Alex Svanevik: I think it's too early to conclude, but I definitely think that these different exchanges will learn from each other when it comes to the different token utility models, right? So if, for instance, Binance looks at some other smaller exchange and they see that they have like a 10X TVEV ratio and they have a slightly different token utility model ratio, maybe Binance can say, "Well, let's just adopt this utility that this other exchange has," and thereby increase the value of their own token a lot.

Nate Tsang: Welcome to the CoinFi Podcast. We have a lot of random conversations about crypto in the office and we thought it would be interesting to just hit the record button and riff on whatever topics come to mind. The idea is that you get to be a fly on the wall in the CoinFi office giving you an inside perspective on how the team members of a fast growing crypto start up look at this crazy new industry.

The CoinFi team has an interesting mix of backgrounds. Co-founding a hedge fund to launching a bitcoin exchange in Shanghai back in 2013, to heading algo development for major banks, to managing data science for online brands with hundreds of millions of pages a month. And on each episode, we'll pull in different team members who'll talk about areas where they have professional expertise, or maybe even just a strong opinion.

What's up, CoinFi fans? Welcome back to another episode of the CoinFi Podcast. Thanks so much for joining us today. Today's episode is all about exchange tokens. These are the utility tokens issued by centralized exchanges, like Binance, Huobi, and KuCoin, as well as decentralized exchanges like Kyber Network, Bancor and IDEX.

So, why exchange tokens? Exchange tokens are quite unique in the token ecosystem in that they have a concrete utility associated with a tangible revenue generating business. Arguably, exchanges have the most tangible business model on the blockchain ecosystem so far, which is enabling the trading of crypto assets. I'm your host, Nate Tsang, and with us on the panel today are Jonney Liu, a former senior portfolio manager with 11 years experience trading derivatives. Most recently, he left his job at a $350 million volatility arbitrage hedge fund to join us here at CoinFi to work on developing on singles and algorithms for the CoinFi platform. Also with us today are Wayne Lam, a junior project manager here at CoinFi, and a big proponent of exchange tokens here at the CoinFi office. And last, but not least, out of all the exchange token nerds on the CoinFi team, he made me the chief nerd, our chief data scientist, Alex Svanevik.

Let's start with you, Alex. You recently wrote a couple of in-depth, data-driven analysis pieces for CoinFi, examining the valuation of exchange tokens. So, how do you evaluate exchange tokens, and what are some interesting discoveries you made when you looked at the data and utility models behind exchange tokens?

Alex Svanevik: Yeah, Nate. As you said in the intro, exchange tokens are quite interesting because they're very tangible, that means they also have a lot of data associated with them. And that means they're actually a very interesting token to study when you want to value the different tokens, right? So, I think at a conceptual high level, you can think of three aspects of exchange tokens that are important if you want to evaluate them.

The first is the transaction volume of the exchange itself, right? So, that means basically how much is being traded on Binance on any given day, as an example. And the second is a projected growth, so that means how much you expect Binance, for instance, to grow over time. And the third, and perhaps more specific for the crypto space, is the token model. So, that means how is the actual token associated with the trading that's going on on the exchange. So, again using Binance as the example, they give you actually a discount, a 50% discount, when you use the Binance coin to pay for your fees. And that means that essentially it has some kind of utility associated with it.

So, I think, if you wanna value exchange tokens, that's a good place to start, by looking at those three different areas.

Jonney Liu: Yeah. My fascination with exchange tokens from an ex-trader point of view is that ... I mean, for most part, I think crypto, even though there's a lot of exciting technology developments out there, a large portion of what crypto is right now is this trading. All right, so by default, these tokens are being the most and they're being recycled the most, right? That's why, I think for us, it's quite fascinating because they almost have a proven model, compared to some other ones where they're still not revenue generating, like you said. So, you don't know whether you're gonna get your ... They have buy backs on them, have different features, and those are unproven, as now.

Wayne Lam: Yeah, I mostly agree with you, Alex. I think, within the three major factors that you were talking about, that drives the price up of the tokens. One thing that I kinda wanna dive deeper into is the growth rate of the exchange tokens. So, I think we can kind of talk about the growth in a couple different subset factors.

So, the first one is we have the transaction volume of the exchange over time. So, one way we can see growth is that three months ago exchange A may have two million transaction volume running on a daily basis. But then, as time goes on, we'll see next month they have four million, and the month after that, they have six million. So, we can kind of see what their adoption rate is over time. We should take that into consideration by relating that to different exchanges, because it doesn't really matter if you just have one solid data for just one exchange, right? Because it might not be a factor of that one exchange doing well, but it might just be cryptocurrency doing well in general, right? So, we kind of have to compare that to all these different exchanges. If every single exchange is going up like 200%, it doesn't really matter. It doesn't say a thing about the growth rate of that particular exchange.

Jonney Liu: But it does say a lot about the growth rate of people trading on all, right?

Wayne Lam: Right. But it doesn't't' tell you, compared to all the other exchanges, which one has the best growth, right? Because if each of these exchanges are having 200% growth, that's just the result of the macro-economic factors that are affecting the bullishness of the exchanges.

Alex Svanevik: So, one thing we recently did, was to study what we call the TVEV ratio, right? Essentially, using that metric, we can kind of compare the different exchanges with each other, and we sort of actually cancel out the volume because different exchanges are in stages of their life cycle, right? Binance has been around actually not that long, about one year, less than one year, but it's one of the veterans in the space, you could say, already. And if you kind of normalize for the transaction volume, then you can start comparing how much does the market price of this exchange token, presumably based on how much growth the market thinks this exchange will have, and also on the utility of the tokens themselves, right? So, this is kind of perhaps one way to try and look at least how the market considers the projected growth and the utility of the token.

Jonney Liu: That's true. VIZ has a big premium, according to the TVEV that you did, but that means that maybe the market is relatively bullish on that token, on that exchange, right?

Alex Svanevik: Exactly, yeah.

Wayne Lam: Yeah, and I think one thing we have to do, is we actually have to exclude the token itself, the trading volume for the token itself. Because, one example is, Bancor Network, they have an exchange about 60 to 70% of the transaction volume of that exchange has actually been by Bancor Network tokens. So, it's not like when we're taking into factor the Bancor Network token, it's almost like there's more people interested in the token itself rather than using that exchange.

Alex Svanevik: Yeah, yeah. That's a good point. I think, when we looked at this, we didn't really normalize for that specific token. And I think you're right. In many of the decentralized cases, the token that's traded the most on those exchanges is actually the exchange token associated with the exchange, right? I think that happens with Bancor. I don't think it actually happens with Kyber Network and say 0X, but they're in the top five of the most traded.

Jonney Liu: But here I'm going to push back on that, even though Bancor, the coin, trades a lot on Bancor. So, a lot of people pay fees on it, that's still trading on the platform, right? Should we not also include that into what transaction fees there are? I mean, unless they are saying, "Oh, anything with Bancor, we will charge zero on," then obviously we should discount. But if people are paying the fees on it, then that also has to be counted, right?

Alex Svanevik: Exactly. Yeah. I think that's a very good point. This is, as we said earlier, kind of a very tangible business, and if that trading volume has fees associated with it, that means that that generates revenues, right, for the business. And you could argue, at least for the exchange tokens that have a utility connected to that, like Binance, that's kind of generating an implicit cash flow.

Jonney Liu: Right, good.

Wayne Lam: Right. But it's also almost kind of like a self-fulfilling prophecy on the growth rate or the adoption rate on that exchange. Because it's almost like, "Oh, 70% of the transaction volume is on the token, which is based on the adoption of the exchange," then it's kind of like, "Oh, the exchange is doing well because people are buying into the token. And the reason that people are buying into the token is because they believe in the exchange." So, it kind of goes back and forth like that and it becomes a self-fulfilling prophecy. So, I feel like, it shouldn't really include the ... There should be a lower weight placed on transaction volume than on the token itself.

Nate Tsang: Yeah, maybe let's take a step back and maybe take a high level view on this. I think, we mentioned a few times this concept of a TVEV ratio. Now, I think, unless they've read the recent excellent pieces of analysis you did on the blog.coinfi.com, people might not be aware of this cause this is actually a metric that you sort of found when you dove into the data looking at all these centralized exchanges. So, Alex, maybe you could talk a bit more about TVEV ratio and how that affects your perception of how exchange tokens should be valued?

Alex Svanevik: Yeah, absolutely. So, essentially, the TVEV ratio describes the token value divided by the exchange volume. So, that means you're looking at the actual market cap of an exchange token, for instance the Binance coin, and you divide that by the daily exchange volume for that exchange. So, again if we think back to sort of this conceptual model of volume, growth, and token model, you're kind of normalizing for the transaction volume, and you're isolating the growth and token model factors.

So, when we did this, we were a bit surprised to see that, for instance, Binance a very low TVEV ratio, right, which sort of says that the market either has mispriced it, it might be pricing it lower than what it should be. Or it seems to believe that there's lower projected growth for Binance. Or it doesn't find the token model to be very valuable, right? Those seem to be some kind of reasonable conclusions you could draw from that.

We found other exchange tokens that had a vastly higher TVEV ratio. I think the top of the list, when we look at the centralized exchanged tokens, was Lykke, which had, essentially, almost, I think, 150 times higher-

Jonney Liu: L, Y, K, K, E, right?

Alex Svanevik: Yeah. That's right.

Jonney Liu: Okay, I didn't know that that's how you pronounced it. I thought it was "likey" or something.

Alex Svanevik: Yeah. But not Lykke.

Jonney Liu: Well, what exchange is that actually? I actually don't know that exchange.

Alex Svanevik: It's interesting, it's actually a Swiss exchange. It's pretty small, a couple hundred thousand USD in volume per day. But the interesting thing about it is that it's 100 of those tokens give you one share of the actual corporation that own the exchange. So, it's actually not just the utility token-

Jonney Liu: So you actually have a little bit of ship in the company? That's actually very interesting.

Alex Svanevik: That's right. So, you could ... These are very different exchanges like Binance, and "Lykke" or "Lykke." But you kind of isolate a bit what the market believes about the utility of equity versus just a discount on the fees.

Jonney Liu: Do you ever by chance look at Bibox, or "bye box"?

Alex Svanevik: Yeah, I did look at that.

Jonney Liu: I think it's "bye box".

Alex Svanevik: Yeah. We need to check up on the pronunciation on these tokens.

Jonney Liu: There's so many coming up, and like you said, Binance is only one year old, actually barely one year old, right? Some of these are coming out two months, and they're in the top 10 of volumes. Anyway, back to, do you actually look at-

Nate Tsang: Do you quantify product ideal, do you have a database of the pronunciations of new coins?

Alex Svanevik: I like that, how coins are pronounced. Very good.

Jonney Liu: The reason I asked if you looked at Bibox is because-

Alex Svanevik: You're an investor.

Jonney Liu: No, I'm not an investor, no. Well, I looked ... Before this podcast, I just looked at a few of them, and Bibox, or "bye box" ... I'm gonna call it Bibox. They actually have an almost identical model as Binance, which was the decaying discount, starting at 50% and next year it goes to 25 and so forth.

Alex Svanevik: Yeah. I did actually look at that one, and it had a pretty similar TVEV ratio.

Jonney Liu: Okay, so actually a TVEV ratio seems to accurately bunk with some sort of good comparison for an apples to apples-

Alex Svanevik: Yeah, it might. We were looking at another, which I think we discussed as well, which was LATOKEN. Again, I'm not sure how to pronounce it, but let's say it's LATOKEN. And we didn't find their utility model or token model to be that attractive, right? I think, essentially, it was only giving you a discount if you traded against that particular token on their exchange. And in their case, we found that they had a much higher TVEV ratio than Binance, for instance. So, there are some peculiarities. Sometimes you also don't know exactly what utility token is, because you have to read up on many different documentation pieces all over the internet.

Wayne Lam: Right. I think one thing you also have to keep in mind is the overall vision of the exchange, because sometimes the exchange, they might not just be an exchange. Let's say Kyber Network, for example, for the TVEV ratio, we're assuming they're an exchange like everybody else. But they're trying to capture an even larger market share than that, right? Because they're not just doing an exchange, but they're trying to also become a payments process provider, right? So, in that case they have a bigger potential for capturing a larger market share.

Alex Svanevik: Yeah, that's a really good point. They have, basically, larger total addressable market, right?

Jonney Liu: But for Kyber, if I'm not mistaken their token isn't directly related to their exchange. Or how does it ... ?

Alex Svanevik: Yeah, I think probably have to look into their actual white paper, but I believe that their token utility model is basically connected to fees, right? So, that means, as the exchange is used more and more you actually have to spend and can't see their token, and in fact they burn the token, as well.

Jonney Liu: So, it's been like Gas?

Alex Svanevik: Yeah, that's one way you can compare it. Except you don't burn Gas, Gas goes to the miners, right? So, in this case you're actually burning it, which is reducing the supply, and if everything else stays the same, that means that price, in theory, should go up.

Jonney Liu: That's true. I just wanted to ask, because there's so many different exchange tokens, and like I just said Binance and Bibox have similar models. But I mean, are there are similarities when you're looking at them that they have similar features, or are they all over the place?

Alex Svanevik: There's a lot of similarities. That's a good question. So, I think what we have seen as kind of common areas where they create utility is, one is discount, right? You get a discount on transaction fees. The second one is that there's a fee sharing model. This is what KuCoin shares does. Basically, the fees are collected, they're actually given back out again to the token holders. And I think it's fair to say that this is a lot like dividends, that if you think about stocks. Although, maybe we shouldn't say that because that would classify them as a security token, I would imagine.

Wayne Lam: So company rights.

Alex Svanevik: So, no comment. But conceptually, they are similar to dividends. Then there's also voting that some of these exchanges have, meaning you can vote for next token to be listed, and you get a set a of votes proportionally to the tokens to hold, or you kind of stake your tokens to vote. And then there are a couple of other things, but those are the three most important ones, I would say. Equity is not common for various, different reasons. Mostly it's about the actual usage of the exchange some way or another.

Jonney Liu: So, I'll go back to dividend. We can call it interest, if you wanna put it that way.

Alex Svanevik: Yeah. Wayne, that's it. Actually, you've looked a bit at the interest right? Or at least the kind of implied dividends you get from say holding KuCoin shares and something.

Wayne Lam: Yeah, yeah. And for a lot of these profit sharing models, it's actually a lot easier to give a direct value to these exchanges. Because let's say KuCoin, for example, we can kind of derive what dividends you're gonna get on a daily basis by using their daily trading volume and multiplying it by how much percentage of the trading fees are they gonna give back to all the KuCoin holders, right? So, in that case, we can kind of derive what the percentage of the dividends is, and we can compare it to other coins that might give a dividend, or if they have a staking model, we can kind of assess.

So, for example, we have NEO, which gives GAS. On average, I would say they have around a 4% annual dividend. We can kind of compare that with KuCoin, where KuCoin has a higher risk level, I would say, than NEO, for a variety of reasons. But since they have a bigger market cap, we can pretty easily say that they have a lower risk compared to KuCoin. So, in that case, KuCoin should have, taking into account their risk levels, KuCoin should have a slightly higher dividend percentage in proportion to their token price.

Alex Svanevik: At least for the exchange tokens that have this model, that could be a way to start valuing it as an asset, right?

Wayne Lam: Right.

Alex Svanevik: And you've also tried to quantify based on the discount model. How can you price that distinction.

Nate Tsang: So, Jonney, you recently wrote a piece looking at Binance's BNB token and its utility model. Can you talk a bit more about that piece and what you found when you tried to build a model to evaluate BNB token?

Jonney Liu: Yeah, so the main utility for BNB, and they did it such that they could drive people onto their platform or onto exchange, was that they have a transaction fee discount. So, it's based on the age of BNB, the token. So, in the first year, which is almost up, you get 50% of discount on your trading fees, which you paid BNB, and then the second year it goes to 25, the third year it goes to 12.5, the fourth 6.75, and by the fifth year it actually goes to zero. So, we can actually value that portion of the utility by looking at it as a series of cash flows and adding it up. So, from there, we see that a lot of BNB holders actually are projecting some growth and likely probably some future additional utility that Binance needs to do in order to sustain its value. So, actually my one suggestion was that I think they should keep this discount in perpetuity, because it would really, really drive the pricing and continue adoption of their exchange.

Nate Tsang: Yeah, it's interesting when you read your piece, because if you actually look at it, with the current existing utility models, Binance's token eventually will have very limited utility compared to, say, right now in the first year, so.

Jonney Liu: Yeah, I think they're banking on the fact that people will continue to use BNB as a pair to trade other things. I mean, you go on Binance exchange, you can actually use BNB to buy other lucrative currencies, right? So, that in itself has value. If people even believe that this is an exchange form of currency, then that inherently has value on top of the other things that it provides. And last month, they recently doubled their referral bonus for people who hold, I believe it's 500 BNB tokens. So, it also shows that, in the future, BNB is thinking about adding additional features. And I think it's also to really compete with a lot of other exchange tokens that have come out or are coming out.

So, Huobi recently came and they have a bunch of different utilities in there. And I think Binance is thinking, maybe in the long run, they also need to do the same.

Alex Svanevik: I think, also, we can kind of generalize that concept. And I think we're gonna see a lot more of this in the months and years to come, where basically the teams behind many of these tokens are gonna be trying to add utility to their own token, right? That's kind of the game after you managed to get listed on the exchanges and so on. You basically want to create utility for these tokens, and for every new utility that's added, that increases implicitly the value of the token at some point.

I find it quite interesting, as well, that's there's a company called Nexo, who have their own token and they're doing a overdraft service, they actually started taking BNB as one of the cryptos that they can basically take as collateral to give out loans. So, in some cases, it's not even the team behind the token that adds utility, but it can actually be other crypto companies or other projects that are adding utility to this.

Jonney Liu: Do you think Nexo owns a lot of BNB? Do you think that's verifiable? Because I mean, that would be awesome. I mean, that would be interesting, but that would be like a second derivative of adding feature and the quota to increase the value of BNB of your holdings.

Alex Svanevik: I don't think they're big enough yet that they actually bump up the price, right? But if many other companies do this, the sum of all these money ...

Jonney Liu: Yeah, I guess, also ultimately, we can value all these utilities and stuff, it comes down to mass adoption, right? So, in my piece, I actually suggest that they should continue discounts, cause it really help drive the mass adoption of their token, right? And one more thing I forgot to add is that I think a few months ago, Binance had the big announcement that they're heading towards a decentralized exchange, right? So, I think maybe the additional value on top of the current fee discounts they have is priced in on that, as well.

Alex Svanevik: Yeah, and I don't think it's ... It's not a coincidence that they make that announcement. They're pretty smart guys and if they looked at the numbers, you see that the decentralized exchange tokens are generally priced a lot higher than the centralized ones, right? When you factor in the transaction volume that these have.

Nate Tsang: Yeah, and it was actually a very interesting finding that you came across in your second piece about exchange tokens. Do you have any theories on why these decentralized exchanges are sort of valued so much higher than centralized exchanges with your TVEV ratio?

Alex Svanevik: That's a really good question. I think there are inherent benefits to decentralized exchanges. It's no longer a single point of failure, right? And also from a regulations perspective, it might be harder to control it, right? Security-wise, as well, it's probably harder to hack a decentralized exchange than it is to basically somehow break into the Binance headquarters. Hopefully they have better security than that being possible. But there are some inherent benefits to decentralized exchanges, although I do think all of blockchain space is kind of centered around decentralization, right? So, there's probably a little bit of hype in that, as well, I think, that just because it's decentralized means that it's automatically more valuable or something like that.

Wayne Lam: Yeah, I think a lot of people are expecting, down the road ... All the decentralized exchanges are gonna ... All the volume from the centralized exchanges are actually gonna go to these decentralized exchanges because also one of the key benefits of having the decentralized exchange is that, most of the time, the money stays in your wallet, right? So, there's a lot of security risks when it comes to centralized exchanges where you have to keep the funds in that exchange or else you can't trade it, right?

Alex Svanevik: Yeah, that's a really good point. I think that's one of the big benefits.

Nate Tsang: We talked a lot about the transaction fee discount model as a primary utility of these exchange tokens, and I think a lot of that is probably driven by the fact that the BNB token was so successful initially, and it lead to a lot of different exchanges sort of copying. After your study of all of these different token utility models, is there anything in your analysis that you think other exchanges might adopt? Any sort of early signs you've seen by diving into the data?

Alex Svanevik: Yeah, that's a really good question. I think it's too early to conclude, but I definitely think that these different exchanges will learn from each other when it comes to different token utility models, right? So, if, for instance, Binance looks at some other smaller exchange, and they see that they have like 10X TVEV ratio and they have a slightly different token utility model, maybe Binance can say "Well, let's just adopt this utility that this other exchange has," and thereby increase the value of their own token a lot.

I wouldn't say that I can give any kind of strong recommendations to these different exchanges at this point in time, because it's very early and it's hard to know what's correlation, what's causation, and so on. What I think will be really interesting is when we see an exchange actually change their utility model, or add utility, we can actually see how the price changes, right, based on that event. So, again, if we go back to what Jonney was talking about, it's going to be really interesting to see how the Binance price gets affected by the discounts dropping, right? Intuitively, the price should also drop, right? Unless they add some kind of other utility to account for it.

Wayne Lam: Right, and when they add additional utilities, which ideally is gonna cause a price increase on the token price, one thing that's gonna happen is there's gonna be an amplifying effect, where Binance already has this existing utility, where 20% of its profits go towards burning tokens. So, when they add an extra utility to the token, and token price increase, because of their large holdings in Binance coins, it will actually cause them to have unrealized gains on those tokens from the appreciation from adding additional utility. And what effect that will have is the 20% token burn will essentially be a larger volume tokens being burnt as a result of those unrealized gains.

Alex Svanevik: Yeah, that's a very good point. And we haven't really discussed that so far, but this buyback mechanisms that many of these exchanges do, is almost like a way to give out dividends without giving dividends, right? Mathematically speaking, at least when you think about the supply and demand-

Jonney Liu: It's a big share of buy back.

Alex Svanevik: Yeah. Right, exactly. So, that dries up the demand for those tokens and then it actually just reduces the total supply.

Jonney Liu: I did notice one thing, when I was doing brief research on the exchange tokens. Some of them revenue buybacks, and some profit buybacks. Which ones work actually? Because there's so many and they're so hard to keep track of.

Alex Svanevik: Yeah. So, KuCoin shares, for instance, I believe has revenue shares. So, I don't think they have buybacks, but they give out the ... They share the fees that they get in. While for instance, Binance, has basically buy back based on the profits.

Jonney Liu: On the profit, right? So, it's like different.

Alex Svanevik: Yeah. That's right. So, one interesting aspect of these buybacks and fee sharing mechanisms that these exchanges have is that there's, as you were saying earlier as well, there's a difference between doing that based on net profit, and revenues. And with revenues, for these exchanges, it's quite easy to actually estimate how much revenues are getting in cause we know the volume.

Jonney Liu: That's actually really cool, because then you can actually see how fast these guys are growing.

Alex Svanevik: Exactly.

Jonney Liu: Yeah, because I heard Binance, I mean, these guys went from nothing and they're definitely a billion dollar company, on the conservative end. Yeah, I believe the last quarter, they burned like 50, 30, 40 million dollars, worth of Binance coins.

Alex Svanevik: So, they had ... I think it was Q1, they had profits of $200 million, and they basically taken 20% of those profits and buy back, and then burn, right, based on that.

Jonney Liu: Wow. A company with one year of existence have profited $200 million. That's quite insane if you think about it.

Alex Svanevik: They have higher profits than Deutsche Bank, actually.

Jonney Liu: Wow, Deutsche Bank is ... That's an interesting comparison, but Deutsche Bank is also going down the drain, so ...

Nate Tsang: Yeah, actually I read a study that said Binance is the fastest growing unit coin in history to actually be profitable. So, going from nothing to a profitable unit coin as the fastest history is.

Jonney Liu: Well, you can also see that's why all these other exchanges are copying and issuing their own tokens. They're trying to find creative ways, because Binance's model is very simple. But I mean, I looked at other exchanges with their tokens. I mean, they're trying to a lot of different things, add a lot of extra features, because I think they're trying to take market share away from them.

Nate Tsang: I guess another question is, is it actually the Binance token utility model that was so attractive, or was it actually just their marketing, right? I mean, it had a great referral program. They did a good job of aggressively adding pairs and having a good UI.

Wayne Lam: Yeah, I think the execution is a really big thing in that they really delivered a solid product that really stood out compared to all the current exchanges that were out there at that point in time.

Another big thing that I think a lot of people kind of oversee is that there's also a timing portion, a timing aspect of running a business and being successful, in that when they first started their business, it was kind of like that golden period for crypto where crypto was experiencing huge growth. And Binance was there right at that time to take action and out differentiate their competitors. So, I think timing was actually a really big aspect of why they were so successful.

Alex Svanevik: Yeah, I fully agree with that. I think the success of Binance is not due to one single thing. It's many different things: timing, execution, marketing. The token model might be a part, right? But it's all over a very solid team. They also have a very large amount of cryptos, and they grew that very fast when compared to many other exchanges. So, they just have a very large inventory of different assets to trade. That was definitely one of the key things they focused on early on.

Nate Tsang: Thanks for joining us, guys, and having taken this time to talk about why exchange tokens are so interesting. Maybe you guys can just summarize in just a few short sentences where you think the future of exchange tokens are, and where this whole exchange token model is going?

Alex Svanevik: Yeah, I think we're gonna see more exchange tokens. I'm not saying all exchanges will issue them, but I do think that it's an interesting model for exchanges to raise capital. So, I think we're gonna see more exchange tokens we're gonna see a lot of innovation in the token model space for exchange tokens.

Jonney Liu: Yeah, I definitely think, initially, we'll probably see more and more exchange issue tokens, like Huobi did theirs like three months ago, I think. And then I think OKEx have a OKB token, so you're gonna see more. But in reality, there's gonna be only a few exchanges that dominate. So, in the very, very long run, we'll only see certain exchange tokens will rise and fall according to exchanges themselves, as well.

Wayne Lam: Right. And adding onto that, I think as more exchanges fall, I think there is gonna be a stricter evaluation to having exchange tokens because there's very high barriers to entry when it comes to starting an exchange. And for investors, that's a very high risk, right? And I think, as time goes on, there's actually gonna be tougher evaluations for exchange tokens in general.

Nate Tsang: Great. That's a great place to end it. Thanks again for joining us, guys. And for the listeners, I hope you enjoyed the conversation, and you'll join us next time for our next podcast episode.

Thanks for listening, everyone. We hope you got something out of this conversation looking at the utility models behind exchange tokens. For links to articles discussed in this episode, go to blog.coinfi.com, and look for episode four of the CoinFi podcast. We'll have those links available in the show notes. Thanks to Alex, Jonney, and Wayne for taking time out of their busy day to share their thoughts. We'll catch you guys next time on the CoinFi Podcast.