



# FDC RESEARCH

## GUIDE TO START YOUR OWN [CRYPTO EXCHANGE](#)

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### **THE MOST IMPORTANT FACTOR TO CREATE A SUCCESSFUL [CRYPTO EXCHANGE](#) IS YOUR TEAM, FOLLOWED BY A FEW EASY STEPS!**

Starting a business is a complex and difficult process. However, once you have a successful venture - the pride, joy, and sense of accomplishment is like nothing else. Creating your [crypto exchange](#) is both exciting and challenging given the nature of cryptocurrencies and the hesitation around its mass acceptance and changing regulations. The uncertainty creates tremendous opportunities for entrepreneurs who are ready, willing, and able to put in the work.

We believe the next big crypto entrepreneur will create the most trusted, liquid, secured, and technically advanced [crypto exchange](#) to meet the need of this market opportunity.

#### **I. Select your [jurisdiction](#) of operation and apply for proper exchange license.**

The primary task in building an exchange is to identify and select your [jurisdiction](#) of operation. The country and regulations of your business of operations not only affects your cost of doing business but also provides prestige and legal framework for you, customers, and other stakeholders. For example, if you want to target US customers, you need a state-by-state money transmitter or money service business license in each state. Apply and negotiate for a proper business license in the [jurisdiction](#) from which you will operate.

Sophisticated regulated [jurisdictions](#) offer safety and stature for market participants, however, they are expensive to operate. If you have the budget and time then the Cayman Islands and Switzerland are the well-regulated [jurisdictions](#) to run a fully compliant cryptocurrency exchange requiring exchanges to adhere to comprehensive AML/KYC systems. Other favorable offshore [jurisdictions](#) include: [the Bahamas](#), Belize, Belarus, Malta, Gibraltar, Mexico, Liechtenstein, Estonia, Lithuania, and Luxembourg.

The other important thing to consider for selecting your [jurisdiction](#) is business friendly banking laws and statutes that support currency exchange and flow of funds.

#### **II. Establish corporate banking for operations and to receive the client's funds.**

To get the most value from a bank, you need to investigate the services different banks offer in your selected [jurisdiction](#) – bank fees, bill [payment](#), credit card processing, merchant services, mobile/online services, 24/7 customer support, fraud detection, and other corporate services. After selecting a bank for your [crypto exchange](#) business, make an effort to build an ongoing relationship with a banker who understands your business and can forecast the types of banking services you'll need moving forward.

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It would be best if you did proper due diligence to find a bank which has favorable policies to enable you to open a correspondent account to receive client funds and convert FIAT to and from crypto.

#### III. Hire and engage your core team.

It is extremely important to have a core team engaged and committed with right equity and compensation incentives. The team should cover and fulfill following responsibilities – Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Technology Officer (CTO), Chief Operating Officer (COO), and the Chief Compliance Officer (CCO). Often during the start-up one person can perform more than one role. However, we recommend that CCO be independent of any other position to avoid any conflict of interest. Make sure you have proper legal advice for employment and other stock or bonus agreements for your C-level team.

#### IV. Funding is a major factor for developing a world-class [crypto exchange](#).

If you want to do everything on your own – meaning build your native systems with a sizeable team of programmers, developers, and designers. Then this will require a lot more time, money, and effort. However, if you are buying turnkey solutions (software, technical support, compliance), and proven off the shelf solutions then you need to budget at least \$500,000 as start-up capital.

#### V. Hire support staff and other key personnel.

After necessary funding, you need to hire staff with a focus on operations, technology, customer support, and compliance.

#### VI. Identify and purchase Cryptocurrency Exchange Infrastructure/ Platform/ Software from a trusted technology provider.

Currently, there are a limited number of proven cryptocurrency exchange platform software available. As a result, the cost of licensing fees is high. Such licensing fees include a one-time fee ranging between \$100,000 to \$300,000 and a monthly maintenance fee, which could range between \$5,000 to \$10,000.

A comprehensive [platform solution](#) offers the following capabilities – trading platform (spot/futures/OTC), charting and analytics tools, multi-language support, cloud/traditional hardware support, technical support, matching engine, cold/hot wallets, global compliance, token issuing capabilities, back office, CRM, dealing desk, and other risk management systems. Make sure you have proper legal advice before signing the licensing agreement with [crypto exchange](#) platform provider. You need to make sure that your exchange technology infrastructure is extremely secure by utilizing offline cold storage wallets, two-factor authentication and encrypted databases.

Initially, we recommend you support the most liquid cryptocurrencies and fiat/crypto in the market. Please ensure that cryptocurrencies on your platform are currencies or utility tokens. Avoid supporting any tokens/crypto that may qualify as a security/derivative in the jurisdiction you are operating.

#### VII. Increase your [liquidity](#) by connecting to other major exchanges.

The foundation of any successful exchange is [liquidity](#). Exchanges need to ensure that there are no or minimum slippage and delays in fulfilling trading orders. All start-up exchanges need an order book and trading activity for potential customers to trade cryptocurrencies. As you increase the number of market participants with different trading size, style, and strategies, you will enhance the [liquidity](#) of your exchange.

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#### VIII. Get your compliance systems ready.

Please ensure your compliance team has implemented proper checks and balances and have stress tested your disaster recovery plan. Compliance department to ensure training of all relevant personnel on KYC and AML procedures and systems. Further, Compliance shall implement a proper ongoing training program on ethics, KYC, and AML.

#### IX. Set up your [payment processing](#).

For the flow of funds that do not require wire transfers, you need to set up a prepaid card, debit card, or another card system to ensure clients can seamlessly withdraw money out of the exchange. Please evaluate fee structures and avoid hidden fees when selecting your [payment](#) processing partner as this cost will add up. You will need the lowest transaction rate to be competitive with other exchanges. Other key factors to consider are settlement time and compliance with PCI DSS, to ensure the set of best practices for comprehensive cybersecurity.

#### X. Remove all bugs and glitches via beta testing.

To test the full range of capabilities of your exchange, you need to go live in beta mode. You need to measure and compare the quality, performance, stability, security and reliability of your exchange.

#### XI. Start your branding, marketing, PR and advertising campaign.

To promote any product or service, you will need a carefully planned omnichannel marketing campaign. Such strategies will include direct messaging via an email campaign, however, a better solution is to collect targeted mobile numbers of potential users and send marketing texts directly to them. An effective social media strategy can help you build an engaged audience around your [crypto exchange](#). Initiate your campaign by creating dedicated pages for your exchange on Facebook, Google Plus, and other social networking sites. Encourage people to join/follow your pages to stay updated with the ongoing news and updates about your offering. Use online press release dissemination websites, including some dedicated to cryptocurrency PR agencies. Promote your exchange on several online cryptocurrency communities.

Engage your campaign with Reddit and start sharing news and updates about your exchange on specific communities called subreddits. If budget permits, then use display campaign with paid advertising where you promote your exchange on other relevant sites. Also, affiliates can send traffic or visitors to your website in exchange for a commission. We highly recommend engaging a reputation management company in building and maintaining a constructive reputation of your exchange and are responsible for removing any negative publicity.

#### XII. Continue customer, technical, and ongoing compliance at the highest performance.

You should respond to your customers promptly. Your knowledgeable staff is available 24/7 to provide world class customer service. As a going concern, you need to maintain a fully engaged legal compliance team and follow all current laws and plan for all proposed laws and regulations not only in your jurisdiction but also in other jurisdictions where your customers reside.

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