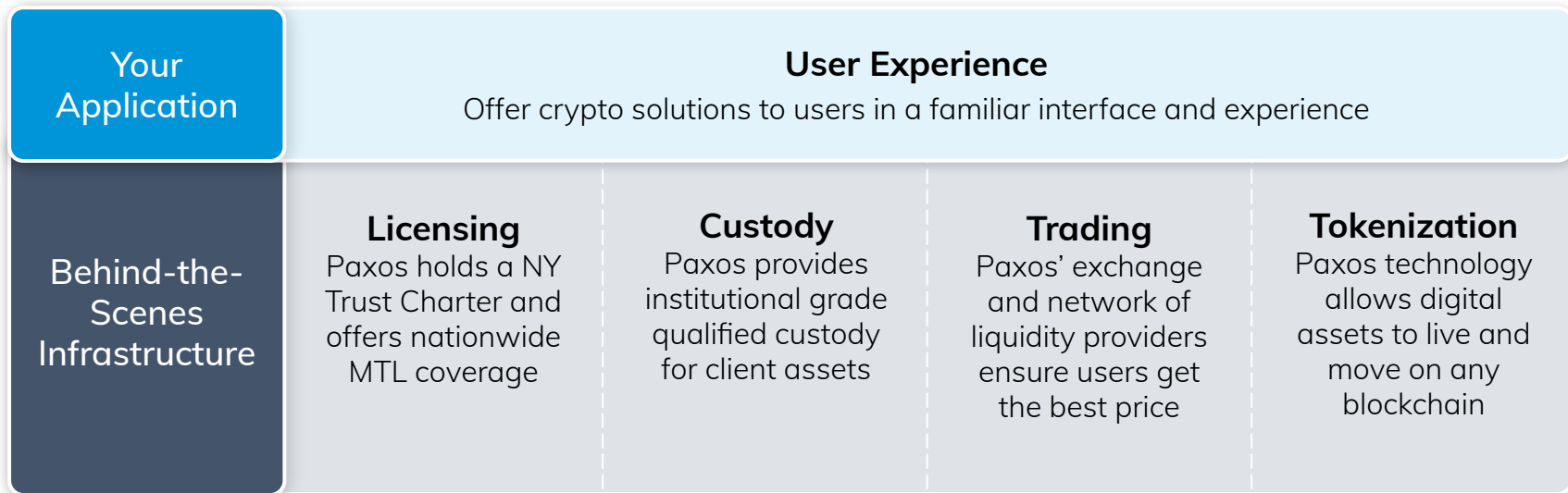
Case Study

Revolut, a fintech based in Europe, took the following approach:

1. Launched crypto buy and sell capabilities to their European users
2. Expanded to US and Asia
3. Adding ability to withdraw crypto to external wallets

Crypto Behind-the-Scenes Infrastructure

To power crypto capabilities, a company needs the right regulatory licenses, the means to custody crypto, and access to liquid markets



Integrating Crypto

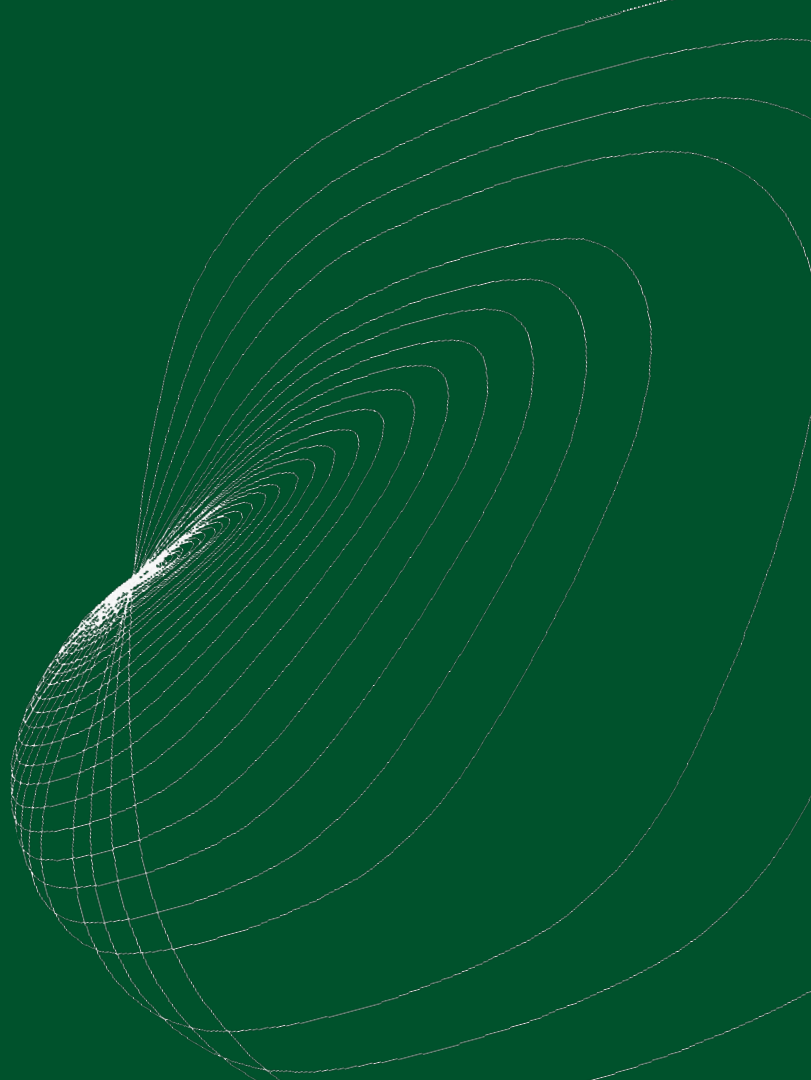
Licensing, Custody and Trading



Leighton Dellinger
Senior Regulatory Counsel



Josh Giles
Director of Engineering



Deep Dive: Licensing

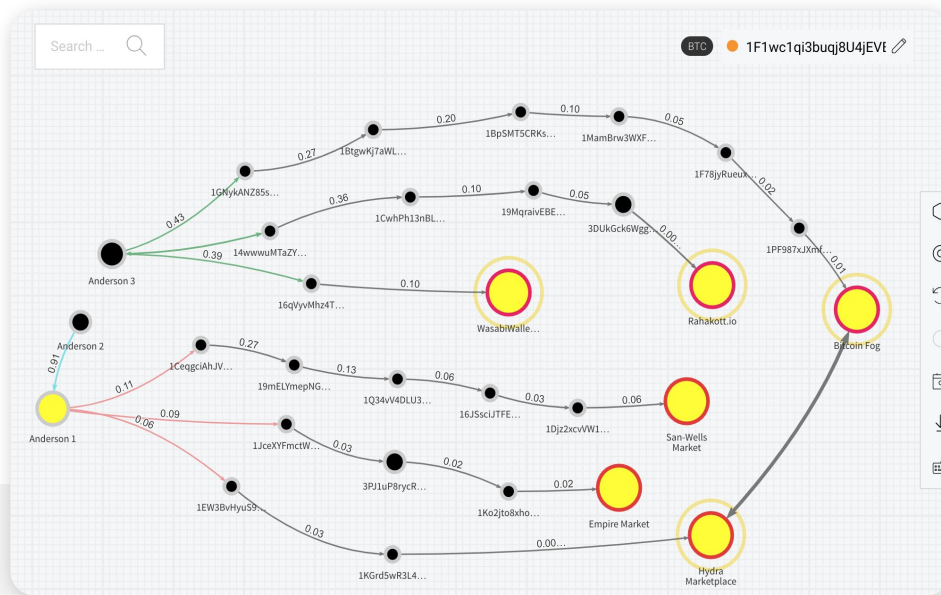
Before you jump into digital assets, it's important to know the regulatory landscape and what licensing is needed for buying, selling, and custodial crypto

	Trust Company	Money Transmitter License (MTL)	BitLicense
Operate a digital asset exchange	✓ Yes	✗ No	✓ Yes
Operate throughout the US	✓ Yes Plus ability to set up international branches	? Depends MTL is state by state licensure	✗ No
Qualified custodian of client funds (fiat and digital asset)	✓ Yes	✗ No MTL only allows for movement of client funds	✗ No
Escrow and custodial trust services	✓ Yes	✗ No	✗ No

In addition to having the right licensing to operate, you'll need to meet specific compliance standards for user onboarding and transaction monitoring

- ❑ **Know Your Customer (KYC)** data collection for user onboarding
- ❑ **Ongoing Transaction Monitoring** in order to:
 - ❑ Find and identify money laundering
 - ❑ Identify high risk activity (including OFAC sanctioned addresses, darknet markets, fraud and anomalous transactions)
- ❑ **FinCEN Travel Rule** updates forthcoming

Right: Our tool indicates there is a direct association between our client ("Anderson") and three darknet markets and three mixer/tumbler platforms



Deep Dive: Custody

How is your crypto stored, and how does your crypto get in and out of storage?



Storage

Your crypto is held in **wallets** which internally use secret cryptographic **private keys**



Deposits

By receiving crypto in **deposit addresses** we can accept transfers in from other wallets



Withdrawals

By **signing** crypto transactions with wallet private keys, we can send transfers to other wallets

Paxos Custody

To ensure security and timely processing, use a mix of cold and hot wallets.



Cold Wallets

- Fully offline (air-gapped)
- Physically secure location
- Slow; periodic batch procedures
- Used for:
 - Minting and burning
 - Large customer withdrawals



Hot Wallets

- Online processing through Multi-Party Computation (MPC)
- Capped value in wallet
- Real-time processing
- Used for:
 - Customer withdrawals

A regulated Trust Company is the gold standard for custody

Qualified Custodian

Approved to custody assets like cash, crypto, securities and commodities

Bankruptcy Remote

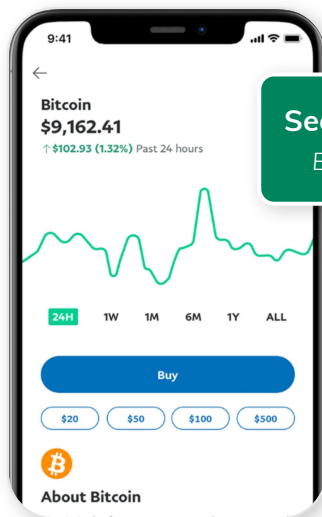
Client assets are protected in the event of bankruptcy

SOC Certifications

Paxos has received SOC 1 Type 2 and SOC 2 Type 2 certifications on its crypto custody

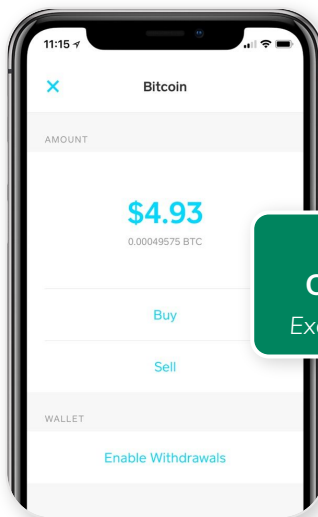
Deep Dive: Trading

How do your users buy and sell crypto?



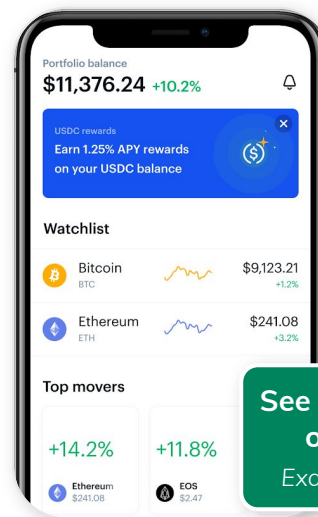
See Price History

Example: PayPal



**Buy/Sell at
Current Price**

Example: Cash App



**See Current Value
of Holdings**

Example: Coinbase

Deep Dive: Trading

A good customer experience requires a strong trading platform



Price Quality

Prices are accurate and buy / sell spreads are tight

Execution Quality

Trades settle quickly at the best price in the market

Availability

Market operates 24 / 7 / 365 without interruption

Scalability

Platform handles high transaction counts and volumes

Regulatory Oversight

Safe trading with trustworthy counterparties

Crypto Go To Market

Communications & Marketing



Rebecca McClain

Director of Communications



Allison Whaley

Director of Product Marketing

Communications Approach

Crypto is entirely new territory - which unlocks many great opportunities for you!



An Unsure Audience

Press, consumers & lawmakers are often not sure what to think about crypto - but are very interested

Use this to shape the narrative!



Demystify & Simplify

Demystification is key to combat skepticism - for example, blockchain is just a database that anyone can access

Minimize jargon when possible - technical language is not needed to explain crypto



Educate, Educate, Educate

Never assume your audience knows crypto

Repetition of the same core messages will carry you far

Stakeholder Groups To Shape Your Strategy

Regulators

Are you required to notify any regulatory bodies in advance?

Are any of your regulators outspoken on crypto?

Consider engaging regulators to educate where necessary.

Press

Do your current reporters understand the crypto landscape?

Prepare educational material based on your reporters' level of familiarity with crypto.

Surrogates

Does your company maintain relationships with any highly visible people that can speak to the benefits of your offering on your behalf?

Engage surrogates and arm them with key messages.

Partners

Who needs to be alerted?

Develop an internal list to track and manage partners.

Be Ready to Answer...

You will be (repeatedly) asked several questions, so have responses prepared for:



Strategy

Why are you adding crypto?

What is the benefit to your company?

What is the benefit to your customers?



Monetization

How is your company making money from this new offering?

Are you targeting new or current customers?



Risk

What are the risks in offering crypto to your customers? In launching crypto in your market?

What do regulators say or think?



Landscape

How does your offering compare to your competitors?

Why did you choose a specific crypto service provider?

Crypto Educational Content

Since crypto will be new to many customers, providing educational content is key.
Tailor content to your users and channels.



User Personas

- How much do your customers know about investing? Are your target users avid investors or novice?
- How much do your customers know about crypto? Have they already purchased crypto, or are you introducing them to crypto for the first time?



Channel

Where will the content live?

- Within a mobile app, as part of the crypto purchase flow?
- Within an online content resource site, like a blog or knowledge center?
- Sent via email?

Content Strategy



Depth & Tone of Voice

- Do you need research and citations?
- Should the tone be educational, enthusiastic, or formal?

Length

- In-app content should be short, \leq 250 words
- Content within a knowledge center should be longer, 300-2,000 words

Crypto Topics to Cover

Regardless of channel or user persona, we recommend you include the following topics in your crypto launch content:

History of cryptocurrency

What is blockchain technology?

Crypto glossary - key terms

What is bitcoin?

How does crypto custody work?

What are altcoins?

Crypto 101 Content

Examples:

[Coindesk 101 Guides](#)

[Binance Academy](#)



Crypto News Beyond Launch:







Does your company have a newsfeed or offer timely insights on market updates?

If so, consider adding crypto news to your ongoing publications.

Great resources for this are **Coindesk** and **The Block**, both of which offer licensing options.

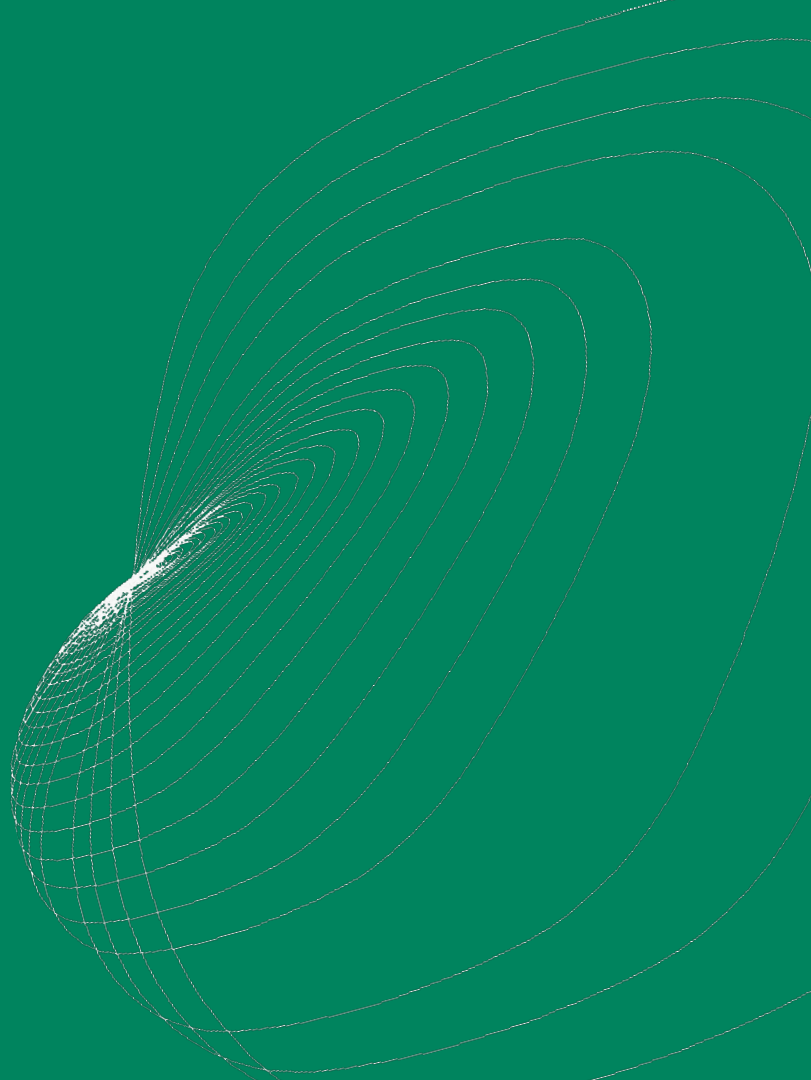
Marketing Crypto Features

Consider these proven tactics to get the word out about your crypto features and encourage crypto engagement


Marketing	Purpose	Objective	Who did this?
 No Fee Periods	Motivate customers new to crypto to try it out; entice advanced users from other platforms	Customer engagement and retention New user acquisition	 
 Promotions	Incentivize users to buy crypto via monetary rewards - "Buy X bitcoin, get Y"	Customer engagement and retention New user acquisition	
 In-App Marketing	Ensure your users see the crypto features/interface and encourage engagement	Customer engagement and retention	All

Case Study

Robinhood Crypto Launch



February 2018 Launch

Robinhood 

“ More than 1 million people have joined the waitlist for Robinhood Crypto in just four days”



TC TechCrunch



Robinhood launches crypto in its platform

POSITIONING

Reinforce Robinhood's brand as an innovator in the online investment solutions, building a more open financial system

AUDIENCE

Attract early adopters and evangelists with a waitlist, but provide ample resources to convert non-crypto users to try features out

COMPONENTS

- Waitlist
- In-app marketing and content
- Landing page
- Social media
- Help center content

User Experience

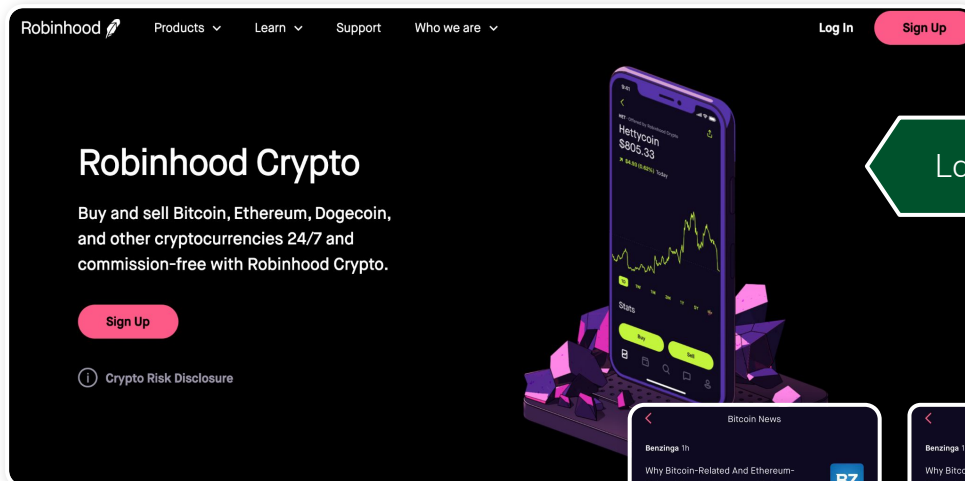
Robinhood

TARGET USER

Avid investor
Somewhat familiar with
crypto

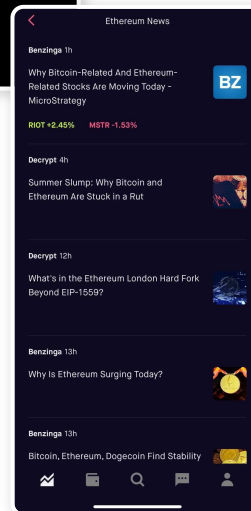
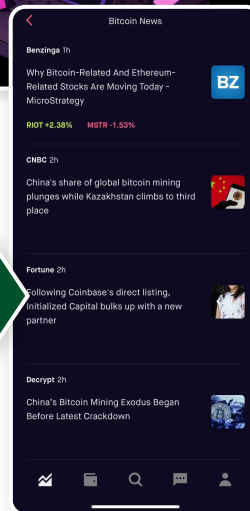
CHANNELS

Website landing page
In-app news stream



Landing Page

In-App
Crypto News Stream



Content

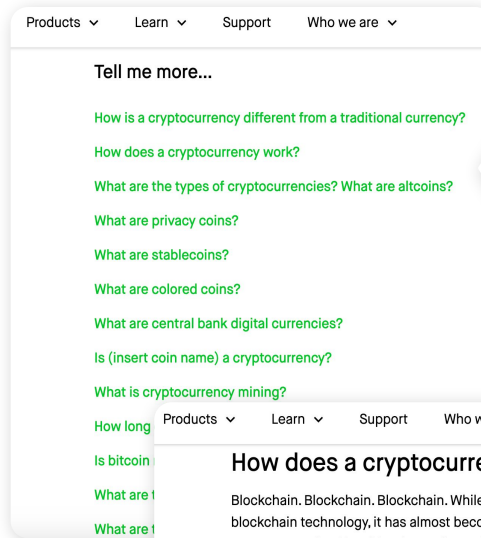
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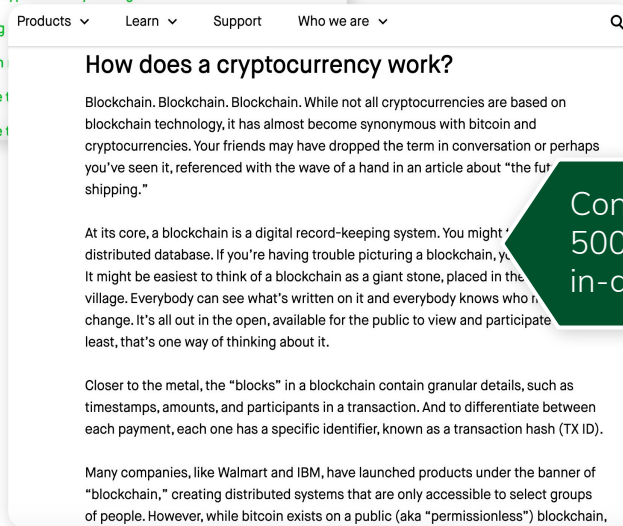
Avid investor
Somewhat familiar with
crypto

CHANNEL

Robinhood's crypto content
lives within the "Learn"
center of their website



Robinhood's long list of articles fits into their overarching content strategy. They have hundreds of comprehensive articles within their Learn center.



Content is long-form, 500-2,500+ words, going in-depth into crypto topics.

MASTER CLASS KEY TAKEAWAYS

Integrating & Launching a Crypto Offering



INDUSTRY ADOPTION

Cryptocurrency is undergoing a **shift to mainstream adoption**... resulting in multi-faceted strategic business impact:

- Drive new revenue streams
- Grow new user acquisition
- Increase customer engagement

INTEGRATING CRYPTO

To power the many different ways users can engage with crypto, a company needs to understand and establish:

- The right **regulatory licensing**
- Means to **custody crypto**
- Access to **liquid markets**

LAUNCHING CRYPTO

Crypto is entirely new territory - which unlocks many great opportunities for you!

- **Focus on education and demystifying crypto**
- Prepare for questions about strategy, monetization, risk, and industry landscape
- Develop accessible and audience-appropriate “101” and FAQ content

QUESTIONS?



**Hongzhe
Sun**

Head of Business
Development



**Zach
Kwartler**

Senior Product
Manager



**Leighton
Dellinger**

Senior Regulatory
Counsel



**Josh
Giles**

Director of
Engineering



**Rebecca
McClain**

Director of
Communications



**Allison
Whaley**

Director of
Product
Marketing



POLL

How likely are you
to recommend
this webinar?



Thank You for Joining Us!

The year ahead will bring increasing mainstream adoption of cryptocurrency, with more financial firms adding crypto features to their platforms.

Stay Informed



[Sign up](#) for “**Blockchain, Crypto, and the Modern Enterprise**”, our monthly newsletter with a focus on crypto for enterprise



@PaxosGlobal



[linkedin.com/company/paxos](https://www.linkedin.com/company/paxos)

Interested in Crypto Brokerage?

Get in touch by emailing us insights@paxos.com and mention this Master Class