



## Binance Coin Market Research

### Summary

Of the thousands of ICOs witnessed in 2017, **BNB** was one of the most successful by far. Not only did Binance manage to successfully execute this new type of crypto financing, but they went on to use the funds raised to build an extremely successful crypto exchange. This is a prime example of new age token economics at work.

*All information is valid as of November 28<sup>th</sup>, 2018. All feedback is welcome.*

## Basic Statistics

- **Crypto-asset type:** Utility Token (May contain elements of a Security Token)
- **Max. Supply:** 190,799,315 BNB
- **Current Circulating Supply:** 130,799,315 BNB
- **Market Capitalization:** \$645 million
- **Token Economics:** Deflationary asset
  - The circulating supply of BNB actually decreases, since Binance has promised to perform recurrent token burns of the currency.
- **Protocol:** Ethereum (ERC20)

## History

Cryptocurrency exchange **Binance** was founded in 2017 by CEO Changpeng Zhao (CZ) and He Yi. Just a few months after having an operational website in July 2017, it quickly became one of the most important alt-coin exchanges in the world. As of now, it is a matter of fact the largest exchange by volume. Funds for the exchange were raised initially with an Initial Coin Offering (ICO) in July 2017, with 10% of the available BNB offered to angel investors, 50% to ICO investors and the remaining 40% being reserved for the founding team.

The company has moved its headquarters frequently following changes in cryptocurrency regulation in different countries, from its original location in China to Japan and then Taiwan.

Binance is currently exploring opening offices in Malta and Jersey to increase its presence in the European market. Although traditionally Binance has focused on exchange pairs between different cryptocurrencies, they are putting a special effort on enabling fiat-to-crypto exchanges as well. As a matter of fact, [Binance Uganda](#) recently became the first fiat-to-crypto exchange operated by Binance. New Binance exchanges accepting fiat will very soon launch on other countries favourable to cryptocurrency investments, like Singapore or Malta.

## Development Team

Changpeng Zhao (CZ) is undoubtedly the most visible face behind **Binance**.

**Changpeng Zhao**, usually referred to as simply **CZ**, is the co-founder and CEO of **Binance**, and has become one of the most influential figures in the whole cryptocurrency sphere, as well as one of the wealthiest people in the world.

Born in China, he moved to Canada with his family and attended McGill University in Montreal, majoring in Computer Science. After working as a software developer for the Tokyo Stock Exchange and Bloomberg, he started an entrepreneurial career in the finance sector.



With the rise of cryptoassets, he became a lead member of **blockchain.info**, one of

the most reputable **Bitcoin** explorer services, and was also CTO at exchange **OkCoin**, before founding his own exchange in 2017.

## Use Cases

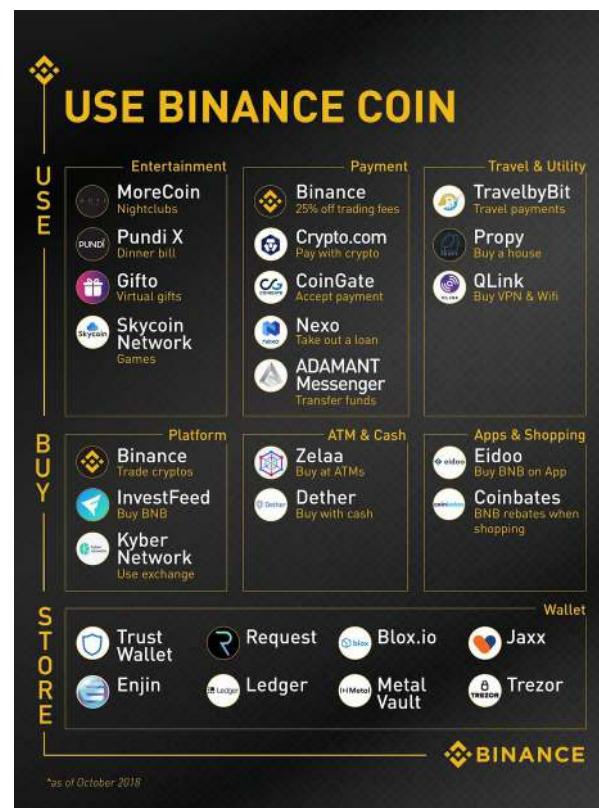
**BNB** was conceived as the built-in currency for use in the **Binance** cryptocurrency exchange.

The token's main goal is to allow users to pay for trading fees on the platform. Paying these fees with BNB instead of any other cryptocurrency entitles a discount, which was of 50% during the first year operations and has now been reduced to 25%. The discount will decrease to 12.5% and 6.25% during the third and fourth years of operations, respectively, and will disappear after that. Although trading fees on Binance are relatively low, this automatic discount encourages users to hold a certain amount of BNB in their account. BNB will also be used as the fuel and trading fee in the upcoming Binance Decentralized Exchange. This will help increase the use and adoption of the coin in the future. Similarly, another new use of BNB is in the form of supporting and investing in new ICOs that are featured in the platform's *Launchpad*.

At the moment, holding more than 500 BNB also increases the referral rate on the Binance platform. The trading fees can also be further decreased depending on a user's trading volume and amount of BNB held.

Besides, BNB is increasingly being used for actual payments for goods and services. Given its scarcity and that it is based on the **Ethereum** network, the intrinsic value of BNB allows for it to be used as a medium of exchange in normal transactions. It should also be stated that BNB is considerably less volatile than most other alt-coins in the market, which makes it a relatively safe asset during periods of great volatility with some people even using it as a stable coin regularly.

The following infographic shows some of the additional uses of BNB in the entertainment, finance and utility sectors, as well as the platforms that can be used to buy and store the token.



## Recent & Future Developments

The evolution of **Binance** over the last few months has been incredible, with several million active users and [expected profits of up to \\$1 billion in 2018](#). The growth in barely a year to become the largest cryptocurrency exchange in the world is simply unprecedented.

From a more technical point of view, two very important developments are currently in progress and will change the scope of Binance and its native token BNB. The first is the creation of a decentralized exchange in the platform, and the second the development of a native blockchain for the system.

Decentralized exchanges have become very popular over the last year and there are several of them coming online. However, most of the best exchanges are still centralized, with one company handling all the operations and trades and therefore requiring the trust of its users. Decentralized exchanges are still slower and typically have higher trading fees than traditional exchanges, but trades occur directly on the blockchain between two users in a trustless manner.

**Binance** is now releasing their own decentralized exchange, with a very early pre-alpha version already available. Although the details of the final version and its release date are not known yet, it will likely use BNB as its native token for

trading fees, which should increase the utility of the token.

In addition, **Binance** is working on a native blockchain called **Binance Chain** to handle all its operations. When the blockchain is ready, BNB will become a native coin on the Binance Chain instead of an **Ethereum**-based ERC20 token. A token swap between the two assets would then occur. Binance would then have a completely autonomous blockchain, which is completely independent from the **Ethereum** network. Binance can develop a faster, cheaper network, specifically tailored for the use cases of BNB. They may also add the upcoming Binance Decentralized Exchange to run natively on the Binance Chain.

An interesting factor that will likely influence the value of the BNB token is the token burn that Binance has been carrying out during the past few months. With an aggressive repurchase plan, Binance is using 20% of its operational profits to buy back BNB tokens from the market, and then destroy or "burn" them. The platform will continue to do so until only 100 million tokens are left in circulation. These large token burns have been occurring approximately every quarter and show that the exchange is indeed very profitable at the moment. The decreasing total circulating supply is intended to have a positive effect on the valuation of the coin when executed.

In July 2018, Binance created a safety fund called Secure Assets Funds for Users

(SAFU) after irregular trading activity on the SYS/BTC pair led to certain users losing large amounts of money. SAFU is basically a cold wallet where 10% of all trading fees are collected to pay back users in case of an exchange hack, glitch, or other sort of event occurs that makes users lose their funds.

Significant effort has also been put in place by Binance to create a charitable branch of the platform, named Blockchain Charity Foundation (BCF). Given the lack of transparency in traditional charities, CZ's goal is to create fully transparent and traceable donations secured by the blockchain. With support from Binance, the United Nations is currently studying the possibilities of blockchain for improving the global charity sector and its efficiency. Binance is currently donating all its listing fees to this cause.

## Technical Description

BNB acts as an ERC-20 compliant token built on the **Ethereum** network. The ERC-20 standard defines a series of rules that Ethereum-based tokens should follow, mostly regarding how tokens are transferred between addresses or its fungibility..

ERC-20 tokens have been used by a vast number of ICOs and cryptocurrency startups due to their simple and straightforward development and deployment. Besides, being a native token in the **Ethereum** network means that all

the explorers, wallets and other services available for Ethereum can be used to track and operate with BNB tokens.

## Cryptoasset Type

The last couple of years have seen a myriad of cryptoassets and tokens being created with many different purposes. The necessity of regulation on these assets has been one of the main reasons behind their classification and labeling into different categories.

[FINMA](#), the Swiss independent financial markets regulator, differentiates three different types of cryptoassets and tokens:

- **Payment tokens**, or cryptocurrencies, whose primary functionality is in principle to be used as a medium of exchange or payment, without a connection to a certain utility or greater project.
- **Utility tokens**, which provide access to a certain utility or service.
- **Asset tokens**, which entitle a participation in a certain company or financial endeavor and typically lead to dividends or interests.

Tokens can also be considered a combination of these three. The distinction is very important, especially for U.S. investors, because asset tokens are typically ruled as securities by financial and regulatory institutions worldwide and are thus akin to stocks and other commodities,

being subject to complex and strict security law requirements.

It is not always easy to classify a coin into one or several of the categories above. In the case of BNB, it can indeed be used as a medium of exchange, but that is arguably not the main use that was intended for the currency upon its creation.

BNB does not provide exclusive access to Binance, but it does entitle the holder to a series of benefits in the platform, such as lower trading fees. In that sense, a strong case can be made for it being a utility token.

Finally, the fact that the value of BNB is tied to the performance of the company (Binance) could lead to its classification as an asset token, and therefore a security. As well, the token burn process detailed above can be compared to a share buyback program that we see in stocks.

This concern has been voiced by some people, but so far no rulings have been made on whether BNB is a security. This classification could very well play an important role in investor decisions as global regulations surrounding digital assets becomes more defined in different regions.

Cryptocurrency markets are associated with high volatility, and **BNB** is no exception.

It is important to carefully assess your investment goals, methodology and level of experience before deciding to start investing in a new market. It is also extremely important to diversify and view cryptocurrency as an additional element of your portfolio. Given the high risk associated with this type of asset, it is recommended not to allocate more than 20% of your portfolio into cryptocurrencies. Given that the possibility to lose a part or even all the money invested exists, it is extremely important to invest only money that you can afford to lose.

In any case, all the information presented in this Market Report does not constitute financial advice, and introduces no obligation or recommendations for action.

## Investments Risks

Trading cryptocurrencies can potentially be very profitable as seen in the past, but it is also a very challenging activity that can carry a significant level of risk.

## Resources

- [About Binance](#)
- [Binance Exchange Blog](#)
- [Binance Q5 Recap](#)
- [Binance White Paper](#)
- [Binance Market Volume](#)

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