

How Paxos Came to Be – Why Our Mission is to Build a New, Open Financial System

Paxos is building the foundation for a financial system where all assets, from money to commodities to securities, can be digitized and moved instantaneously. As the first regulated Trust company with blockchain expertise, we're taking big, ambitious swings to make the financial system more open and inclusive—and to fix the legacy infrastructure that could exacerbate or even create the next financial crisis.

Our Founding is Rooted in Financial Services

Paxos has significant expertise when it comes to financial market structure and infrastructure – or how the market is designed to work and the plumbing that makes it all go. Our CEO and Co-Founder, Charles Cascarilla, started his career in finance at Goldman Sachs and Bank of America, where he covered financial services companies as a research analyst. After several years working at various hedge funds, Charles went on to run his own asset manager – Cedar Hill Capital. At Cedar Hill, Charles and his co-founders Rich Teo and Emil Woods invested in international exchanges, technology providers and financial institutions. During the 2007-2008 global financial crisis, Charles, Rich and Emil had an up-close view of systemic failures and how the clearing and settlement infrastructure that underpins the stock market contributed to Wall Street's meltdown.



Paxos Co-Founder and CEO Asia Rich Teo

Coming out of the crisis, Charles learned of Bitcoin from a financial newsletter and eventually read the [Satoshi Nakamoto foundational 2010 white paper](#) when Bitcoin was valued at only three or four cents. Upon reading, he specifically became interested in the power of blockchain technology, believing it had the potential to transform financial markets by providing transparency to ownership and chain of title. The financial crisis exposed just how the current system wasn't—and isn't—set up to provide this transparency. (When financial markets switched from paper to electronic trading 50 years ago, the goal was to promote liquidity and volume at the expense of transparency around who owns what asset and when.)

Bringing The Power of Blockchain to Institutions

While Bitcoin was created outside of any existing financial system, its underlying technology has the power to fix our current system. However, from the start Charles believed that only a regulated entity set up to work with banks, brokers and other financial institutions could harness the technology's full potential. In other words, early-adopter platforms focused solely on retail investors wanting to trade bitcoin would fall short. The real transformation must happen at an institutional level.

In 2012, Charles, Rich and Emil started Paxos and launched our first product, the [itBit exchange](#), which was also the first institutional bitcoin exchange. Based in Singapore, it offered institutions a safe liquidity pool for buying and selling bitcoin. As an entirely new asset class, it was crucial to build a marketplace where customers could exchange the assets easily.



Paxos CEO & Co-Founder Charles Cascarilla

Simultaneously, Paxos was applying for a Trust company charter in New York State, which we received three years later in 2015. With oversight by the New York State Department of Financial Services, a Trust is the highest standard for regulatory licensing, offering the safest, most comprehensive coverage for buying, selling and custodial assets (including but not limited to crypto). Securing the Trust charter took time, but it was and is a crucial component of our long-term strategy to become the most trusted provider of infrastructure for B2B and B2B2C players within cryptocurrency. Our relentless focus on trustworthiness has helped facilitate the mainstream adoption of crypto that the market is experiencing today.

Our Core Products

In the six years since then, Paxos has become a leader in custody, tokenization and liquidity services. We've built products that allow institutions to custody assets from cash and [commodities](#) to [securities](#) and crypto. We launched our own US-dollar backed stablecoin [Paxos Standard \(PAX\)](#) while providing the financial infrastructure for retailers, payment platforms, telecommunications providers and other institutions to develop their [own native stablecoins](#), such as [Binance's BUSD](#). Branching out into commodities, we launched [PAX Gold \(PAXG\)](#), which enables the buying, holding and trading of physical gold. Most recently, we created the [Paxos Crypto Brokerage](#), which lets companies like [PayPal](#) and [Revolut](#) integrate cryptocurrency buying, selling, holding and sending capabilities into their own applications.

Building the Most Trustworthy Platform for Digital Asset Services

We have a lot more work to do, and the [\\$142 million Series C](#) round we closed in December 2020 will help us scale our team and continue innovating. Our focus is on building up our regulatory stack to handle more assets in broader ways. Specifically, we've applied to be a National Trust Bank chartered by the Office of the Comptroller of the Currency (OCC), which will enable us to operate in every state in a clearer way and let us hold dollars and bonds directly with the Federal Reserve.

We're also applying for a clearing agency registration license from the Securities and Exchange Commission (SEC), which will let us settle an unlimited volume of trades and scale adoption of the Paxos Settlement Service. This technology lets institutions settle on any timeframe they want instead of the standard two days, which unlocks clearing capital. By reducing friction and creating transparency about ownership, we also believe it will help stave off the next financial crisis.

When we started Paxos, we could hardly have imagined that Bitcoin would come to be valued at more than \$45,000 (let alone \$54,000 on March 9, 2020!). A lot has changed in nine years, but we're still early in the game.

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- [Wall Street Journal – PayPal's Entry to Crypto Followed Long Buildup in Expertise](#)
 - [Invest Like the Best – Charles Cascarilla on The Future of Blockchain and Financial Services](#)
 - [Messari's Unqualified Opinions – Charles Cascarilla on the Early Days of Crypto, Regulation and Paxos' Long-Term Ambitions](#)
 - [What Lehman Brothers, Gamestop and the Next Financial Crisis Have in Common](#)
 - [The Five Attributes of Money](#)