How Crypto Exchanges Make Money

Idea In Short

Crypto exchanges look complex, but the business model follows a simple logic: connect buyers and sellers, keep assets safe, and monetize the trades that pass through the book. Trading fees remain the dominant revenue line, split between makers who add liquidity and takers who remove it, while spreads on simple buy flows capture revenue from newer retail users. Staking, institutional custody and over-the-counter execution extend that base into recurring income tied to assets under management rather than trading volume alone. Compliance spending, covering registration, monitoring and reporting, is a large and growing cost, but it also works as a moat that keeps banking partners and institutional clients comfortable. Kraken's fee ladder, staking program and expanding institutional footprint show how these pieces fit together into one durable transaction engine

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How the exchange machine works

A crypto exchange is a marketplace with a matching engine attached. Buyers and sellers post orders to a shared book, and the engine pairs them by price and time. A custody layer holds the digital assets in wallets, moves funds on deposit and withdrawal, and keeps private keys secure. Identity checks run alongside every account, since Know Your Customer [KYC] and Anti-Money Laundering [AML] programs screen new users before they can trade. None of this differs much from how a retail brokerage handles securities, except crypto markets trade continuously and every trade settles on a blockchain rather than through a clearing house. The Commodity Futures Trading Commission [CFTC] warns that many of these venues sit outside the oversight structures that protect stock and futures traders, which is exactly why the exchanges that survive tend to build compliance and custody as core products, not afterthoughts.1

Trading fees are the primary money maker

Trading fees remain the core revenue line for almost every exchange. Makers, the traders who place resting limit orders and add depth to the book, typically pay less than takers, who cross the spread and remove liquidity. Discounting makers relative to takers encourages more resting orders, which narrows the spread and lowers slippage for everyone else on the platform. A second fee shows up on instant-buy or convert flows, where the exchange quotes a single all-in price that already bakes in a spread between its cost basis and the price a retail user sees. This spread does the same economic job as a fee, but it is easier to bundle into a simple purchase experience, which is why most first-time buyers meet it before they ever see a maker-taker schedule. Listing fees for new tokens exist too, though credible venues weigh market quality over quick revenue when they decide what to list.2

Kraken's ladder rewards volume and balances

Kraken illustrates how a fee ladder works in practice. Its published schedule starts new spot traders at a 0.40 percent maker and 0.80 percent taker fee, then steps down through more than a dozen tiers as 30-day trading volume or assets held on the platform grow, reaching zero maker fees and roughly 0.05 percent taker fees for the largest accounts. Kraken now qualifies traders for a tier based on whichever measure is higher, trading volume or assets on platform, so a large holder who trades rarely still earns the discount a frequent trader would earn. Kraken markets the logic behind that structure directly:

> Low fees for both makers and takers... incentivizes market makers to increase liquidity

Simple purchases through the Kraken app carry a flat 1 percent fee plus any spread, a separate and plainer schedule aimed at first-time buyers rather than active traders.3

Beyond spot trading: staking, custody and institutional flows

Spot trading fees are just the base layer. Staking lets users delegate proof-of-stake tokens to validators, and the exchange keeps a commission from the rewards earned. Institutional custody adds safekeeping and administration fees for funds and corporates that need regulated cold storage rather than self-custody. Kraken has pushed further into this territory

by securing a limited-purpose account with the Federal Reserve Bank of Kansas City, becoming the first digital-asset firm with direct access to Fed payment rails, a step that can speed up fiat settlement and reduce reliance on partner banks for institutional clients. Bundles covering application programming interface [API] access, reporting and over-the-counter [OTC] execution extend the same institutional relationship into recurring subscription revenue.4

Compliance is a cost and a moat

Compliance spending is not optional for a US-facing exchange, and it shapes the entire cost base. The Financial Crimes Enforcement Network [FinCEN] treats exchangers and administrators of convertible virtual currency as money transmitters, which brings registration, monitoring and suspicious-activity reporting obligations that apply regardless of trading volume. Meeting those obligations means investing in onboarding checks, transaction-monitoring software, audit trails and staff who can respond to examiners. That spending raises the cost of running an exchange, but it also raises the bar for anyone trying to compete, since banks and payment processors prefer partners with clean books and a demonstrated compliance program. Exchanges that treat this as core infrastructure rather than a legal formality tend to keep banking relationships stable when the market turns volatile.5

Risk disclosure and market oversight matter too

Regulatory attention extends beyond money-transmission rules into how exchanges describe risk to customers. The Securities and Exchange Commission [SEC] has noted that crypto asset trading platforms are largely unregulated relative to registered securities and derivatives exchanges, and it expects issuers and platforms to disclose the operational, cybersecurity and legal risks that come with that gap. For an exchange, that disclosure expectation feeds directly into product design: clear terms, visible fee schedules and status pages that report outages in real time all reduce the odds of a regulatory or reputational incident. Platforms that get this right turn a compliance requirement into a trust signal that shows up later in retention.6

Why scale compounds advantage

Most of an exchange's cost base, matching engines, custody operations, compliance staff

and market-data infrastructure, is fixed or nearly fixed regardless of trading volume. Once a platform covers that baseline, each additional dollar of trading and financing revenue contributes disproportionately to profit. That is why larger exchanges can afford tighter spreads and still turn a profit that smaller rivals cannot match at the same fee level. Liquidity reinforces the same advantage: deeper books mean tighter spreads, which mean better execution, which draws more order flow, and that flow deepens the book further. Reliability and clear rules keep that flywheel turning, since a single outage or a surprise fee change can send users to a competitor within days.

Key Partners

Kraken depends on banking and payment partners that move fiat in and out of accounts, plus market makers who keep order books deep across hundreds of pairs. Its Wyoming Special Purpose Depository Institution [SPDI] charter and Federal Reserve limited-purpose account function as regulatory partnerships that unlock direct settlement rails. Validators support the on-chain staking business, and external security auditors review the custody and key-management systems that protect client funds.

Key Activities

Kraken's daily work centers on operating a continuously matching order book across spot, margin and futures markets while keeping wallets, deposits and withdrawals secure. Onboarding checks, transaction monitoring and regulatory reporting run alongside every trade. The company also builds and maintains institutional services, staking, custody and OTC execution, and invests continuously in uptime, incident response and cybersecurity to keep the platform available and safe.

Key Resources

The matching engine and custody infrastructure, including cold storage and key-management systems, are Kraken's core technical assets. Its Wyoming SPDI bank charter and Money Services Business registrations are resources few competitors can replicate quickly. Deep liquidity from market makers and a base of long-tenured users add a network effect that newer entrants struggle to match, and compliance and security staff protect all of it.

Value Propositions

Kraken offers reliable, continuously available trade execution across a wide range of digital assets, stocks and derivatives. Its regulatory credentials, including a US bank charter, give security-conscious users and institutions a rare degree of comfort. Fee tiers reward higher volume and larger balances, while simple instant-buy and recurring-buy tools give first-time users an easy path into the market. Staking, custody and OTC services bundle everything a serious trader needs into one account.

Customer Relationships

Most retail users interact with Kraken through self-service tools: the app, instant-buy flows and educational guides that explain how crypto and fees work. Higher-volume and institutional clients get dedicated account management, OTC desks and white-glove onboarding for custody and staking mandates. Status pages, support channels and transparent fee disclosures maintain trust across both segments.

Channels

Kraken reaches retail users through its website and mobile app, and reaches active traders through the separate Kraken Pro interface built for order-book trading. Institutional and algorithmic clients connect through Kraken's API, while OTC and custody relationships are typically built through direct sales conversations. An affiliate program extends reach through referral partners.

Customer Segments

Kraken serves first-time retail buyers who want a simple way to purchase crypto, active traders who use Kraken Pro for margin and futures positions, and institutional clients, funds, treasuries and corporates, who need custody, OTC execution and staking at scale. Geographic reach varies by license, with the US business built around SPDI and Money Services Business status.

Cost Structure

Technology accounts for a large share of Kraken's costs: matching engines, wallet

infrastructure, key management and round-the-clock security operations. Compliance and legal spending, covering KYC and AML programs, licensing across jurisdictions and regulatory reporting, is a close second and keeps growing with each new charter or registration. Payment processing, banking relationships and validator operations for staking round out the major cost lines, alongside marketing and affiliate payouts that support user acquisition.

Revenue Streams

Trading fees, the maker-taker spread charged on spot, margin and futures orders, remain Kraken's largest revenue source. Spreads on instant-buy and convert transactions add a second layer, particularly among newer retail users. Staking commissions, institutional custody and OTC fees, and bundled API or reporting services for professional clients round out the remaining revenue, giving the business multiple income lines beyond pure trading volume.

- 1CFTC Virtual Currency Risk Advisory
- 2How Maker-Taker Fees Work
- 3Kraken Fee Schedule
- 4Kraken Secures Fed Payment Access
- 5FinCEN Guidance On Virtual Currency Businesses
- 6SEC On Crypto Asset Trading Platform Risk

Summary

The exchange business model rewards platforms that pair deep liquidity with operational discipline. Trading fees, spreads and financing lines all scale with volume, and volume follows trust: tight spreads, dependable uptime and predictable withdrawals keep users trading rather than moving to a rival. Compliance, once viewed as pure overhead, now functions as competitive infrastructure, since regulated charters and clean books unlock banking relationships and institutional mandates that unregulated competitors cannot secure. Kraken's build-out, spanning a bank charter, Federal Reserve payment access, staking and custody, shows how an exchange can turn a single order book into several durable revenue lines. As fee competition intensifies, the platforms that keep investing in

reliability, security and regulatory standing are the ones positioned to keep compounding that advantage