

Firi – The leading Nordic crypto exchange

We have selected Task 2, focusing on Firi as the company of choice.

The Norwegian cryptocurrency exchange platform Firi was founded in 2017 by fintech entrepreneurs Thuc Tuan Hoang and Øyvind Kvanes. The company was among the first to introduce cryptocurrency trading to the Norwegian market, providing a user-friendly and secure platform to invest in Bitcoin and Ethereum, and other digital assets. Since its launch, Firi quickly gained traction, now serving over 240,000 users across Norway, with recent expansions into Denmark and plans to enter the Swedish market (Firi, 2024).

Operating in the financial technology sector, specifically within the cryptocurrency exchange industry, Firi leverages blockchain technology to offer decentralized financial transactions. The platforms act as intermediaries between users who buy and sell cryptocurrency, just as traditional currencies are traded like NOK and USD. Firi's success can be attributed to its focus on regulatory compliance, education and security measures (Firi, n.d).

Challenges in the Early Norwegian Cryptocurrency Market

Public Perception: In 2017, most Norwegians had limited knowledge of cryptocurrencies, viewing them as complex and volatile. Few vendors accepted them, and educational resources about blockchain were scarce. This forced companies to not only build their platforms but also educate potential users, requiring time, effort, and funds that many startups lacked.

Regulatory Hurdles: Cryptocurrency exchanges initially operated without clear financial regulations. This placed entrepreneurs and investors in a legal gray zone, making it uncertain to operate the business. Additionally, concerns over money laundering and financial crimes led to some banks to deny crypto startups basic banking services. However, as the market grew, banks were eventually forced to take on more risk to compete for market share and even became investors in cryptocurrency exchanges.

Security Concerns: Security was a major challenge for both retail investors and companies operating within the crypto industry. Exchanges became prime targets for hackers and malicious actors. For companies with limited cybersecurity knowledge, a breach could be catastrophic, leading to stolen funds and damaged trust. Stronger security measures had to be the bedrock for such companies to exist, including features like two-factor authentication, encryption, and cold storage, making a higher barrier to entry for smaller firms.

Technical Analysis - How does Firi work?

Firi provides a streamlined process for depositing, investing, and withdrawing funds, making cryptocurrency trading accessible to Norwegian investors. Users can register through Vipps (with Vipps login integration) or the Firi mobile app. During registration, users undergo KYC verification to confirm compliance and ensure they are over 18 years old. Once logged in, they can deposit funds or transfer cryptocurrency to the exchange.

Deposits and Withdrawals

There are several ways to deposit money with Firi. The quickest and easiest method is through their integrated payment gateway, which supports options like Vipps, credit/debit cards, and Apple Pay. Another option is depositing via Open Banking providers such as Neonomics and Tink. These services use the PSD2 (Payment Services Directive 2) framework, allowing users to make direct payments from their bank accounts with faster transaction confirmations. Lastly, you can also make a manual deposit, though this is the slowest option. Users can also deposit cryptocurrency directly to the exchange, which is the fastest method, as it relies on blockchain confirmations rather than processing through banks or third-party providers like Open Banking.

To withdraw funds, users can either transfer money to a bank account or withdraw cryptocurrency to another wallet. The process is simple and secure, with bank transfers typically processed within one to three business days. Cryptocurrency withdrawals are usually faster, depending on the network's speed and

confirmation times. For added transparency, users can track the status of their withdrawals directly through their Firi account.

The Platform and Investment Options

Once the funds are in the Firi account, users can choose between the basic or advanced trading dashboards to purchase or trade cryptocurrency. The basic dashboard offers a smooth, user-friendly experience, making it ideal for beginners. In contrast, the advanced dashboard provides more in-depth insights and tools for informed decision-making. It includes features like the order book, market and limit orders, and a public order history, which shows all trades for a specific cryptocurrency, ensuring transparency and activity on the exchange.

Investors with more than 1 million NOK to invest can benefit from Firi's Over-The-Counter (OTC) service. This premium offering allows high-stakes or institutional investors to execute large cryptocurrency trades directly, ensuring better pricing and minimal market impact. For long-term or passive investors, Firi provides a simple Crypto Savings feature. With this, users can automate recurring bank transfers to invest in their preferred cryptocurrency.

Security and Transparency

For security measures, customer assets are protected using a three-layered security system: hot wallets for daily trades, cold storage for long-term holdings, and Fireblocks' Multi-Party Computation technology. For complete transparency, all main crypto wallets are publicly viewable eliminating concerns for another "FTX crash". The platform also includes comprehensive insurance and multi-layered account protection. With these measures, customer funds are well protected. To simplify tax reporting, Firi developed an automated system that generates a downloadable PDF report, for easy filing with the Norwegian tax authority (Skatteetaten).

Since cryptocurrency can seem complicated to the average investor, Firi offers educational articles to help users understand how different cryptocurrencies work, making it easier for beginners to start their investment journey. With well-known deposit methods like Vipps, bank transfers, and Open Banking providers, users

can easily fund their accounts. Transaction fees on fiat are competitive, and as a Norwegian company, Firi operates under strict local regulations, providing investors with peace of mind about the safety of their funds.

Firi's Business Model: How It Makes Money

Firi operates on an exchange business model. They're generating revenue through various fees on their platform. From cryptocurrency transactions to withdraw fees and professional services like Over the Counter (OTC).

Firi charges a 0.70% fee on each buy and sell order executed. Although deposits through bank transfer or open banking are free, deposits through Vipps or cards are 3.9% withdrawals may have specific fees that vary depending on the currency. These fees help cover the operational costs associated with processing and securing transactions (Firi, 2024). These fees contribute to great financial results. Firi reported revenue of 56 million NOK in Q1 2024, which is a 300% increase from the same period last year. (Firi Q2) (Investor update Q1 2024).

Firi has also added staking services for cryptocurrencies like Ethereum (ETH) and Cardano (ADA). This allows users to earn rewards by helping run the network. This feature keeps users active on the platform and helps increase Firi's profits (Firi, 2024). The Q1 2024 report proves this popularity where they had more than 20 800 staking users and 9 200 ETH staked (Investor update Q1 2024).

Another important revenue stream is their Direct Trade product which contributed 30-35% of total revenue in Q2 2024 (Firi_Q2). Direct Trade offers users stable prices and great liquidity. By the end of 2025 Firi aims to grow the share of revenue from Direct Trade to 70-80%. (Firi_Q2) (Investor update Q1 2024).

In addition, Firi offers OTC trading where they allow institutional clients to trade without impacting market prices. The demand from offering competitive prices is also an important part of their business model (Firi Q2).

Although Firi is positioned as a leading cryptocurrency exchange in Norway, the company faces many potential challenges. Regulatory compliance, operational costs, competition and market volatility are challenges that can impact Firi's growth and profitability.

Future Challenges for Firi

Regulatory requirements are strict in this industry, and the rules are constantly changing. In Norway and EU, Firi needs to ensure compliance with "finanstilsynet" (Norwegian Financial Supervisory Authority) and MiCA (Markets in Crypto-Assets Regulation). To meet their requirements Firi must invest heavily in compliance infrastructure. Firi must follow strict rules for KYC (Know Your Customer) and AML (Anti-Money Laundering). This process includes checking customer identities and monitoring transactions. This is associated with high costs as user numbers grow. In Q1 2024 Firi reported as many as 232 000 users (Investor update Q1 2024). As tax laws often change over time, it could be more difficult to handle taxes for transactions and assets.

Firi integrates with Norwegian payment systems such as Vipps, Bank ID and Neonomics. These payment gateway integrations are expensive for Firi. Gateways have to charge high fees to prevent fraud and ensure secure verifications. As Firi is highly reliant on transaction fees these gateways fees can impact on their margins and reduce profitability.

The crypto market is highly competitive. Coinbase and Binance are global players that put pressure on smaller players. These competitors have greater financial resources and a wider market reach. On the other hand, Firi's local focus gives them an edge in expanding in Norway and other Nordic countries. This is supported by the Q1 2024 report, which states that their market share among local players grew from 70% to 90% (Investor update Q1 2024).

The cryptocurrency market is known for its volatility. Prices and trading volumes fluctuate significantly over short periods. Firi's revenue heavily relies on transaction fees, so this extreme volatility and market dynamics directly impact their business model. During bullish periods where trading activity surges, Firi's revenue increases. However, in bearish markets where trading activity decreases, Firi's revenue declines.

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