

coinbase

# Coinbase Crypto Report Europe 2021

# Table of Contents

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- 01** Executive Summary
- 02** Introduction
- 03** Change in Crypto Asset Portfolios over the Next 12 Months
- 04** Planned Activities with Existing Crypto Asset Holdings
- 05** First-Time Crypto Asset Purchases per Year
- 07** Current Crypto Asset Holdings
- 08** Sound Understanding of Traditional Assets vs. Crypto Assets
- 10** Conclusion & Outlook
- 11** Risk Notice
- 12** About

# Executive Summary

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## The Coinbase Crypto Report Europe (CCRE) examines the behaviour and investment climate of crypto asset owners in Europe.

To analyse relevant aspects, participants in the crypto market were asked, among other things, about their approach to current crypto holdings over the next 12 months, as well as the use of crypto-specific investment opportunities such as staking and crypto interest investments.<sup>1</sup> In addition, the CCRE provides an overview of overarching topics such as the initial entry of crypto asset investors into the crypto asset market and compares market participants' expertise in traditional assets and crypto assets. Based on the first evaluation covering a total of 6018 respondents from France, Germany, Italy, the Netherlands, Spain, and the United Kingdom, the main findings can be summarised as follows:

- 01** In the next 12 months, 51% of crypto asset owners plan to increase their crypto holdings. Furthermore, 36% of respondents said they plan to keep their holdings, whereas only 13% plan to reduce their holdings. The willingness to increase crypto holdings predominates in the 18- to 39-year-old crypto owner demographic.
- 02** The popularity of crypto assets within the population is increasing significantly. Between 2019 and 2021, 60% of the surveyed crypto asset owners entered the market for the first time. The trend suggests significant growth for the coming years.
- 03** A majority of crypto asset owners are actively using their crypto holdings rather than pursuing a "buy-and-hold" strategy. To this end, 44% of respondents said they actively grow their holdings through staking, investing, or margin trading. Another 9% said they use their holdings as collateral for loans.
- 04** Among crypto asset owners, Bitcoin, Ethereum and Litecoin are the most popular. Bitcoin, which is the best-known and largest crypto asset by market size, is held by 73% of investors. In second place comes Ethereum, which 39% of respondents hold in their portfolios. Litecoin follows in third place with 23%.

<sup>1</sup> Online survey conducted in September 2021 by Qualtrics LLC. Participants were surveyed in France (1021), Germany (1011), Italy (1006), the Netherlands (1006), Spain (1016), and the United Kingdom (1021).

# Introduction

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The Coinbase Crypto Report Europe (CCRE) is based on surveys and identifies trends and attitudes in the European crypto asset market. The aim is to regularly analyse the growing crypto asset industry in Germany and Europe.

The recurring execution serves to continuously analyse the dynamic crypto asset industry and highlight current developments. For the first survey conducted in September 2021, various age groups starting from 18 and above in six European countries (France, Germany, Italy, the Netherlands, Spain, the United Kingdom) were surveyed on crypto-specific topics.

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*Year-on-year growth in Bitcoin trading volume on the world's largest crypto exchanges in the first half of 2021*

**489%**

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In 2021, despite high volatility, crypto assets have continued their steady upward trend with new all-time highs and a growing number of market participants. This development is remarkable considering the Covid-19 pandemic and the associated economic uncertainties as well as social turmoil. However, the crypto asset industry is not immune to setbacks. In January 2022 alone, Bitcoin lost around 30% of its value. Nevertheless, a 2021 retrospective clearly shows the growing market acceptance of crypto assets. For instance, Bitcoin trading volume grew by 489% year-on-year to 2.1 trillion USD<sup>2</sup> on the world's largest crypto exchanges<sup>3</sup> during the first half of 2021. Furthermore, the number of global blockchain wallet users increased from 66.2 million in January 2021 to 75.5 million in June 2021.<sup>4</sup> Other significant milestones were the approval of an exchange-traded fund (ETF) based on Bitcoin futures in the United States<sup>5</sup> and, in Europe, the German financial supervisory authority BaFin, granting the first-ever crypto asset custody licence to Coinbase Germany GmbH.<sup>6</sup> However, the main attraction of crypto asset adoption in 2021 was El Salvador introducing Bitcoin as legal tender.<sup>7</sup>

In addition to the outlined positive developments in the retail sector, institutional investors are also registering structural progress regarding crypto assets. For example, the German Fund Jurisdiction Act ("Fondsstandortgesetz") allows open-ended domestic special alternative investment funds (AIFs) with fixed investment terms to invest up to 20% of their assets into crypto assets – an essential step towards establishment in Germany.

<sup>2</sup> See: Coinbase Institutional – H1 2021 in Review: <https://assets.ctfassets.net/c5bd0wqjc7v0/4kKRqK0SCt0DDDjXuo5NRX/fc893f70e08204df25df490d7bcf3e88/Coinbase-Institutional-H1-2021-in-Review.pdf>.

<sup>3</sup> These include: Coinbase, Binance, Kraken, Bitfinex, Binance US, Bitstamp, BitFlyer, Gemini, Poloniex, ItBit, HitBTC, FTX, Gate.io, LMAX Digital, Bittrex, Liquid, CoinField, Nominex, Bitso, Mercado Bitcoin.

<sup>4</sup> See <https://www.statista.com/statistics/647374/worldwide-blockchain-wallet-users/>.

<sup>5</sup> See <https://www.handelsblatt.com/finanzen/proshares-krypto-produkte-jetzt-auch-an-traditioneller-boerse-erstes-bitcoin-futures-etf-startet/27714788.html>.

<sup>6</sup> See [https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Meldung/2021/meldung\\_2021\\_06\\_28\\_Coinbase\\_Germany\\_Kryptoerlaubnis.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Meldung/2021/meldung_2021_06_28_Coinbase_Germany_Kryptoerlaubnis.html).

<sup>7</sup> See <https://www.tagesschau.de/wirtschaft/finanzen/Bitcoin-el-salvador-101.html>.

# Change in Crypto Asset Portfolios over the Next 12 Months

In order to further inspect the growing momentum of crypto asset adoption described earlier, the following section will cover investor prospects.

Figure 1: Change in crypto asset portfolios over the next 12 months

## Change in Crypto Asset Portfolios over the Next 12 Months<sup>1</sup>

*% of respondents with crypto asset holdings<sup>2</sup>*

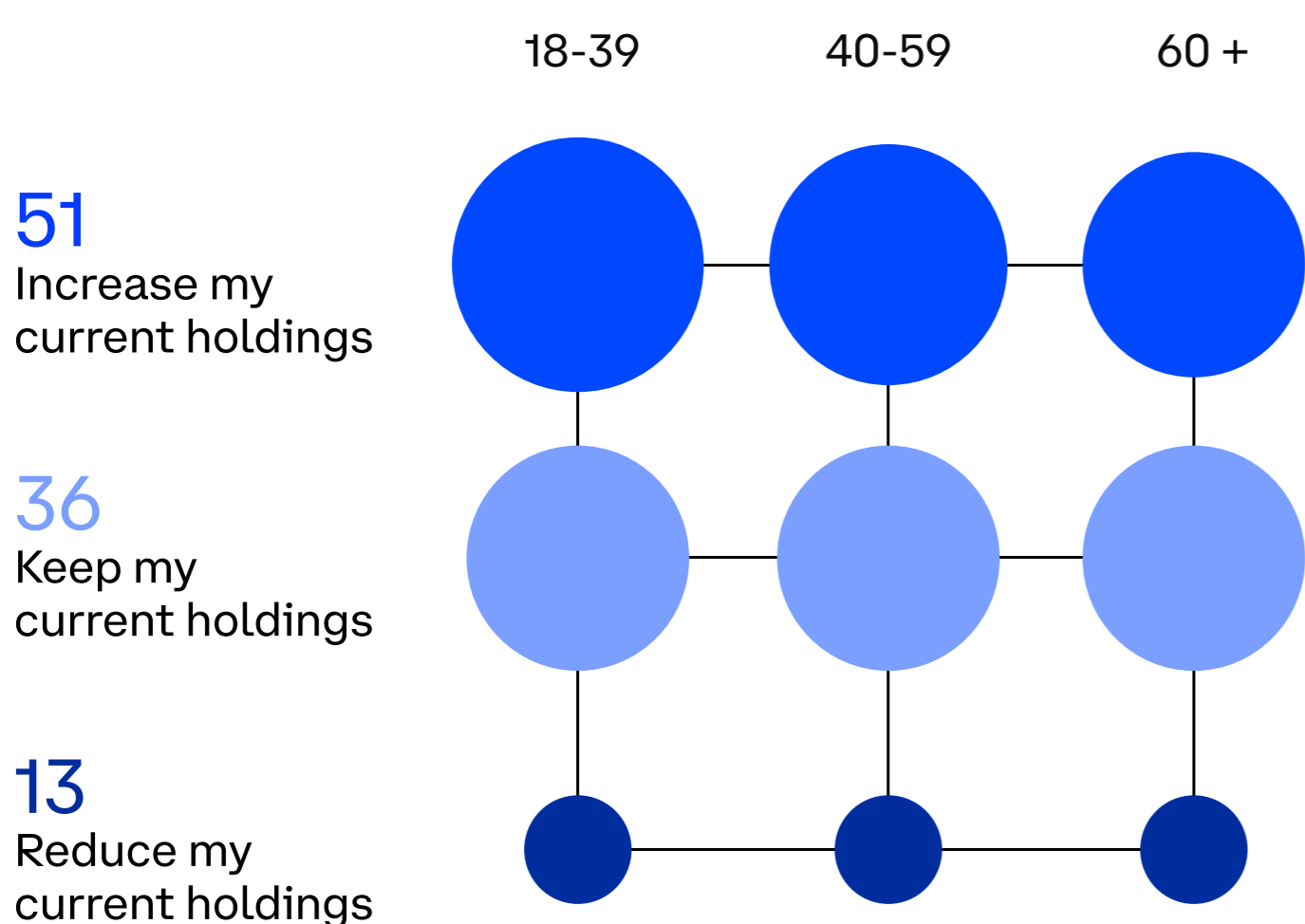


Figure 1 depicts the respondents' intended changes to their crypto asset portfolios over the next 12 months. For this purpose, the approximately 2,000 crypto asset holders were divided into three age groups. The result shows clear signs of a bull market for the third quarter of 2021 as more than 50% of respondents plan to increase their holdings and a total of 87% refrain from reducing their positions. In particular the younger generation of 18- to 39-year-olds have a positive sentiment and intend to increase their holdings. Overall, 13% of crypto asset owners plan to reduce their holdings within the next year.

The strong market presence of 18 to 39-year-olds underlines the influence this target group has on future business models and the economy in general. Companies need to strategically align their products with a young generation seeking self-realisation and full control over personal finances. Coupled with the increasing distrust towards banks and traditional funds, these developments might drive the demand for crypto assets significantly in the coming years.<sup>8</sup>

<sup>1</sup> What are you likely to do with your cryptocurrency holdings in the next 12 months?

<sup>2</sup> 2019, surveyed countries: France, Germany, Italy, the Netherlands, Spain, the United Kingdom.

<sup>8</sup> See <https://www.handelsblatt.com/finanzen/banken-versicherungen/banken/umfrage-jeder-zweite-hat-kein-vertrauen-in-banken/24070030.html>.

# Planned Activities with Existing Crypto Asset Holdings

The results in Figure 1 revealed that most market participants plan to increase their crypto asset positions. Figure 2 addresses the question of exactly how investors plan to increase their crypto asset portfolios. The findings show that crypto asset owners are taking advantage of

crypto-specific investment opportunities. In particular the demand for staking, interest generating products, crypto lending, and margin trading implies that crypto assets are considered as an opportunity for serious long-term investments.<sup>9</sup>

Figure 2: Planned Activities with existing crypto asset holdings

## Planned activities with Existing Crypto Asset Holdings<sup>1</sup>

% of respondents with crypto asset holdings<sup>2</sup>



<sup>1</sup> What would you like to do with your cryptocurrency holdings in the next 12 months (select all that apply)?

<sup>2</sup> 1861, surveyed countries: France, Germany, Italy, Netherlands, Spain, United Kingdom

<sup>9</sup> Staking: Users deposit their tokens as monetary collateral and participate proportionately in the total distribution of the newly generated tokens by the protocol, depending on the portion of funds provided.

Crypto interest investment: Users lend a portion of their crypto assets to collect interest payments.

Crypto loan collateral: Borrower places a portion of crypto assets as guarantee to repay the loan and, therefore, to mitigate the credit risk for lenders.

Margin trading: Margin trading allows users to borrow capital against crypto assets and use it to trade positions with a multiplier ("leverage"). A trader thus provides crypto assets to open a trading position.

# First-Time Crypto Asset Purchases per Year

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Since the introduction of Bitcoin, the total market capitalisation of crypto assets has multiplied amid a steadily increasing adoption rate among the public.



Figure 3 illustrates the distribution of first-time crypto asset purchases per year, showing an increasing annual number of new investors. The data for 2021 is extrapolated to a full year based on the available data until September 2021. Except for a small dent in 2016, a continuous increase of first-time investors can be observed among the respondents, which contributes to an average annual growth rate of 29%.

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*Average Annual  
growth rate*

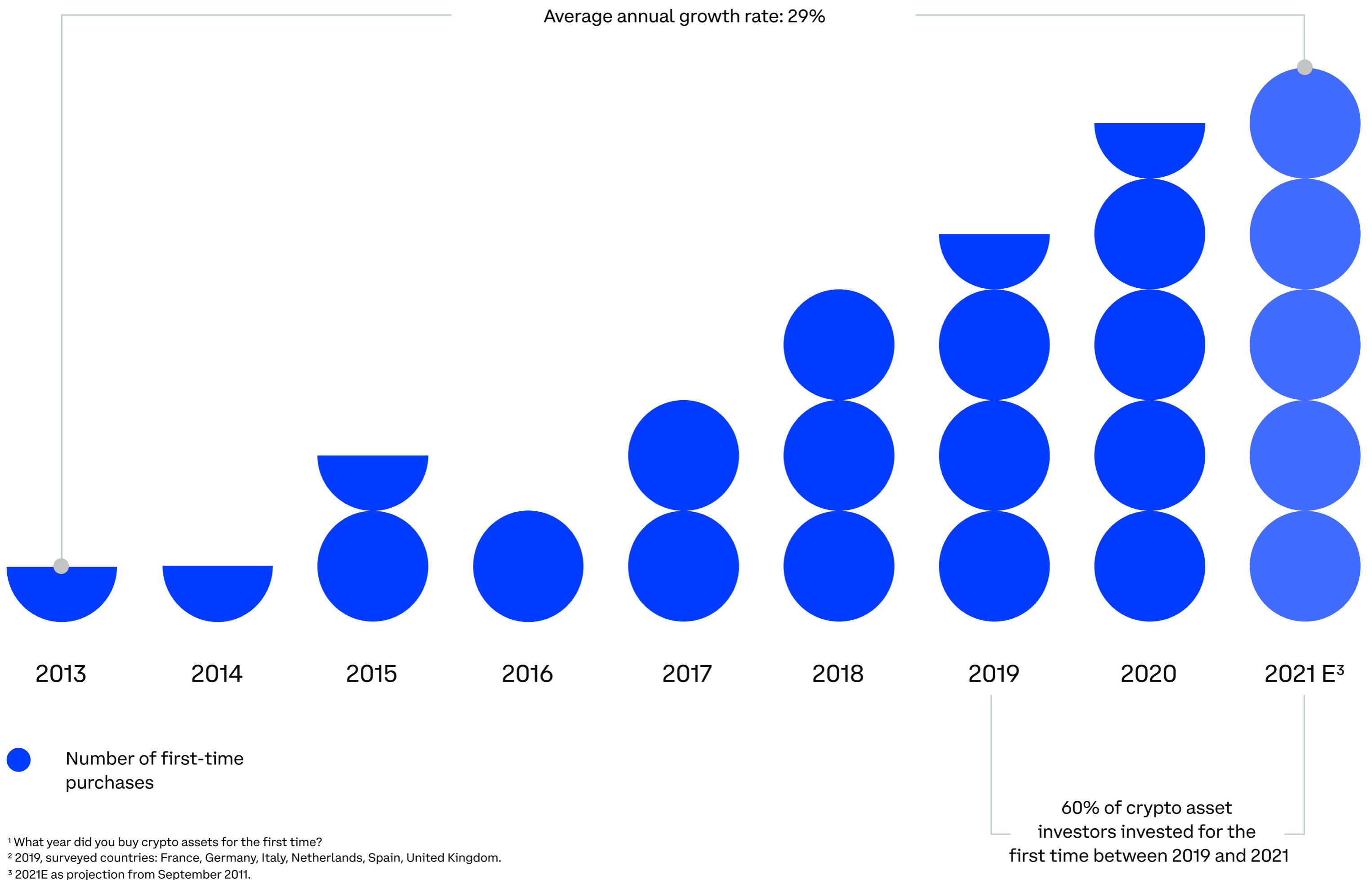
**29%**

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Figure 3: First-time crypto asset purchases

### First-Time Crypto Asset Purchases per Year<sup>1</sup>

Number of respondents with crypto assets holdings<sup>2</sup>



### First-time crypto asset purchases per year

Especially from 2016 onwards, a clear upwards trend manifested in first-time crypto purchases. The numbers are in line with the development of the crypto ecosystem. Increasing public attention pushes companies to develop crypto products and services, alongside the infrastructure needed for accessing the world of crypto assets. In addition, regulatory progress regarding crypto assets as well

as greater acceptance of blockchain technology in general could be cited as reasons for the growth.<sup>9</sup> The all-time high in crypto asset market capitalisation, which followed a few weeks after an all-time high for Bitcoin<sup>10</sup>, can also be put into the context of the observations presented here. The fact that 60% of all crypto asset holders entered the market for the first time between 2019 and 2021 indicates a strongly increasing momentum in the crypto asset market.

<sup>9</sup> See <https://www.boersen-zeitung.de/banken-finanzen/digital-assets-sind-die-zukunft-des-kapitalmarkts-691e9630-f123-11eb-9ec0-7af47d570a5d>.

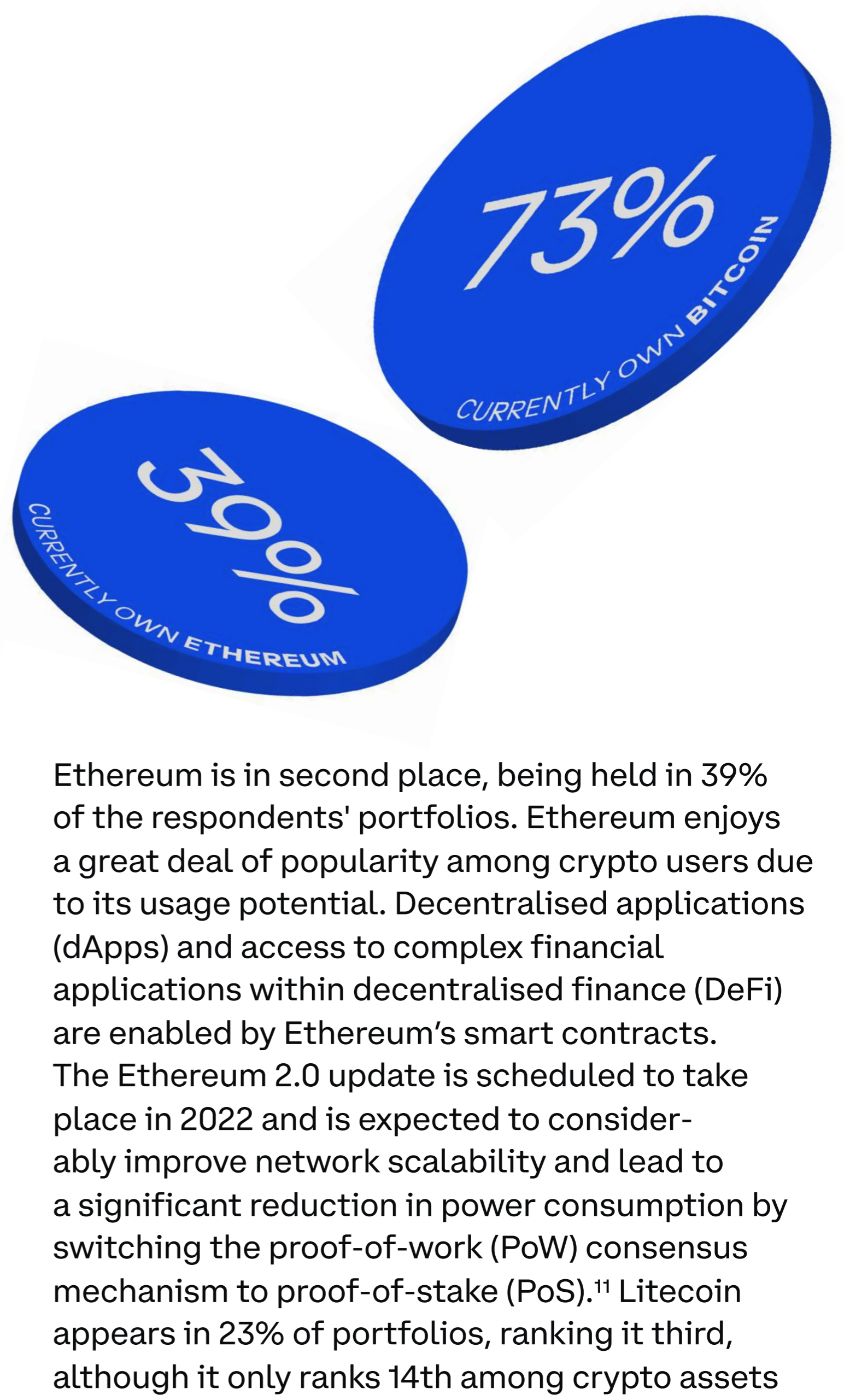
<sup>10</sup> See <https://coinmarketcap.com/charts/>.



# Current Crypto Asset Holdings

Figure 4: Current crypto asset holdings  
% of respondents with crypto assets holdings<sup>2</sup>

Based on the dynamic development of blockchain applications and the consequential trend around crypto assets, numerous coins with varying technical characteristics have emerged in recent years. Figure 4 describes the popularity of various crypto assets among retail investors. The most popular crypto assets are Bitcoin, Ethereum, and Litecoin. The pioneer Bitcoin, commonly referred to as “digital gold”, is attracting significant interest among retail investors, with three-quarters of all respondents holding it.



Ethereum is in second place, being held in 39% of the respondents' portfolios. Ethereum enjoys a great deal of popularity among crypto users due to its usage potential. Decentralised applications (dApps) and access to complex financial applications within decentralised finance (DeFi) are enabled by Ethereum's smart contracts. The Ethereum 2.0 update is scheduled to take place in 2022 and is expected to considerably improve network scalability and lead to a significant reduction in power consumption by switching the proof-of-work (PoW) consensus mechanism to proof-of-stake (PoS).<sup>14</sup> Litecoin appears in 23% of portfolios, ranking it third, although it only ranks 14th among crypto assets in terms of the third quarter's market capitalisation in 2021.<sup>15</sup> Further survey results show that just under 22% of respondents own Dogecoin and 19% own Cardano.

<sup>1</sup> Which of the following cryptocurrencies do you currently hold (select all that apply)?

<sup>2</sup> 2019, surveyed countries: France, Germany, Italy, Netherlands, Spain, United Kingdom.

<sup>14</sup> See <https://ethereum.org/en/eth2/>.

<sup>15</sup> See <https://coinmarketcap.com/historical/20210926/>.

# Sound Understanding of Traditional Assets vs. Crypto Assets

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Figure 5 shows how widespread a sound understanding of traditional assets is compared with that of crypto assets. Essentially, the survey suggests that there is fundamentally less knowledge about crypto assets than about the traditional financial market among investors: 49% of respondents agree that they have good to very good knowledge about traditional asset classes compared with only 34% with regard to crypto assets.



## Sound Understanding of Traditional Assets vs. Crypto Assets

A look at the data also reveals that a large group of investors is distinctively familiar with both conventional assets and the crypto asset market. Although the crypto assets industry is the new kid on the block, the knowledge discrepancy compared to traditional assets is smaller than the age of the respective asset classes suggests. A possible reason could be the wide range of available digital education content surrounding the blockchain ecosystem.

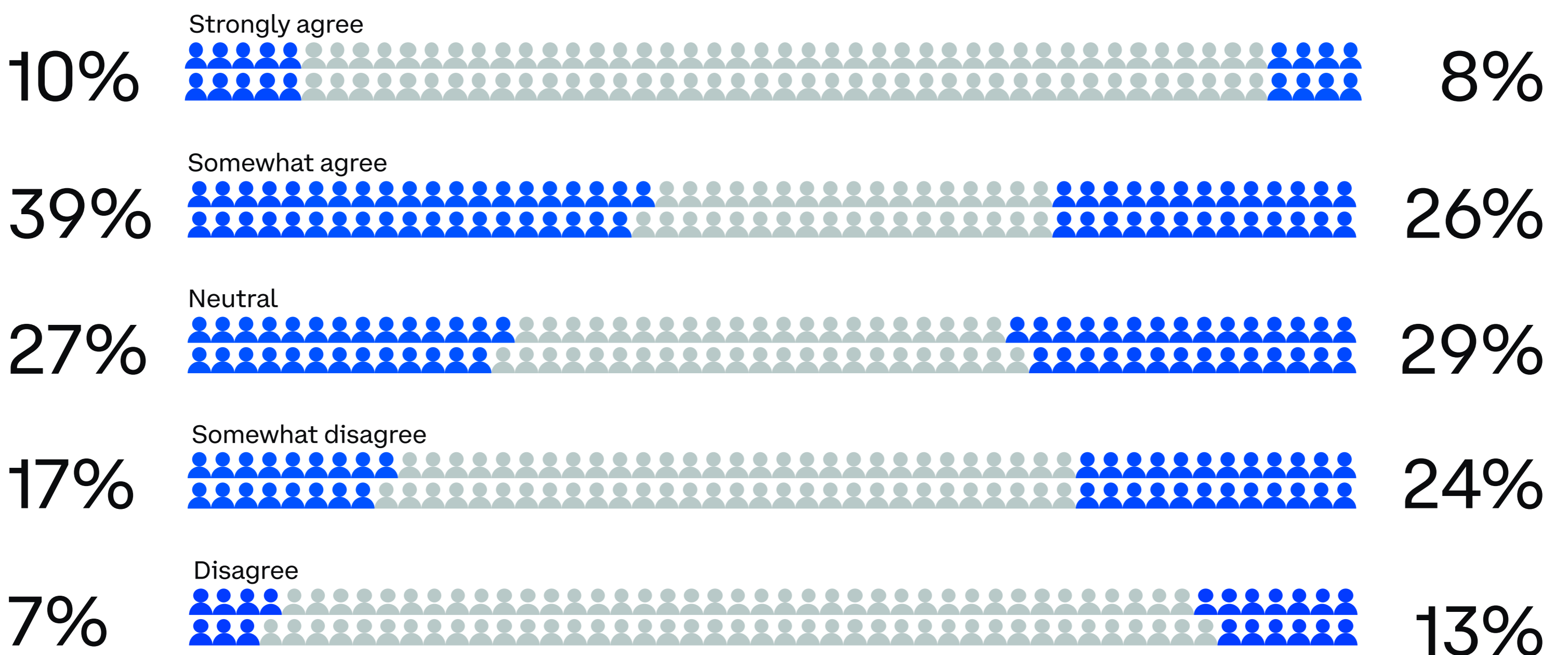
Figure 5: Self-assessment in understanding different asset classes

### Self-Assessment: Sound Understanding of Various Assets

% of respondents with and without crypto asset holdings<sup>1</sup>

Traditional Assets<sup>2</sup>

Crypto Assets<sup>3</sup>



<sup>1</sup> 6095, Surveyed countries: France, Germany, Italy, the Netherlands, Spain, the United Kingdom.

<sup>2</sup> I have a good understanding of traditional assets (stocks, bonds, real estate, etc.).

<sup>3</sup> I have a good understanding of crypto assets beyond Bitcoin.

# Conclusion & Outlook

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The crypto asset market continues to gain importance and is on its way to becoming an established segment of the capital market.

In Germany, the granting of the first crypto asset custody licence to Coinbase Germany GmbH by BaFin is one example, as well as the German Fund Jurisdiction Act, which allows open-ended domestic special alternative investment funds (AIFs) with fixed investment terms to invest up to 20% of their assets under management in crypto assets.

Despite the comparatively high volatility, that became apparent in January 2022 through significant price setbacks, the long-term development of the crypto economy is promising. The survey conducted for the Coinbase Crypto Report Europe 2021 among 6018 participants from six countries (France, Germany, Italy, Netherlands, Spain, United Kingdom) confirms this trend. For example, 51% of crypto asset owners intend to increase their crypto holdings within the next 12 months. Furthermore, 60% of the crypto asset owners surveyed entered the crypto asset market in the years from 2019 to 2021.

In particular, the high level of engagement with crypto-specific investment opportunities such as staking (19% of respondents) and investing (9% of respondents) implies that users are interested in long-term investing and future-oriented innovations in the blockchain space. The CCRE will gain significance by conducting the survey on a regular basis and will reveal short-term trends as well as long-term developments in the crypto asset ecosystem. Of particular interest here is whether and how the popularity of the crypto asset market and public acceptance will evolve given the setbacks in January 2022.

# Risk Notice

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Please note that there are significant risks of loss associated with trading or holding cryptocurrencies.

There is a risk of total loss of the capital invested. Risks arise from the high volatility and possible illiquidity of cryptocurrencies, which you should consider when making your investment decision. Please carefully consider whether trading in or holding cryptocurrencies is suitable for you given your financial situation.

# About

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## About Coinbase

Coinbase is creating the new crypto economy, which is fairer, more accessible, more efficient, and more transparent thanks to blockchain technology. In 2012, Brian Armstrong, founder of Coinbase Global, Inc., had a revolutionary idea: everyone in the world should be able to send and receive digital assets like Bitcoin in a simple and secure way. Since then, the company has built a reliable and intuitive platform that provides easy access to a wide range of crypto products. Coinbase Global, Inc. is listed on Nasdaq under the ticker symbol COIN. In June 2021, Coinbase Germany GmbH, a subsidiary of Coinbase Global Inc. was the first company to receive permission to provide crypto custody services in Germany.

## About the Frankfurt School Blockchain Center

The Frankfurt School Blockchain Center is a think tank and research centre which investigates implications of the blockchain technology, crypto assets and distributed ledger technology (DLT) for companies and their business models. Besides the development of prototypes, it serves as a platform for managers, startups, technology and industry experts to share knowledge and best practices. The Blockchain Center also provides new research impulses and develops trainings for students and executives. It focuses on banking, finance, mobility and, "Industrie 4.0".

## About INTAS.tech

INTAS.tech is a blockchain consultancy founded by the Frankfurt School and Plutoneo Consulting and is specifically tailored to the needs of financial organisations. INTAS.tech focuses on the integration and handling of digital assets as well as the strategic evaluation of blockchain deployment opportunities and their implementation.