

Digital Currency Exchange Software Platform



Vadim Telyatnikov
CEO

CEOCFO: Mr. Telyatnikov, what is the focus at AlphaPoint?

Mr. Telyatnikov: We offer a software platform that powers digital currency exchanges. Anybody that wants to help people buy and sell digital currency such as Bitcoin or any other digital currency can use our software to power their backend. We currently have eighteen exchange clients in fifteen different countries using the technology, including some of the largest digital currency exchanges in the world such as Bitfinex, Cointrader.net and Mexbt. In aggregate, we power nearly one third of all the transactions between Bitcoin and dollars.

CEOCFO: What is the status of the Bitcoin industry?

Mr. Telyatnikov: It is growing steadily although 2014 was not nearly as explosive as 2013 when Bitcoin reached \$1,200 and received a lot of attention. Although the price has been declining there has been steady investment from Venture Capital firms and other investors into different companies including ours. We announced that in September we raised nearly \$1.5 million. The amount of investment into Bitcoin startups this year has exceeded the amount of investment into internet startups in 1995, and that was the year when companies such as Yahoo, Amazon and Ebay were just getting started. Even though the growth of Bitcoin has been slower and the price has declined, I think there has been a lot of progress.

CEOCFO: What do you understand about the process that results superior software?

Mr. Telyatnikov: We have an awesome team. Two of the founders, Joe Ventura and Jack Sallen, have had over fifteen years of experience each in the financial industry. Joe has spent most of his career building institutional software for Wall Street banks; his software has been used by UBS, Merrill Lynch and is currently being used by Deutsche Bank. His experience focused on high frequency trading and risk management. Jack Sallen also has a similar history but focuses on trading platforms for commodities and he was one of the first people to do automated arbitrage on the CME. He has been working on trading systems ever since. They got together and built an enterprise grade platform that is good enough for Wall Street to use. Early on, they realized that the technology of the existing exchange is not ready for institutions. They predicted that those exchanges would have a lot of problems scaling and that they were not developed in a way that is easy for banks to integrate with. The platform they built addresses all of those issues. As a result, the larger exchanges are choosing our platform because of the enterprise functionality they have built. Our platform can process nearly a million transactions a second, which is powerful enough to power traditional exchanges let alone digital currency exchanges, and we support all of the protocols and APIs, such as FIX and FAST, that hedge funds on Wall Street are used to. .

CEOCFO: What is the key to keeping up with the regulatory issues?

Mr. Telyatnikov: It is challenging because we have a global platform and there is a lot of fragmentation from country to country about what Bitcoin is and how it is regulated. A lot of companies are still trying to figure out what their plans for regulation is going to be including what countries they will and will not operate in. Although we pay close attention to what is going on with respect to regulation, ultimately our operators are the ones that bear the regulatory responsibility in the jurisdiction they operate in. When possible, we try to build features into the platform to help the exchanges comply with regulatory requirements. This includes reporting and monitoring tools so they can comply with suspicious activity filings. We also integrate with a number of know your customer (KYC) vendors to reduce the burden of onboarding new customers. There is still a lot of uncertainty since most governments are still trying to decide how they plan to regulate digital currency. Our hope, especially with respect to the US and the state level regulations is that they are not overly burdensome to the point that it becomes difficult for digital currency startups to grow and innovate.

CEOCFO: You mentioned the states, is that because the states have their own rules?

Mr. Telyatnikov: Each state has their own rules for money transmission. Fincen has issued guidance that if you operate an exchange that lets people buy and sell digital currency, converting dollars to digital currency, then you need to register with a money transmitter. This is a federal ruling but each state typically issues their own licenses for money transmissions. Therefore, an exchange in the US not only needs to register federally but needs to go from state to state to

state and register as well, which is very expensive and tedious. Every state has slightly different rules which makes the process of being compliant in the US very expensive, especially for a startup.

CEOCFO: *What is involved in implementation of your system?*

Mr. Telyatnikov: It is relatively simple. Our goal is to help people launch exchanges quickly. A typical setup takes twenty days to get the exchange up and running. We need to know if there are any new vendor integrations necessary and the only thing that typically takes additional time is if the operator wants to develop their own website or user experience.

CEOCFO: *Do many companies choose to create their own?*

Mr. Telyatnikov: It is common. About half of our exchanges create their own design on top of our templates and the other half uses our templates with only minor customization.

“AlphaPoint is a leader in the digital currency space, powering 18 exchanges in 15 different countries. As traditional financial institutions get ready to embrace digital currencies as the next innovation in finance, we will be ready to help them.” - Vadim Telyatnikov

CEOCFO: *How does the Exchange Remarketer work?*

Mr. Telyatnikov: The goal is to help provide liquidity to the exchanges. One of the biggest problems when you are launching a new exchange is liquidity. For example, Mexbt is an exchange that we provide our platform for and they are based out of Mexico. They focus on Latin America so when they start and turn on their exchange and the buyer comes and wants to buy a bitcoin, the biggest challenge is they might not have it to sell. The remarketer interconnects all the exchanges to each other so they can find a willing seller. When a buyer comes to Mexbt and wants to buy a bitcoin they can be matched to a seller or exchange in Norway or Canada or anyone in the world that is willing to sell them that bitcoin.

CEOCFO: *What is the competitive landscape for AlphaPoint and are there many companies in your space?*

Mr. Telyatnikov: Our biggest competition is an exchange wanting to build out their own software. Although some startups do choose to go down this path, it could be very expensive and time consuming. It could take up to a year to develop a system and it is hard to get technology systems like these to scale. Even if you are able to build a sufficient enough system to launch an exchange, you will typically run into a lot of scaling challenges as your number of trades running through the system start to grow.

CEOCFO: *What has changed over time that makes the offering better and stronger today?*

Mr. Telyatnikov: We have been constantly improving features in the remarketer and liquidity parts of the platform. From customer feedback we realized that helping them launch an exchange is not enough; they need liquidity to be successful and grow so it's become a very important part of our offering. We are also much better capitalized because of the funding. Our company for the first year just bootstrapped. We now have funds to accelerate growth by increasing the tech team and improving our marketing efforts in order to make sure everybody that is looking for an exchange platform knows who we are.

CEOCFO: *What is the marketing strategy for the next year or so?*

Mr. Telyatnikov: We want to make sure we are easy to find by anyone looking for an exchange platform. That includes continuing to do interviews like this one, speaking at conferences and trying to put out quality content that people will find useful. We want to help educate customers. Even if someone is not necessarily in the market to buy an exchange we would love to have a conversation to help educate on them about the space and help them think about the opportunities and challenges that someone might face being a part of it.

CEOCFO: *Why pay attention to AlphaPoint?*

Mr. Telyatnikov: We have an awesome team that has built an enterprise platform ready for Wall Street. We are already powering nearly one third of all the USD to bitcoin transactions globally and are very confident about being able to help our customers grow and be prepared as Bitcoin and the digital currency industry explodes. AlphaPoint is a leader in the digital currency space, powering 18 exchanges in 15 different countries. As traditional financial institutions get ready to embrace digital currencies as the next innovation in finance, we will be ready to help them.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

Contact: Igor Telyatnikov 203.705.9633 igor@alphapoint.com