

The Aspiring WEB3 Gateway with "CZ" Changpeng Zhao, Founder & CEO, Binance - Day 1 - #FII6

(0:01 - 2:52)

We're moving on swiftly. I'm Nick Gowing, and what we're going to talk about for the next 10 minutes is cryptocurrencies. And we have with us Chengpeng Zhao.

Welcome, Chengpeng. I need to call you CZ, in fact, because that's the way you like to describe yourself as founder and chief executive of Binance. In five years, CZ has turned a young company into the world's largest crypto exchange, accounts for half the trading in the trillion dollar market.

Bloomberg Billionaire Index says you're the 30th richest person in the world. You may dispute that, but that's what they say. And you did write to your staff at one point saying you want to make your company larger than Google.

And that's what you wrote in an email. But what I'd like to ask you is about where you think the crypto market is going now, given the incredible space age kind of launch that you have done for your own company, Binance. Yeah, well, thanks for having me here.

And I think crypto market is still growing. There's still more innovations happening. There's still more developers.

There's still more people come in. The price, short term, will go through fluctuations. So if you look at the price today, tomorrow, there will be fluctuations.

But fundamentally, crypto blockchain Web3 is a technology, is a new technology. And there are hundreds of millions of people in this industry now. There's no going backwards.

There's millions of people, millions of developers developing this technology. So it's just going to continue to evolve. 20 years from now, where do you think you'll be? Where do you think crypto will be? Will we still be talking about it in this way? No, I think 20 years from now, we will not be talking about crypto.

Today, we don't talk about the internet per se. 20 years ago, we talked about the internet, TCP, IP, HTML. Today, we don't talk about that.

Today, we're just, I'm going to send you a message. I just IM you, or we're going to do a voice call or video call. So we'll be talking about what we would interact with.

And 20 years from now, people from one country will be saying, I'm going to send you \$20 to a different country. You'll be receiving payments globally. You'll be making micropayments.

You'll be paying \$0.10 to read an article that was written by somebody in a different world, a different world away. So we will be doing all of those things. But we will not be talking about crypto per se.

What kind of timeline should we be talking about this, Yizi? Could it be 20 years, or maybe even five, six, four, three years? Yeah, it's very hard to say. But today, global fundraising using cryptocurrencies is already a killer app. Entrepreneurs can raise \$10, \$20 million in a matter of weeks or days.

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You can't do this with traditional VCs or fiat currencies. Ukraine, when they ask for donations, they ask for it in crypto. Because if they ask for bank deposits, it's going to take a while.

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So we're already seeing some of the use cases. But I think for crypto to be fully mainstream, replacing that we don't talk about crypto, we're just thinking of that's the way that we transact and do business, that's probably going to take five, 10, 15 years or so, depending on which aspect we're looking at. We wouldn't be talking with Binance were it not for the, not least, the problems or the challenges of regulators.

There is a sense that your success in five years is because you are well ahead of the regulators. You are having to second guess what they might do one day in the future, but getting away with enjoying the fact that regulators haven't caught up yet. I think innovation is always going to be ahead of the regulations, because regulators don't dream up of future industries, put regulations first, and then wait for the industry to develop.

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That just doesn't work. Whereas you wait for entrepreneurs to create demand and to build apps that people use, and then there are scammers, there are other bad players in the industry, and we need some regulations to control those bad aspects. So regulations will always follow.

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So that's just how the world works and there's nothing wrong with that. But many are amazed by your success. Is it actually because you duck and dive very successfully with the regulators, particularly in the US and the UK? That's a totally wrong view on many, many different levels.

(4:29 - 6:45)

Number one, you become successful not because you dodge regulators or dodge anybody. You become successful by providing a product people like to use, and you become successful by protecting consumers, protecting your users. So this is why Binance have a very loyal following in our user base.

So that's number one. Number two is we actually embrace regulation. We want regulatory clarity.

So we work with governments all over the world to enhance or to adopt regulations or to draft regulatory frameworks for our industry. So we work very collaboratively with multiple governments, including the United States. We have a Binance US entity that specifically serves US markets that has 44 US state licenses.

So we're not avoiding regulation at all. So yeah, both of those claims are misconceptions that are just out there. But what do you say, and there's been recent reporting that you try and keep the regulators at arm's length so you can actually profit, and there's continuing disarray, for example, in your compliance programs.

We have the best compliance program in the world, including probably among banks. We hired the former US Attorney General of Southern California. We hired the guy who put Silk Road behind bars from a federal agent that works for the IRS.

We hired Matt Price. So we hired some of the best compliance people in the world on our teams. So I think that's a misconception that if we look back five, ten years ago, there was not a lot of compliance programs in crypto because we wasn't sure what crypto was.

There was no classification of whether crypto is money or commodities or securities, etc. And crypto back then wasn't looked at by regulators. Today we are the most scrutinized organization in the world by regulators.

You're aware that there are those who question your money laundering checks and so on. Is that something which you're saying is now for the past? Yes. I also think that's a big misconception as well.

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Today, percentage-wise, there are much fewer illicit activities transacting through crypto because crypto is transparent. It's a permanent public ledger. So every transaction is recorded on a blockchain, and the blockchain analysis softwares are very, very sophisticated now.

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So percentage-wise, only 0.15% of transactions in crypto in 2021 was marked as illicit, whereas the United Nations marked 2-5% of the traditional financial transactions as

related to money laundering. So percentage-wise, it's 30x smaller. And the total market cap of crypto is one trillion.

The total market cap of fiat is a couple hundred trillion. So the amount of illicit transactions in crypto is very, very small. And the amount that happens on Binance.com is even smaller.

So that's a misconception of people who don't really understand our industry, don't look at the numbers. If you look at numbers, the numbers speak for themselves. How would you describe the coexistence with regulators, say, in two, three, four years' time, given the speed at which what you're doing is moving? So I think we will always coexist with regulators.

And we are helping the regulators to learn this industry, to come up with different ways to regulate this industry. Having said that, I think we've got to be careful to regulate this industry in a healthy way. There are countries that regulate by saying this entire industry is banned.

That's not good regulation. That hurts innovation. And that just drives all the activity, all the innovation to other countries.

There are other regulators who just don't make any clarifications. Then all kinds of wild things happen. So we need to find a balance where we have enough disclosure, have enough rules in place.

But at the same time, we protect the consumers, but also at the same time encourage innovation. So we've just got to find that balance. If we just want to regulate everything by stopping everything, that's easy.

If we don't want to regulate anything, just let all the scammers go crazy, that's also easy. Finding the balance is hard. Now, one of the fascinating things is the culture in Binance.

And you issued a 6,000-word memo not so long ago. Within the last few days, it's been reported. Tell us about the culture that you want to create.

For example, don't try to motivate people who aren't self-motivated. What about the culture and how you get the best out of people, shuffling teams frequently, for example? So I think, look, we're in a very dynamic environment. We're in a very dynamic world.

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And we just want very highly motivated people. And the way to motivate people is not by me telling them to do something, me doing a great speech. They got to want to work for this industry.

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And luckily, today, we are able to find those people. There's a lot of those people that's coming from either traditional financial industries or tech industries. And we have so many people who believe in crypto.

They understand it. They understand this is a future technology for money that offers a much higher degree of freedom, higher security, lower fees, and more use cases than the money we have today. So they understand that by developing this technology, we can help economies.

We are helping hundreds of millions of people today. We will be helping billions of people tomorrow to make their lives better. And this is a very meaningful mission for people to work on.

And luckily, we have more than 7,000 of those guys working in Binance today. And so I don't try to motivate people. That's not my strength.

But when people are motivated and they join Binance, we try to find the right roles for them. Eventually, they will find the right role for them to excel. So this is why Binance is successful, I think.

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One of them is don't focus on titles. It's a red flag. In other words, don't let people worry about the title they have in the office.

Why is that? We're in a young industry where people are doing so many different things, right? So we have a team in Saudi. And it's a small team. They wear so many multiple hats.

If one guy is so fixated on, like, my title is the chief whatever officer, then he's very narrow. We have a small team here. And the team changes all the time.

We have new challenges. We have DeFi coming. We have wallets.

We have many different things. So we try to find people who just get the work done instead of focusing on titles. In our last minute, let me just ask you about the following, about concerns about security and the ownership of data as we enter W3.

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So yeah, security is very, very basic. And I can tell you that we're the most hacked, we're the most targeted target by hackers worldwide. So without security, we're dealing with information or we're dealing with money.

If you think Google, Facebook, internet deals with information, we deal with money directly. So security is paramount. And information security and also privacy is super

important.

And we're also a global platform. We have situations where we may have regulators in one country wanting to access our user information of a different country. We'll always say no.

But whereas we have to be supportive of certain law enforcement requests, if a law enforcement case spans multiple countries, we have to be supportive of that. So there's some really tricky areas that we have to learn together with regulators and law enforcement agencies. So far today, I think we have held a very healthy balance and also a very collaborative relationship with all the law enforcement agencies all around the world.

All right, CZ. Well, thank you very much indeed for joining us, President and Chief Executive of Finance. Thank you so much.

Thank you very much indeed.