

CRYPTOCURRENCY ADOPTION & PURCHASING BEHAVIOR SURVEY

Purchasing Behaviors of Today's Crypto Owners are Changing the Financial Landscape

Crypto owners today look different than they did two years ago. Data on purchasing habits indicates why this matters to the future financial system.



February 2022

EXECUTIVE SUMMARY

Paxos conducted a statistically significant survey of cryptocurrency owners* to better quantify and understand consumer behaviors specifically related to crypto purchasing habits. The data revealed three key takeaways:

- 1. The Transition to Mainstream Adoption Continues.**
More than 40% of crypto owners surveyed purchased their first digital asset in 2021, and 3 out of the top 4 platforms they used were mainstream, established financial services apps vs. crypto exchanges. This indicates a shift from early, niche adopters to everyday consumers who want to purchase digital assets on platforms they already know and trust.
- 2. The Traditional Investor and the Crypto Trader Are One in the Same.**
The majority of crypto traders (65%) indicate they are also investors in equities and mutual funds, which indicates that the 'traditional investor' and 'crypto trader' are becoming one in the same.
- 3. Crypto Owners Want Their Banks to Join the Crypto Ecosystem.**
More than 60% of crypto owners surveyed would purchase crypto from their primary banking app if it was offered. This indicates an opportunity for financial institutions to streamline the buying experience for their consumers and minimize the number of accounts and apps required to participate in the crypto economy.

As crypto adoption by the everyday consumer continues to increase, **financial institutions have an unprecedented, untapped opportunity to continue serving those consumers by becoming a part of the crypto ecosystem.**

For more information on the survey or to get in touch with Paxos, reach out to insights@paxos.com.

*Has a primary bank account at a known banking institution and owns crypto.

INTRODUCTION

As crypto continues to trend towards mainstream adoption, more consumers are purchasing crypto than ever before. And while it benefits the crypto industry, this dynamic creates a “flight of capital” from financial institutions as more customers transfer money out of traditional banking and investment accounts.

To help quantify and better understand consumer behavior as it relates to crypto purchasing habits, Paxos set out to survey a statistically significant number of crypto owners in late 2021.

Objective: Quantify and better understand the crypto buying habits of existing owners

Listed on the right are questions Paxos used to identify the buying habits, as well as the demographic that was used for this survey.

Questions

Survey participants were asked a series of questions to identify their crypto buying habits:

- When did you first purchase crypto?
- Where are you buying crypto?
- How often are you buying crypto, and how much?
- How are you funding crypto purchases?
- What are your future plans with crypto?

Demographic

Paxos surveyed more than 1,000 individuals who met the below qualifications as **crypto owners**, using Pollfish as our research partner.

To qualify as a crypto owner, Paxos required survey respondents to have the following:

- A primary bank account at a known banking institution
- **And** they must have purchased crypto before September 15, 2021 (survey launch date)

Age Groups

18 - 24 (29.3%)
25 - 34 (28.0%)
35 - 44 (23.7%)
45 - 54 (9.9%)
> 54 (9.1%)

Country

United States

Gender

Female (54.2%)
Male (45.8%)

RESULTS

First Crypto Purchase

More than 40% of crypto owners purchased their first digital asset in 2021.

Transition to mainstream adoption

With 44% of survey respondents making their first crypto purchase within the past year and 31% within the past 2 years, crypto is transitioning from just a small set of early enthusiasts to a much larger population of consumers as it moves towards mainstream adoption. The survey also found that 62% of respondents are very likely to buy or sell crypto in the next two years, showing that a majority of these new crypto owners plan to stay engaged in the ecosystem beyond their initial purchase.

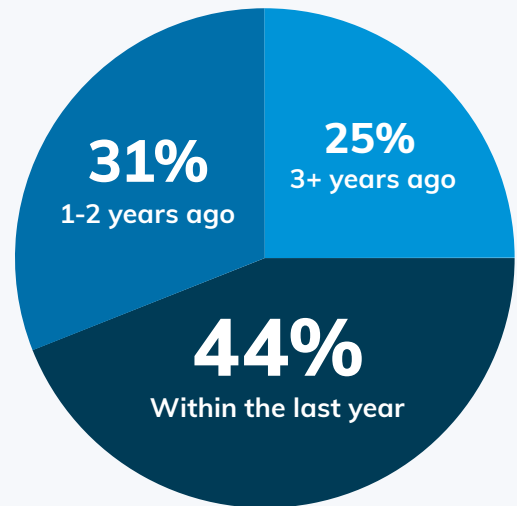
Platform Used*

Coinbase led the way at 21%, but 3 out of the 4 top platforms cited were mainstream, established financial services apps.

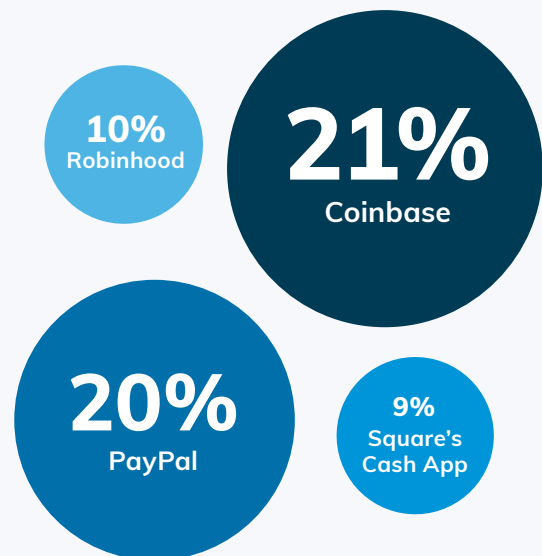
The growing use case for crypto is within mainstream financial services

As more everyday consumers enter the crypto ecosystem, these crypto investors are inclined to engage with platforms they already know and trust, versus platforms that are solely crypto exchanges.

*The remaining 40% of responses were split between 10+ various platforms and exchanges.



When was the first time you purchased cryptocurrency?



What website or company have you primarily used to purchase cryptocurrency in the past year?

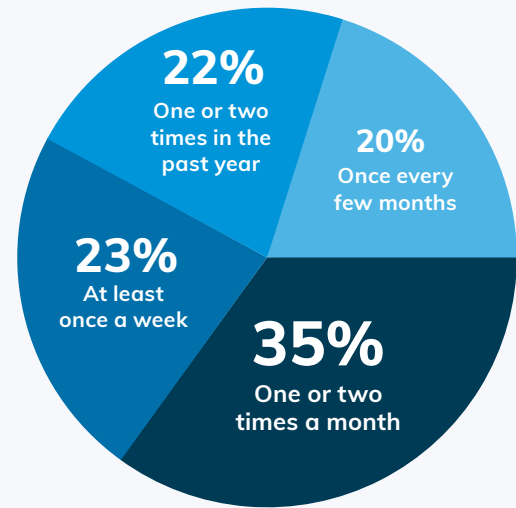
RESULTS

Engagement Frequency

More than 50% of crypto owners buy and/or sell crypto at least once a month.

Opportunity to own the touchpoints

Crypto owners are active, with regular engagement and trading activity. This creates a large opportunity for platforms offering crypto to influence and monetize these touchpoints with their users.



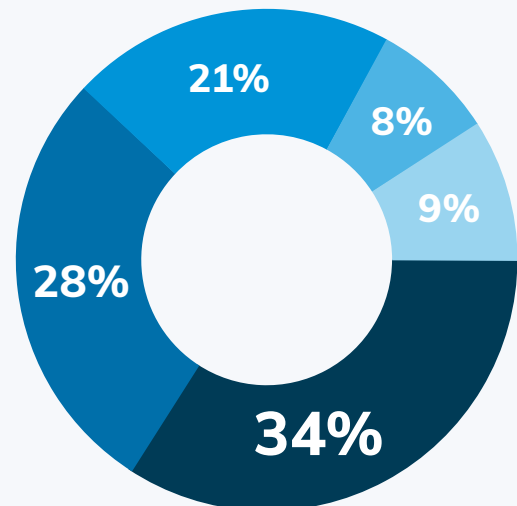
In the past year, how often have you bought or sold crypto?

Primary Bank Participation

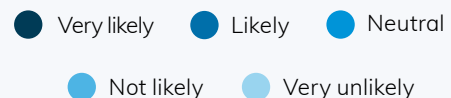
More than 60% of crypto owners stated that they would purchase crypto from their primary bank if that option existed.

Crypto owners want their primary banks to join the crypto ecosystem

Given a majority of crypto owners (60%+) surveyed would purchase crypto from their primary banking app if offered, the world's consumer banks have a huge, untapped opportunity in crypto to meet the needs of their existing consumers. As the ecosystem grows, this new asset class could become an active tool to deepen existing customer relationships and drive new customer acquisition.



How likely would you be to purchase crypto from your primary bank if they offered it?



RESULTS

Funding Source

55% of crypto owners fund crypto purchases by pulling funds from their savings and investment accounts.

Prioritizing crypto over traditional accounts

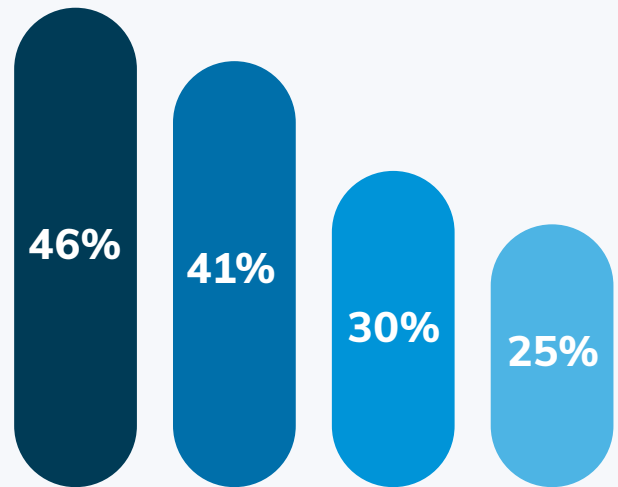
Crypto owners are moving money that traditionally sits in their savings and investment accounts into crypto platforms. The data suggests that individual consumers are viewing – and treating – cryptocurrency as an investment. Given that survey results also indicated the majority of crypto owners would buy crypto from their primary banking app, this shows a lost opportunity for traditional financial institutions who could keep this money on platform by offering crypto as an investment asset.

Investment Activity

65% of crypto traders are also investors in the stock market and mutual funds.

Traditional investor = crypto trader

This result indicates that the 'traditional investor' and 'crypto trader' are becoming one in the same, as the majority (65%) of crypto owners are involved in both the crypto and traditional markets. Notably, the remaining ~35% of crypto owners never invested in the stock market outside of their 401(k) or retirement accounts, but chose to purchase crypto. This suggests crypto was a more accessible investment option for these respondents and represents a huge opportunity for traditional investment institutions to offer crypto as a way to capture these potential investors and grow their user base.



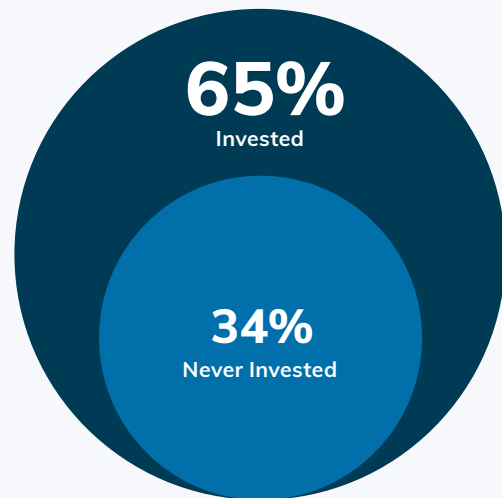
How have you funded your crypto purchases in the past?

I've used extra money left over from my paycheck to purchase crypto

When I receive additional money, like a work bonus, a gift, etc., I use it to purchase crypto

I have taken money out of my savings account and used it to purchase crypto

I have taken money from my investments (stocks, money market funds, etc.) and used it to purchase crypto



Have you personally invested in stocks or mutual funds, or in the stock market in general, outside of your 401(k) or retirement accounts?

CONCLUSION

When Paxos set out to survey crypto owners, the goal was to quantify and understand their crypto purchasing habits. While the survey results solidified that the “flight of capital” is indeed taking place as the majority of crypto owners pulled from traditional accounts to fund their crypto purchases, it also identified that today’s crypto owner is not a niche, early adopter. 40% of survey respondents stated that they made their first digital asset purchase in the last year and 3 out of the 4 top platforms used to make that purchase were mainstream financial services apps.

Today’s average crypto owner is shifting towards the everyday consumer.

Beyond the survey results, market trends also indicate that crypto ownership and purchasing habits are shifting, with companies like Robinhood reporting in Q2 2021 that it was “the first quarter where a larger share of new customers placed their first trade in crypto rather than equities.”¹ In January 2021, Square’s Cash App reported that more than a million customers purchased Bitcoin for the first time that month, further demonstrating how crypto owners are shifting from early adopters to mainstream consumers.² With companies like Square and Robinhood experiencing these changes in crypto purchasing behavior, it should come as no surprise that 2021 was a year of incredible growth for the crypto ecosystem overall, as worldwide adoption jumped over 880%.³

As the financial ecosystem evolves further in 2022 and crypto adoption continues to increase, **financial institutions have an unprecedented, untapped opportunity to continue serving those consumers by becoming a part of the crypto ecosystem.** Not only can crypto capabilities keep consumer assets on the balance sheet, but crypto also has the potential to increase the number of consumers on the platform.

¹ Q2 2021 Robinhood Results

² Q2 2021 Square Shareholder Letter

³ Chainalysis 2021 Geography of Cryptocurrency Report

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Paxos is the first regulated blockchain infrastructure platform whose mission is to replatform the financial system to enable assets to instantaneously move anywhere in the world, at any time, in a trustworthy way. Using technology to tokenize, custody, trade and settle assets, Paxos builds enterprise blockchain solutions for institutions like PayPal, Mercado Libre, Nubank, Bank of America, Credit Suisse, Societe Generale and IBKR. As a top-funded fintech company with more than \$540 million raised from leading investors including Bank of America, Oak HC/FT, Founders Fund, Declaration Partners, Mithril Capital and PayPal Ventures, Paxos is powering transparent, trusted and transformative financial solutions.

For more information on the survey or to get in touch with Paxos, reach out to insights@paxos.com or visit paxos.com.

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