2021 Q1 CCFOX Perpetual Contract Trading Data Analysis Report

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Overview

Similar to traditional financial markets, crypto asset markets also have obvious head effects. In 2020, Binance, Huobi and OKEx accounted for half of all futures trading volume in the market, and as of the first quarter of 2021, the three exchanges remain the leaders.

However, it cannot be ignored that the emergence and boom of a large number of medium-sized derivatives exchanges is gradually changing the market landscape. Compared with the giants, medium-sized exchange is more focused on building its own comparative advantages, especially on the competition in perpetual contract market or the main trading pairs (e.g. CCFOX), or expanding its business types of derivatives (e.g. Deribit), or providing more trading pairs to choose (e.g. MXC), which gradually developed into medium-sized derivatives exchanges with different characteristics in the market among which several even successfully broke through the medium size and became “new giants” in the perpetual contract market after years of development.

In this report, TokenInsight focuses on the trading situation of perpetual contracts in the whole market and the current representative medium-sized perpetual contract exchanges from five aspects: trading volume, transaction liquidity, funding rate, margin rate, and fees, and analyzes and evaluates comprehensively the performance of CCFOX through multiple dimensions.

Content

MARKET OVERVIEW

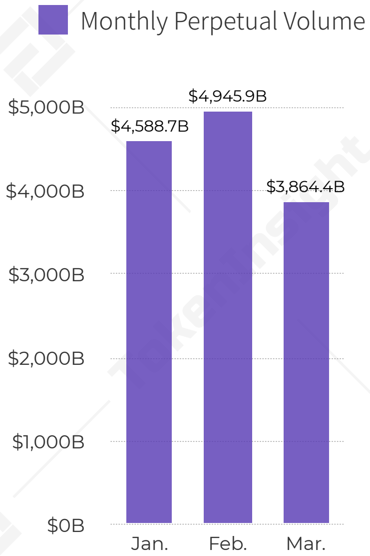
> " *The trading volume of perpetual contract in the first quarter of 2021 surpasses last year's full-year derivatives market volume, marking 'highlight moment'.*

Influenced by the continuing bull market in the fourth quarter of 2020, as of March 25, 2021, in the crypto asset derivatives market of 2021, the trading volume of 51 perpetual contract exchanges that TokenInsight tracked has reached $13.4 trillion, which has already surpassed the sum of trading volume of last year's full-year derivatives ($12.314 trillion), and the absolute mainstream position of perpetual contract in the derivatives market is still difficult to shake.

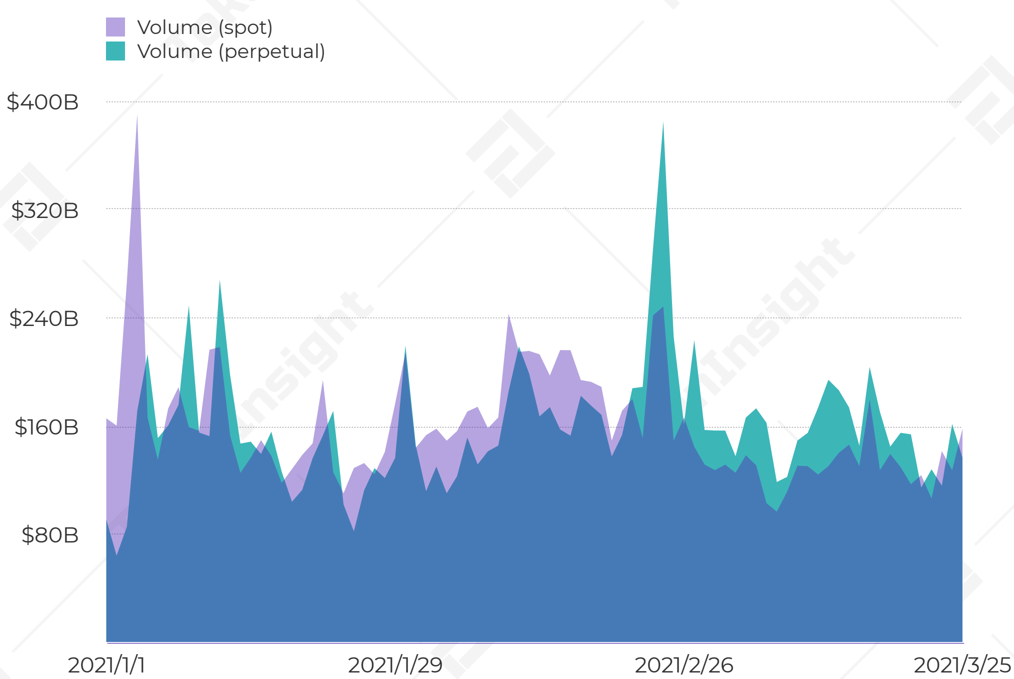
In terms of monthly trading volume, the market cooled off in March after a string of trading volumes records of more than $4 trillion in January and February, while it still kept much higher activeness than a year ago.

At the same time, the gap between perpetual contract volume and spot volume reversed in the first quarter, driven by investors' demand for leverage and their speculativeness in the bull market. Perpetual contract accounted for 89.4% of spot volumes in January, but as of March 25, the former in crypto asset market has reached 1.19 times of spot volumes in March.

‣ Monthly Perpetual Contract Volume in Derivatives Market in 2021
Source: TokenInsight



‣ Spot and Perpetual Contract Volume in Crypto Asset Market in 2021 Q1
Source: TokenInsight, as of March 25, 2021



COMPARISON OF PERPETUAL CONTRACT EXCHANGES

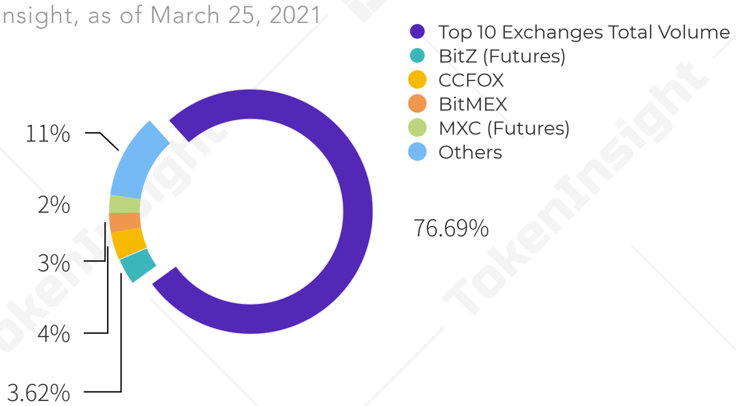
> *"Perpetual contract market is close to perfect competition market, medium-sized exchanges have the potential to break through*

In 2021, compared with 2020, the rise of many medium-sized exchanges (those with quarterly trading volume of $100 billion to $500 billion) has broken the monopoly of large exchanges in the perpetual contract market. The top three (Binance Futures, Huobi Futures and Bybit) accounted for 45.81% in 2021 Q1, while the top 10 exchanges accounted for 76.69%, and the remaining small and medium-sized exchanges and decentralized exchanges also accounted for about a quarter of the market share.

It is worth noting that among the top three perpetual contract exchanges in 2021 Q1, Bybit developed from a medium-sized exchange, while Bitget, FTX, etc. with their quarterly trading volume all exceeding $500 billion, have already been qualified to become large exchanges. Considering the rapid development of the derivatives market, CCFOX, BitZ, MXC and other closely followed medium-sized exchanges have the foreseeable potential to break through in the future.

Perpetual Contract Volume in Terms of Exchanges in 2021 Q1

Source: TokenInsight, as of March 25, 2021

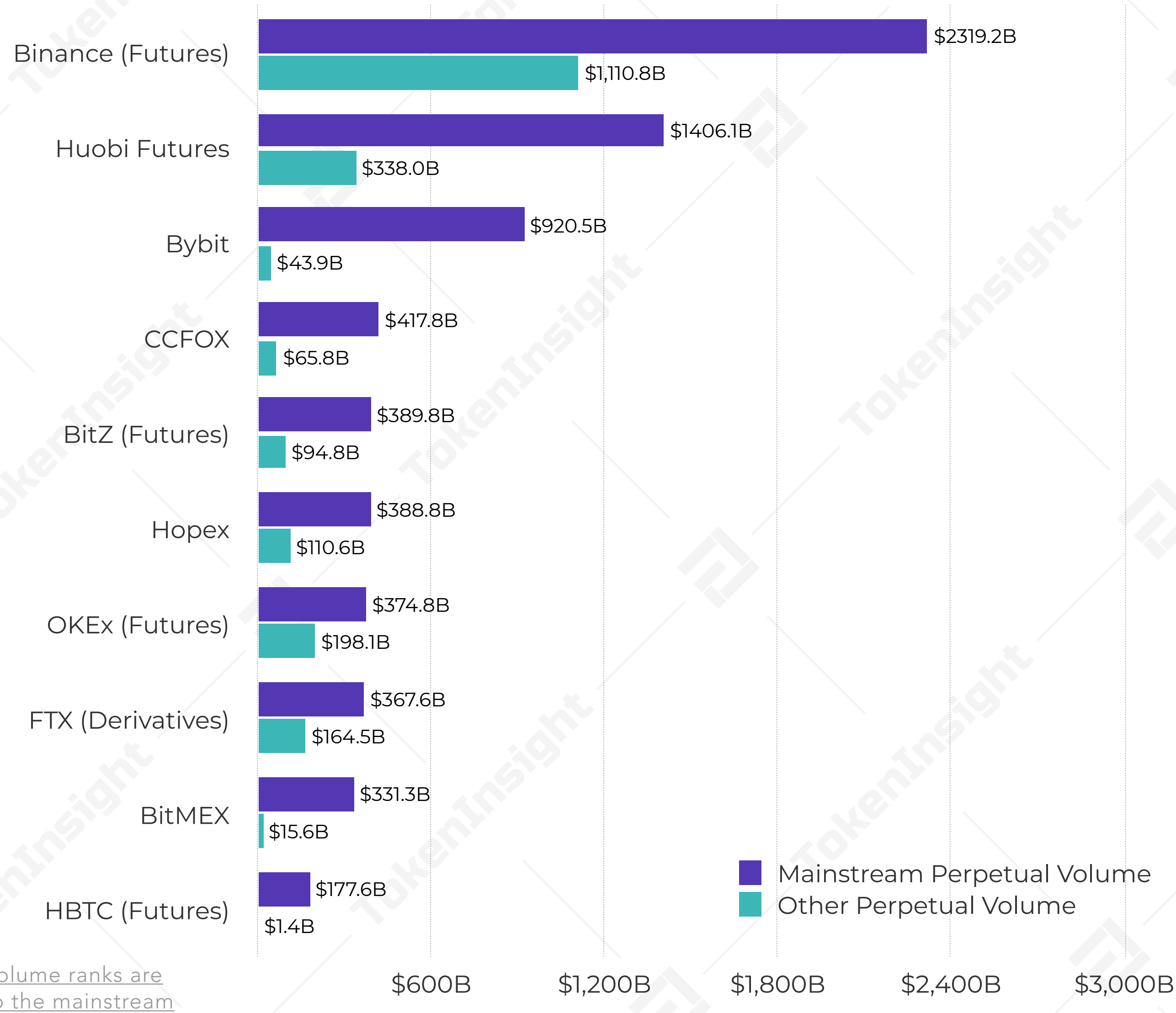


The strategies used by medium-sized derivatives exchanges to break through can be divided into three categories: focusing on main trading pairs (e.g. CCFOX), expanding derivatives lines (e.g. Deribit), and offering more trading pairs (e.g. MXC). In terms of mainstream crypto assets (BTC & ETH) trading, combined with the overall transaction performance, for medium-sized derivatives exchanges, it is relatively effective for the expansion by focusing on the mainstream trading pairs. The reason may be that although the mainstream crypto assets trading pairs are relatively mature with much experience for reference, for exchanges, no matter clearing, matchmaking, trading, and risk control, completing the mainstream currency contract trading is still a fundamental technology and ability. In relying on mainstream currency trading, on the basis of reputation with customers, expanding the scale of trade and carrying on other crypto asset contract is relatively easier.

Almost all of Bybit's trading volume comes from BTC and ETH related perpetual contract. After gaining enough market share of mainstream currency contract, the overall share of it also expands rapidly. In the first quarter of 2021, Bybit has occupied the third place in the total perpetual contract trading volume. CCFOX, which adopts a similar strategy, currently has more than 85% of the total trading volume in mainstream currency contract, reaching $417.8 billion. The trading volume in mainstream currency contract of it ranks fourth in the perpetual contract market in the first quarter of 2021, slightly exceeding BitZ, Hopex and other medium-sized exchanges with similar volume. Although there is still a gap between the overall trading volume of medium-sized exchanges and that of the top exchanges, considering Bybit's success, medium-sized exchanges such as CCFOX may have a lot of space to expand in the future.

Perpetual Contract Volume of Mainstream Crypto Asset Contract Exchanges in Q1

Source: TokenInsight, as of March 25, 2021



Note: The volume ranks are subjected to the mainstream crypto asset perpetual contract.

COMPARISON OF LIQUIDITY

> *"The liquidity of medium-sized exchanges is relatively general, and it increases obviously after the exchanges break through the medium size*

Liquidity refers to a measure of how quickly an individual can buy or sell a subject matter without suffering significant price losses. Due to the nature of contract of derivatives, liquidity is crucial for their investment and is one of the basic indicators to evaluate the level of exchanges. Traders are generally more likely to choose a derivatives exchange with good liquidity.

In this study, TokenInsight used the exchange's perpetual contract liquidity score to assess the liquidity levels of medium-sized exchanges such as CCFOX. Considering that in most exchanges, especially in medium-sized exchanges, the trading volume of derivatives is concentrated in BTC/USD, BTC/USDT, ETH/USD and ETH/USDT, the liquidity scores of the above trading pairs are selected as the evaluation element.

‣ BTC Perpetual Contract Liquidity Scores of Medium-Sized Exchanges in 2021 Q1

Source: TokenInsight, as of April 1, 2021

Note: In the current liquidity score calculation, CCFOX only access to BTC/USDT perpetual contract trading pair, so it only participates in the specific evaluation of this trading pair. In addition, some exchanges have not yet access to the liquidity scoring system or have incomplete access, and other exchanges of similar size can be referred to make a rough inference.

It is not difficult to find that in 2020 Q1, the liquidity scores of BTC-related perpetual contract of medium-sized exchanges such as CCFOX and BitZ are generally between 25 and 40, which is relatively low. However, **in terms of BTC/USDT, breaking through medium size has a significant effect on improving the liquidity score.** Bybit after breaking through, its liquidity score of BTC/USDT from 50-60 or so in 2020 Q4 (see 2020 Q4 Crypto Asset Market USDT Perpetual Contract Research Report), rose to the current 65-75 or so, nearing to the old-brand large exchanges like Binance, and the BTC/USDT perpetual trading volume of Bybit this quarter is $108.97 billion, less than CCFOX's $338.9 billion, while in BTC/USD, Bybit's trading volume is 18.4 times that of CCFOX.

In addition, BitZ, Hopex and other exchanges have a comparative advantage over Bybit in BTC/USDT perpetual trading volume, while the situation is similar in ETH. As for ETH/USDT, medium-sized exchanges such as CCFOX and BitZ have a comparative advantage in trading volume (exceeding Bybit by 2-4 times), while Bybit, after breaking through medium size, has a relatively high liquidity score, second only to Binance.

Note: In the current liquidity score calculation, CCFOX only access to BTC/USDT perpetual contract trading pair, so it only participates in the specific evaluation of this trading pair. In addition, some exchanges have not yet access to the liquidity scoring system or have incomplete access, and other exchanges of similar size can be referred to make a rough inference.

Combining with Bybit's development history of breaking through the constraints of medium size through its efforts in currency standard perpetual contract and relying on its comparative advantage, it is expected that CCFOX and other medium-sized exchanges, after breaking through in scale, benefiting from their comparative advantage in USDT perpetual contract, their liquidity scores will also be significantly improved.

ETH Perpetual Contract Liquidity Scores of Medium-Sized Exchanges in 2021 Q1

Source: TokenInsight, as of April 1, 2021

FUNDING RATE

" *Some medium-sized exchanges have certain advantages in funding rate, and in BTC/USDT, CCFOX's funding rate is relatively lower*

Funding rate is a periodic fee paid for long or short traders based on the difference between perpetual contract market price and spot price. There is no doubt that traders prefer lower funding rate, because higher funding rates raise trading costs and result in a loss of profit. **Funding rate is an important point of comparative advantage for medium-sized exchanges.**

Variable BTC/USDT Funding Rate of Main-Type Exchanges in 2021 Q1

Source: TokenInsight, as of April 1, 2021

Taking BTC/USDT as an example, it is not difficult to find that medium-sized exchanges like MXC have a greater advantage in terms of funding rate. For large exchanges such as Binance and Huobi, the funding rates stayed above 0.05% for most of Q1, while Bybit's exceeded 0.3% several times at its peak. In contrast, MXC, Hopex and other exchanges have maintained the funding rate below 0.03%, and other mainstream trading pairs are similar to BTC/USDT. As the original product of CCFOX, CCFOX's BTC/USDT funding rate remained unchanged at 0.01% for most of Q1, which was basically similar to the funding rate level of FTX and lower than others.

The comparative advantage of lower funding rate is conducive to attracting a user base that is more focused on profitability and transaction costs. It is important to build a fixed customer base, create additional comparative advantages, and ultimately feed back into volume performance. CCFOX achieved a better performance in the first quarter in the mainstream crypto asset perpetual contract trade, to which the low funding rate contributed much.

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FEE AND MARGIN RATE

"The platform coin is an excellent investment object and the ETF is an excellent investment instrument

The fees of perpetual contract in medium-sized exchanges are generally relatively low compared with the 0.1% fee in large exchanges. TokenInsight compared the fee and margin rate of three medium-sized exchanges of similar size and the result is shown in the table below.

Main Parameters of Contract Trade of Some Medium-Sized Exchanges in 2021

Source: TokenInsight, as of April 1, 2021

Exchange	Maintenance Margin Rate	Fee	Maximum Lever
CCFOX	0.5%	Maker 0.04%/Taker 0.06%/ delivery rate 0.05%	≤100x, subjected to contract
BitZ	0.5%~1%	Maker 0.03%/Taker 0.06%, PAXG contract 0.02%	≤100x, subjected to contract
Hopex	0.5%~49.5%	Maker 0.05%/Taker 0.05%/ forced liquidation rate 0.05%	20x/50x/100x, subjected to contract

It can be found that fees of medium-sized exchanges are generally maintained at about 0.05%, slightly lower than large exchanges like Binance, OKEX, etc, which has enough attraction on the part of users, especially the individual investors and small investors with smaller volume (in the large exchanges, individual investors/small investors tend to take on higher trading fees).

In addition, **some medium-sized exchanges have a relatively low maintenance margin rate. When the position sizing is appropriate (generally 500K-1000K USDT), the margin required by users to maintain their positions is relatively low**, which reduces the user's capital burden and improves the utilization of funds.

In the case of CCFOX, the BTC/USDT perpetual contract trades with a 0.5% maintenance margin rate and a maximum position limit of 600K USDT. In the case of a small position, the exchange has a maintenance margin rate similar to that of other large exchanges. However, when the nominal value of the position is higher than 500K USDT, the large exchanges have a maintenance margin rate of 1% or even higher. At this time, low margin rate of medium-sized exchanges has been a prominent advantage.

CONCLUSION

Compared with large exchanges, while medium-sized exchanges in such aspects as guest group size, liquidity score have no match for the giants, they keep their places in the derivatives market with fierce competition and fast upgrades, through their unique survival strategies and many kinds of comparative advantages. New giants are also emerging from these medium-sized exchanges.

Based on 2021 Q1 perpetual contract trade data, TokenInsight found that the **comparative advantages** of medium-sized exchanges in perpetual contract trade of mainstream currency are more effective for exchanges' development, including but not limited to:

- Lower fee rate;
- Lower maintenance margin rate;
- Lower funding rates;
- On this basis, the exchange has unique advantages, such as **the fixed low maintenance margin rate** of CCFOX.

Through comparative advantages, CCFOX, BitZ, Hopex and other medium-sized exchanges not only gained a certain scale of customer base and market share, but even went further to catch up with some of the giants in the aspect of perpetual contracts.

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