Institutional Crypto Outlook Survey

June 2023

Contents

BINANCE RESEARCH

A Joint Study by Binance Research and Binance VIP & Institutional

BINANCE —RESEARCH

Binance Research is the research arm of Binance, the world's leading cryptocurrency exchange. The team is committed to delivering objective, independent, and comprehensive analysis and aims to be the thought leader in the crypto space. Our analysts publish insightful thought pieces regularly on topics related to, but not limited to, the crypto ecosystem, blockchain technologies, and the latest market themes.

BINANCE VIP

Binance VIP & Institutional helps institutions and sophisticated investors optimize their digital assets trading experience. We partner closely with hedge funds, asset managers, family offices, proprietary trading firms, market markets, brokers, and more. Our global team of trusted experts provides industry-leading knowledge, personalized care, and VIP access to the largest and most liquid digital asset exchange.

Methodology

The Institutional Crypto Outlook Survey is based on a global survey with responses from 208 Binance institutional clients and VIP users. Collectively, we refer to respondents as "institutional investors" in this report.

The survey, which ran from March 31 to May 15, 2023, explored questions surrounding the respondents' attitudes, preferences, adoption, and motivations toward cryptocurrency investments.

Overview
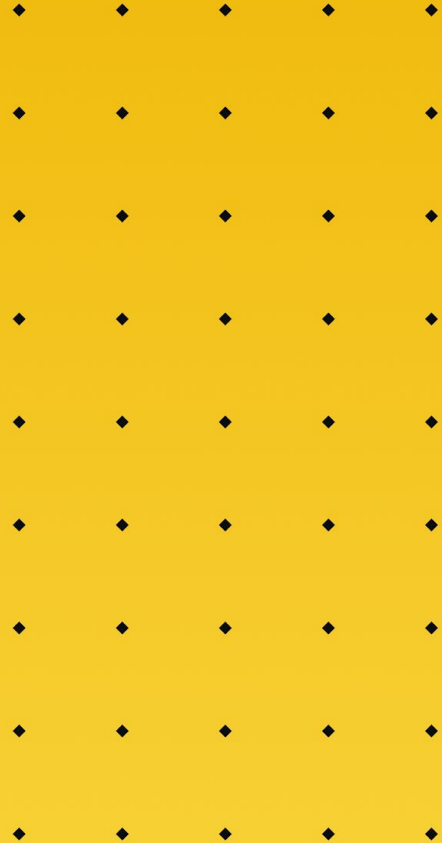
Key Takeaways

The Institutional Crypto Outlook Survey consists of insights generated from more than 200 global institutional investors

Outlook

63.5% of respondents indicated that they are positive about the outlook of crypto over the next 12 months. The magnitude of investor optimism increased further when asked about their outlook for the next decade, with an overwhelming majority (**88.0%**) indicating that they are positive.

Allocation

47.1% of institutional investors maintained their crypto allocation over the past year and over a third (**35.6%**) increased their allocation in the same period. Going forward, most (**50%**) expect to increase their allocation, with only **4.3%** expecting to reduce allocation to crypto in the next 12 months.

Interests

Infrastructure, L1 and L2 are areas of focus among institutional investors. **53.9%** of investors found infrastructure to be the sector of most importance to them or their fund. This was closely followed by L1 and L2 sectors at **48.1%** and **43.8%** respectively. In terms of usage, DeFi dApps were the most widely used in recent months.
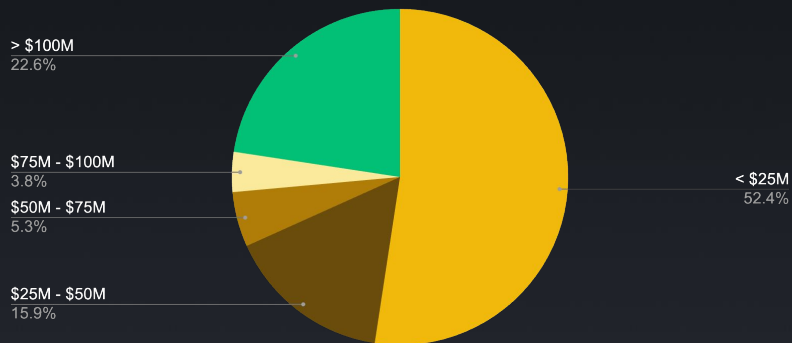
Adoption

Institutional investors believe more real-world use cases and increased regulatory clarity will help drive crypto adoption.
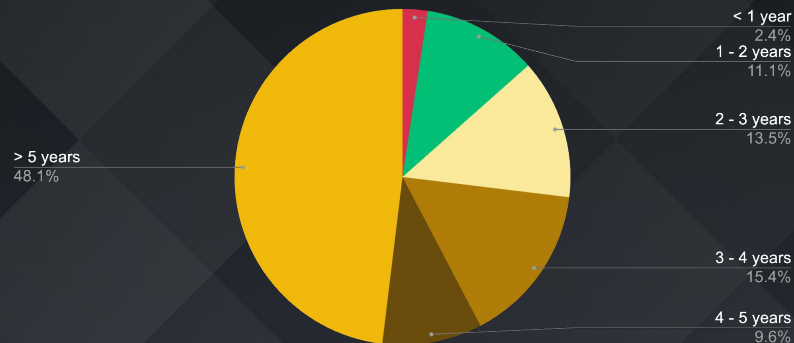
Who Are Our Respondents?

A diverse mix of global institutional investors with varying levels of AUM, and experience

Crypto Assets Under Management

> $100M
22.6%

$75M - $100M
3.8%

$50M - $75M
5.3%

$25M - $50M
15.9%

< $25M
52.4%

◆ Funds with crypto assets under management ("AUM") < $25M made up the bulk of respondents (**52.4%**), followed by those with >$100M (**22.6%**).

Crypto Investing Experience

< 1 year
2.4%

1 - 2 years
11.1%

2 - 3 years
13.5%

3 - 4 years
15.4%

4 - 5 years
9.6%

> 5 years
48.1%

◆ Nearly half of respondents (**48.1%**) have more than 5 years of investing experience in crypto.

Questions: (1) How much of you or your firm's total assets under management is in crypto? (2) How long have you or your team been trading/investing in crypto?

Interests and Motivations

Crypto Use Cases
Intraday strategies were the most commonly cited

Primary Use Case

Others
23.1%

Intraday Strategies
44.7%

Medium of Exchange
3.8%

Generating Yield
11.1%

Long Term Exposure
17.3%

By AUM:

■ Intraday Strategies ■ Long Term Exposure ■ Generating Yield ■ Medium of Exchange ■ Others

< $25M	49%	15%	10%	3%	24%
$25M - $50M	48%	24%	12%	6%	9%
$50M - $75M	55%	27%	0%		18%
$75M - $100M	50%	13%	13%	0%	25%
> $100M	30%	17%	15%	6%	32%

0%   25%   50%   75%
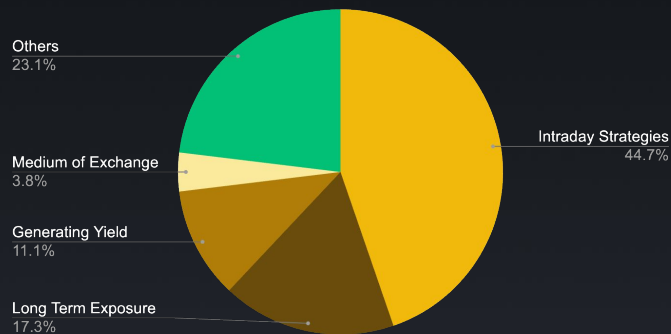
◆ The majority (**44.7%**) utilize crypto for **intraday strategies**.

◆ Additionally, the most commonly cited use cases under "Others" (**23.1%**) are for market-making and arbitrage activities.
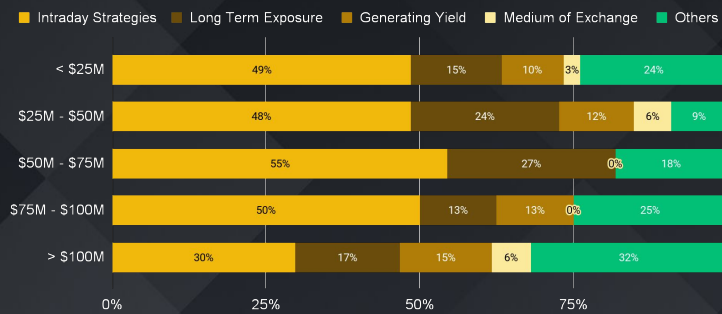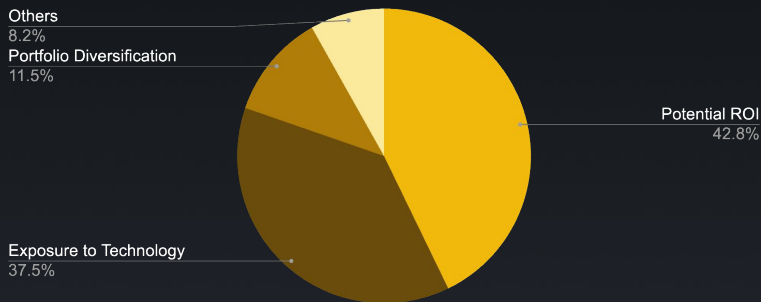
◆ The result is largely the same when analyzing the result by fund sizes - most cited "Intraday Strategies" as the primary use case.
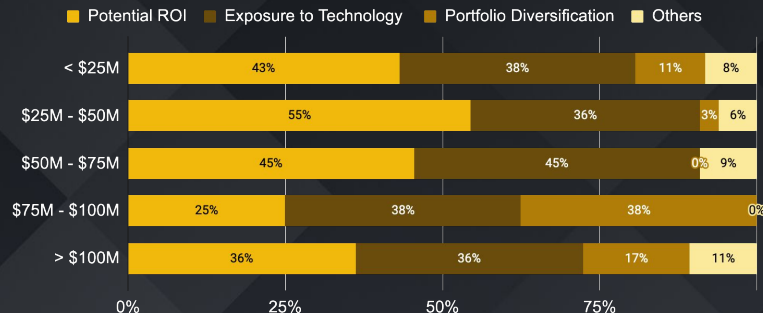
Why Invest in Cryptocurrencies?

Return on investment and exposure to technology are key motivations

Motivation behind Crypto investments

Others
8.2%
Portfolio Diversification
11.5%

Potential ROI
42.8%

Exposure to Technology
37.5%

By AUM:

Legend: Potential ROI, Exposure to Technology, Portfolio Diversification, Others

AUM	Potential ROI	Exposure to Technology	Portfolio Diversification	Others
< $25M	43%	38%	11%	8%
$25M - $50M	55%	36%	3%	6%
$50M - $75M	45%	45%	0%	9%
$75M - $100M	25%	38%	38%	0%
> $100M	36%	36%	17%	11%

◆ **42.8%** of investors believe that the most compelling case for investing in cryptocurrencies is the potential for **ROI**.

◆ This was followed by **37.5%** of investors who believe in gaining **exposure to emerging technology** as the primary motivation.
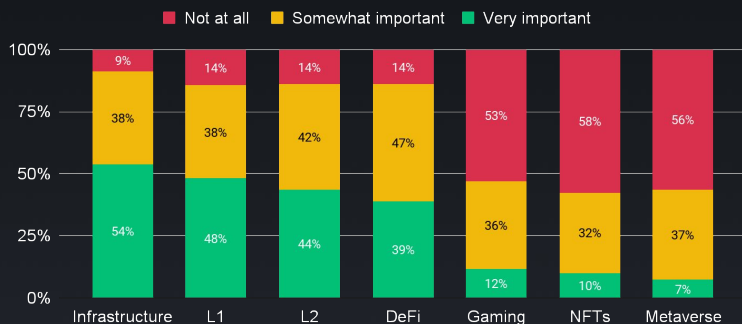
◆ The observation was consistent for funds with an **AUM below US$50M**.

◆ Interestingly, for funds with an **AUM above US$75M**, **portfolio diversification** surfaced as an additional motivation to invest in cryptocurrencies.

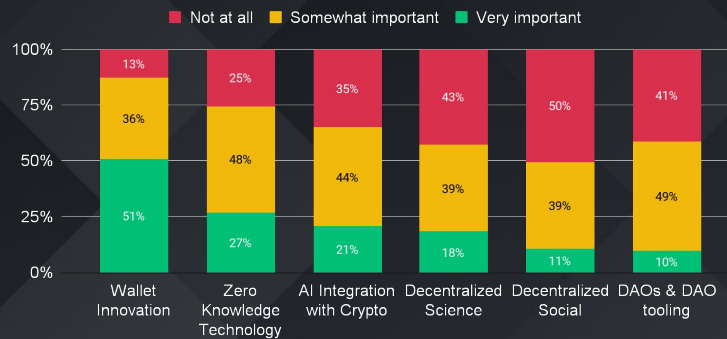*Question: What do you believe is the most compelling case for investing in cryptocurrency?*

Sectors of Interest

Infrastructure, L1 and L2 are areas of focus among institutional investors

Core Sectors	Other Sub-Sectors and Niche Areas

Legend: Not at all, Somewhat important, Very important

Core Sectors chart:
- Infrastructure: 54% Very important, 38% Somewhat important, 9% Not at all
- L1: 48%, 38%, 14%
- L2: 44%, 42%, 14%
- DeFi: 39%, 47%, 14%
- Gaming: 12%, 36%, 53%
- NFTs: 10%, 32%, 58%
- Metaverse: 7%, 37%, 56%

Other Sub-Sectors chart:
- Wallet Innovation: 51%, 36%, 13%
- Zero Knowledge Technology: 27%, 48%, 25%
- AI Integration with Crypto: 21%, 44%, 35%
- Decentralized Science: 18%, 39%, 43%
- Decentralized Social: 11%, 39%, 50%
- DAOs & DAO tooling: 10%, 49%, 41%

◆ **53.9%** of investors found **infrastructure** to be the sector of most importance to them or their fund. This was closely followed by **L1** and **L2** sectors at **48.1%** and **43.8%** respectively.

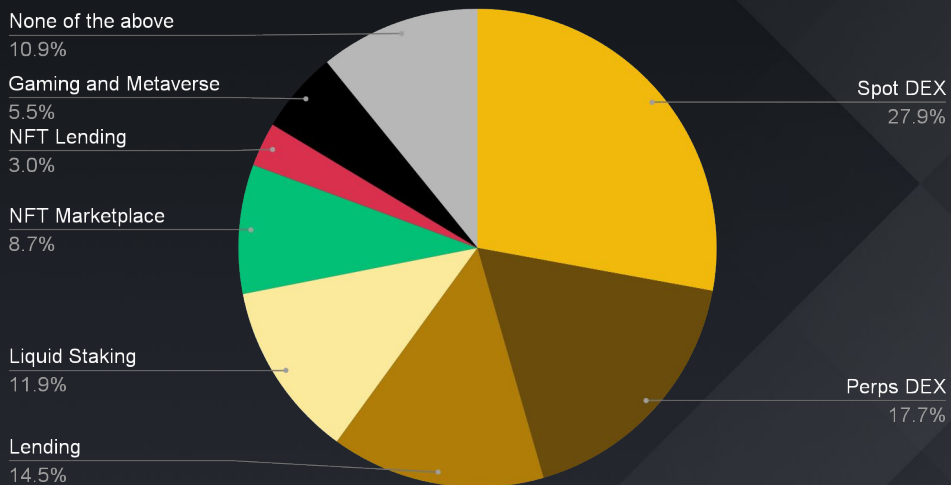◆ Gaming, NFTs, and Metaverse were generally considered to be of lower importance.

◆ **51.0%** of investors see **Wallet Innovation** (e.g., self-custody, MPC, improved UI/UX) as an important area of focus.

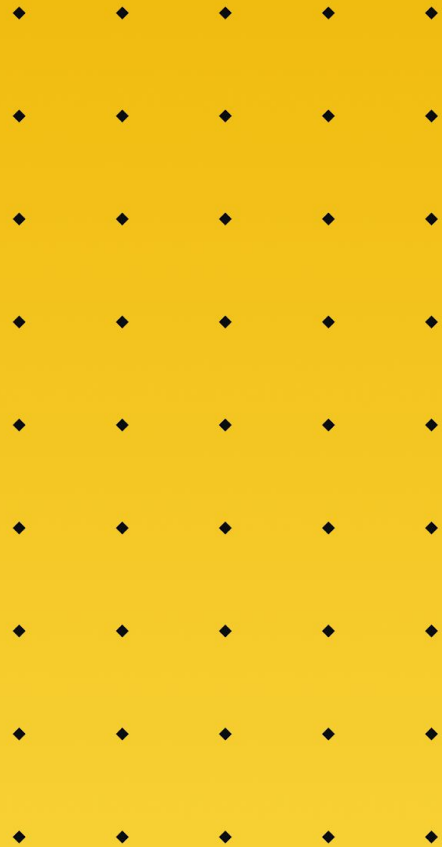◆ This was followed by **ZK technology** at **26.9%** and AI Integration with Crypto at **20.7%**.

Questions: (1) How important are the following core crypto sectors to you or your fund? (e.g. the sector is an area of focus or has sizable investments) (2) How important are the following crypto sub-sectors to you or your fund? (e.g. the sub-sector is an area of focus or has sizable investments)

dApp Usage
DeFi dApps were most widely used

dApps used in the past 3 months

None of the above
10.9%

Gaming and Metaverse
5.5%

NFT Lending
3.0%

NFT Marketplace
8.7%

Liquid Staking
11.9%

Lending
14.5%

Spot DEX
27.9%

Perps DEX
17.7%

◆ **DeFi** seized the top spot as the most interacted category amongst respondents. In particular, spot DEXes were the most utilized dApp in the past three months, followed by perps DEXes, lending, and LSD.

◆ On the other hand, the **Gaming and Metaverse** sector has yet to witness much traction, with **less than 6%** of respondents interacting with these dApps.
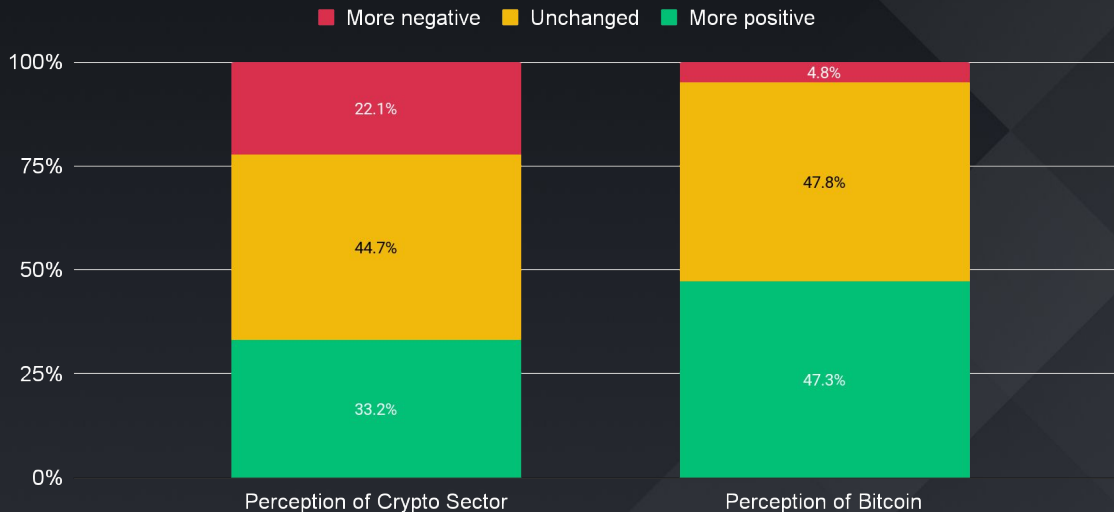
BINANCE RESEARCH   *Question: Which of the following types of dApps have you interacted with in the past three months? (Select all that apply)*

Historical Changes in Perception of Crypto

Largely unchanged, and with a greater proportion having turned more positive than negative

Changes in View over the Past 12 Months

Legend: ■ More negative ■ Unchanged ■ More positive

Perception of Crypto Sector:
- More negative: 22.1%
- Unchanged: 44.7%
- More positive: 33.2%

Perception of Bitcoin:
- More negative: 4.8%
- Unchanged: 47.8%
- More positive: 47.3%

◆ Interestingly, while the perception of crypto and Bitcoin has remained largely unchanged over the past 12 months, a larger proportion of investors have become **more positive towards Bitcoin** compared to the broader crypto sector (**47.3%** vs. **33.2%** respectively).

◆ This may be due to recent market developments, technological innovations in the Bitcoin ecosystem, or perhaps stronger conviction in Bitcoin's narrative as digital gold amidst an uncertain macro environment.

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Historical Changes in Crypto Allocation

Most investors have maintained their crypto allocations in the past year

Crypto Allocation in the Past 12 Months
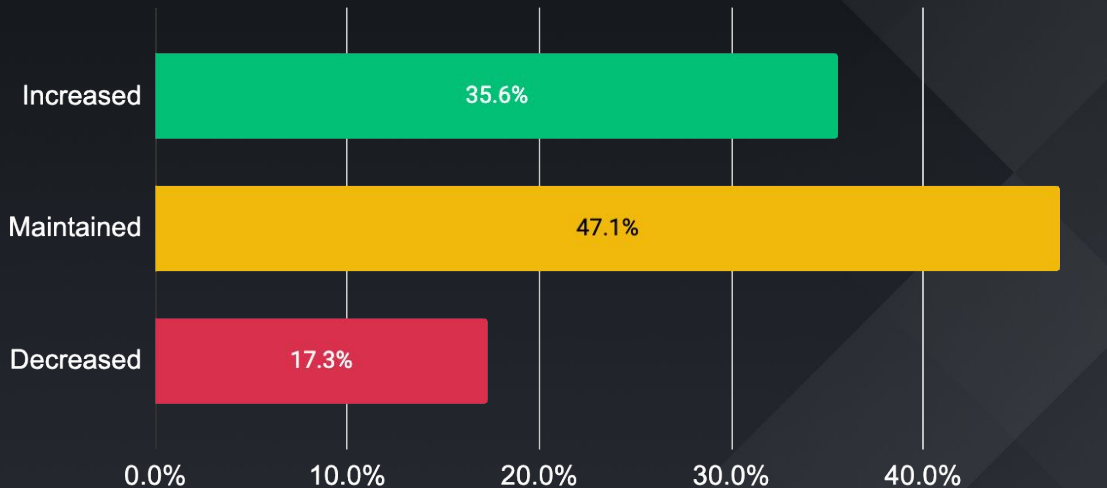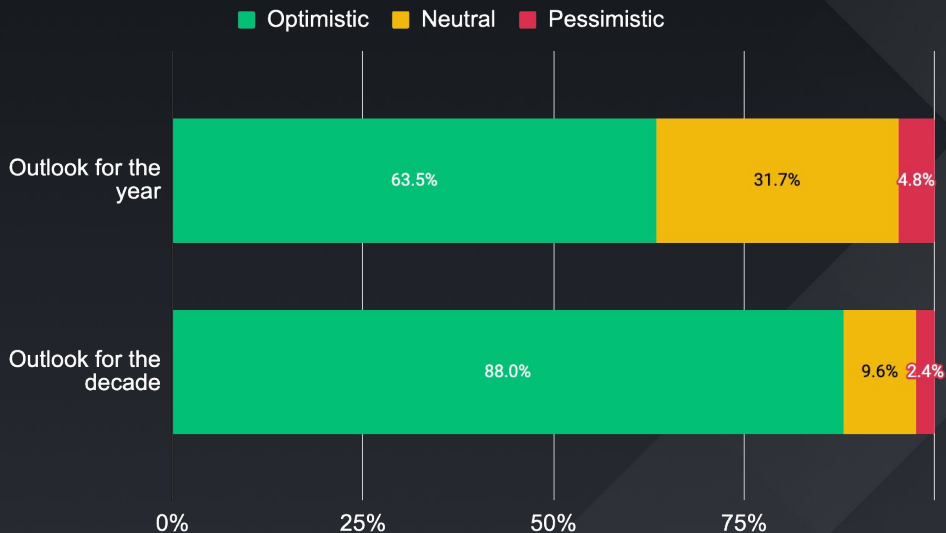

- Despite being a tumultuous period, **47.1%** of respondents maintained their allocations to crypto in the past 12 months.

- Interestingly, a higher proportion of investors increased their allocation than decreased (**35.6% vs. 17.3%**) during the same period.

Question: How has your crypto allocation as a percentage of your overall portfolio changed in the past 12 months?

Outlook of Crypto

Institutional investors are generally optimistic about the outlook of the crypto market

Outlook over the Next 12 Months

■ Optimistic ■ Neutral ■ Pessimistic

Outlook for the year
- Optimistic: 63.5%
- Neutral: 31.7%
- Pessimistic: 4.8%

Outlook for the decade
- Optimistic: 88.0%
- Neutral: 9.6%
- Pessimistic: 2.4%

X-axis: 0%, 25%, 50%, 75%

◆ For the next 12 months, most respondents (**63.5%**) indicated that they were **positive** about the outlook of crypto.

◆ When asked about their outlook for the next decade, the magnitude of investor **optimism increased further**, with an overwhelming majority (**88.0%**) indicating that they are positive.

Questions: (1) What is your outlook of the crypto market over the next 12 months? (2) What is your outlook of the crypto market over the next 10 years?

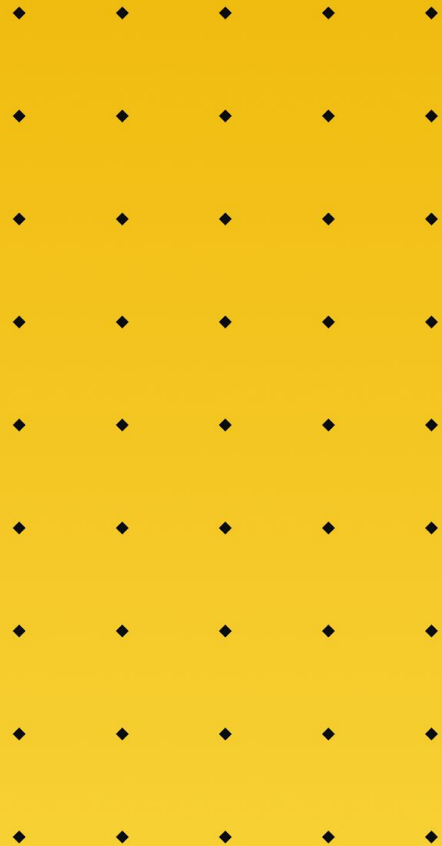# Expected Changes in Crypto Allocation

Many expect to increase their crypto allocation in the next 12 months

Crypto Allocation in the Next 12 Months
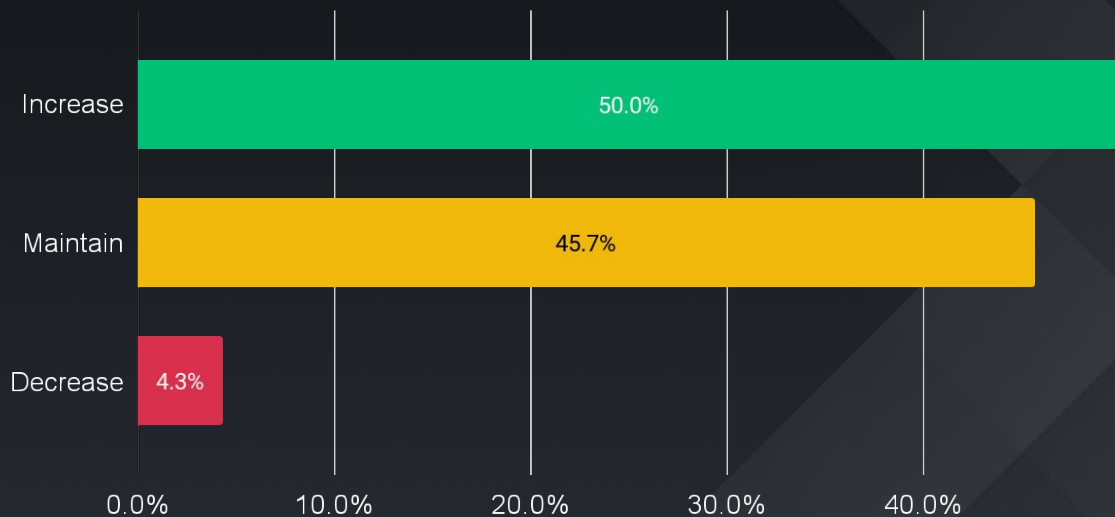
- Looking ahead, the majority of respondents expect to either **increase** or **maintain** their crypto allocation.

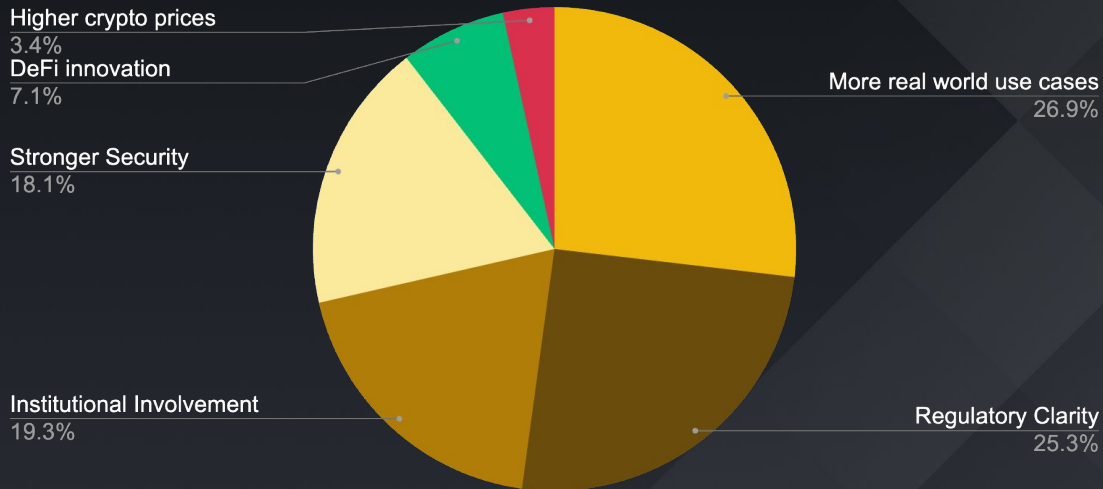- Only **4.3%** expecting to reduce their allocation to the asset class.

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Question: How will your percentage allocation to crypto likely change in the next 12 months?

Drivers of Crypto Adoption

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Factors Driving Crypto Adoption

More real-world use cases and increased regulatory clarity are believed to be key in driving crypto adoption
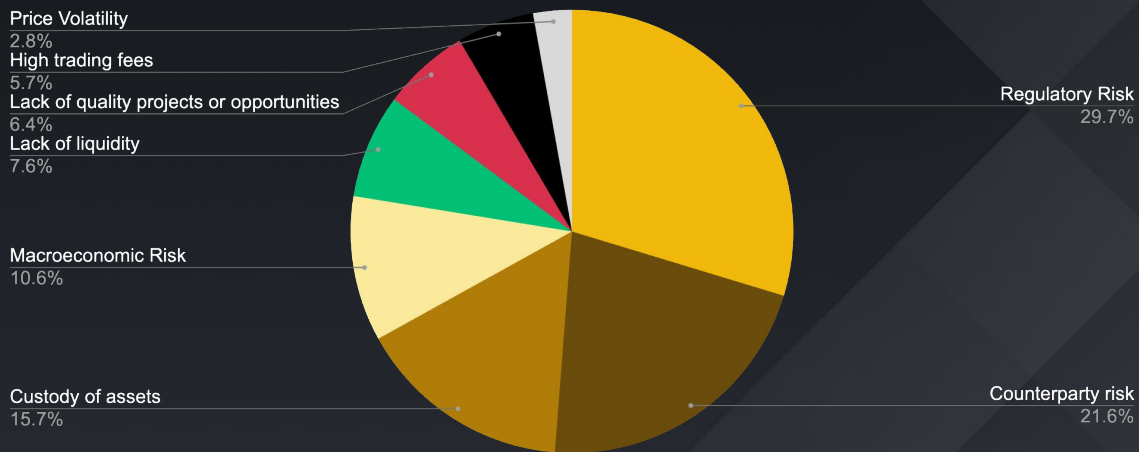
Drivers of Crypto Adoption

Higher crypto prices
3.4%

DeFi innovation
7.1%

Stronger Security
18.1%

More real world use cases
26.9%

Institutional Involvement
19.3%

Regulatory Clarity
25.3%

◆ Demand for **real-world use cases** (**26.9%**) and **regulatory clarity** (**25.3%**) stand out as drivers of crypto adoption.

◆ These were closely followed by the need for more **institutional involvement** through banks and other financial institutions (**19.3%**) and **stronger security**, such as fraud detection and custody solutions (**18.1%**).

◆ The results highlight institutional investors' belief in broad ecosystem developments rather than short-term price action in driving widespread crypto adoption.

Concerns in Crypto

Regulatory risks and counterparty risks were cited as biggest concerns today

Concerns in crypto

Price Volatility
2.8%

High trading fees
5.7%

Lack of quality projects or opportunities
6.4%

Lack of liquidity
7.6%

Regulatory Risk
29.7%

Macroeconomic Risk
10.6%

Custody of assets
15.7%

Counterparty risk
21.6%

◆ **Regulatory risk** was the most cited concern pertaining to the crypto market today (**29.7%** of responses). This was followed by **counterparty** and **custody risks** at **21.6%** and **15.7%**, respectively.

◆ **Price volatility** seemingly undeterred institutional investors (**2.8%** of responses). This is reinforced by responses to a separate survey question where **over 80%** of investors stated that they are highly comfortable with crypto's volatility.
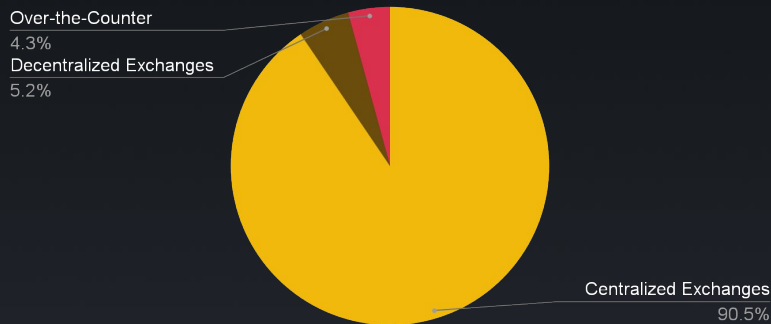
Question: What is your greatest concern in the crypto market right now? If you have not invested in crypto, what are the factors stopping you from adopting or trading crypto? (Select all that apply)

Trading and Custody

Trading Venues

Institutional investors largely trade on centralized exchanges

Trading Platform

Over-the-Counter
4.3%

Decentralized Exchanges
5.2%

Centralized Exchanges
90.5%

By AUM:

Legend: ■ Centralized Exchanges ■ Decentralized Exchanges ■ Over-the-Counter

AUM	Centralized Exchanges	Decentralized Exchanges	Over-the-Counter
< $25M	96.3%	2.8%	0.9%
$25M - $50M	91.2%	5.9%	2.9%
$50M - $75M	81.8%	9.1%	9.1%
$75M - $100M	87.5%	0.0%	12.5%
> $100M	79.6%	6.1%	14.3%

◆ An overwhelming majority of institutional investors (**90.5%**) execute most of their trades on **centralized exchanges** ("CEXes").

◆ Only a minority cited decentralized exchanges ("DEXes") and over-the-counter ("OTC") desks as their preferred trading venues.
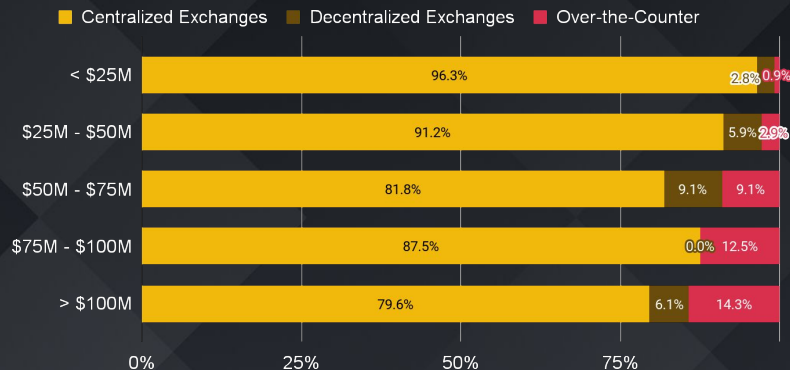
◆ On closer examination, while most trade predominantly on **CEXes**, it is interesting to note that with increasing fund size, a growing proportion cited alternative venues (DEX, OTC) as where they execute most of their trades.

◆ **Over 20%** of respondents with AUM > US$100M trade predominantly on **DEXes** and **OTC desks** compared to **less than 4%** for respondents with AUM < US$25M.

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Question: Where are you executing most of your trades?

Custody of Assets
Most store the bulk of their assets on centralized exchanges

Custody Mediums

- Others 2.4%
- Self-Custodial Hot Wallets 4.3%
- Self-Custodial Cold Wallets 14.9%
- Institutional Custodians 20.2%
- Centralized Exchanges 58.2%

By AUM:

Legend: CEXes · Institutional Custodians · Self Custodial Cold Wallets · Self Custodial Hot Wallets · Others

AUM	CEXes	Institutional Custodians	Self Custodial Cold Wallets	Self Custodial Hot Wallets	Others
< $25M	65.2%	18.8%	8.9%	5.4%	1.8%
$25M - $50M	60.6%	3.0%	30.3%	6.1%	
$50M - $75M	18.2%	54.5%	27.3%		
$75M - $100M	87.5%	12.5%			
> $100M	42.6%	34.0%	19.1%	4.3%	

◆ **58.2%** of institutional investors store their crypto assets on **CEXes**, while **20.2%** preferred **institutional custodians** such as Ceffu and Fireblocks.
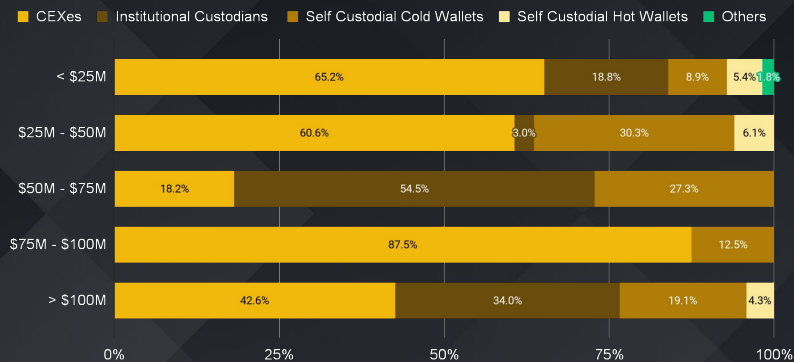
◆ This observation was reinforced across fund sizes, with most investors using CEXes for custody of their assets. However, **institutional custodians** noticeably rose in preference as a medium for custody amongst funds with an AUM of $50M - $75M (**54.5%**).

◆ Funds with AUM > $100M appear to employ various mediums to safeguard their assets.

Question: Where are you holding the bulk of your crypto assets?

Evaluating Centralized Exchanges
Liquidity, Security, and Reputation are key traits that institutional investors prioritize

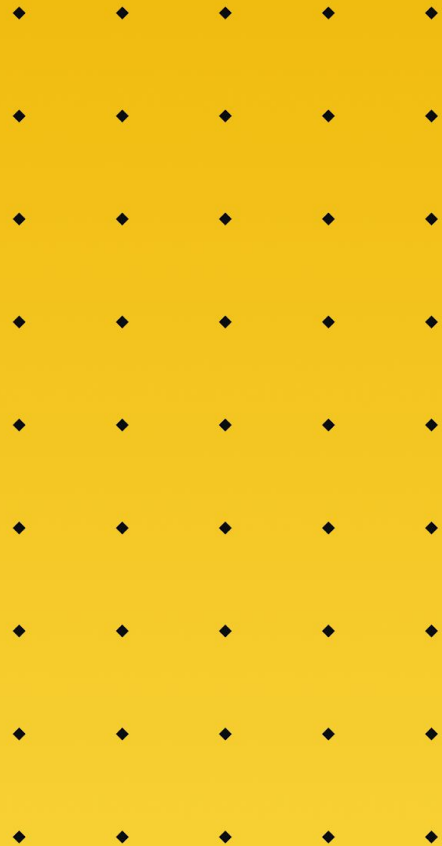## Considerations in Choosing a Centralized Exchange

No. of Responses

Liquidity	168
Security	156
Reputation	135
Fee	50
Fiat Ramps	45
Breadth of Trading Pairs	31
User Interface / User Experience	14
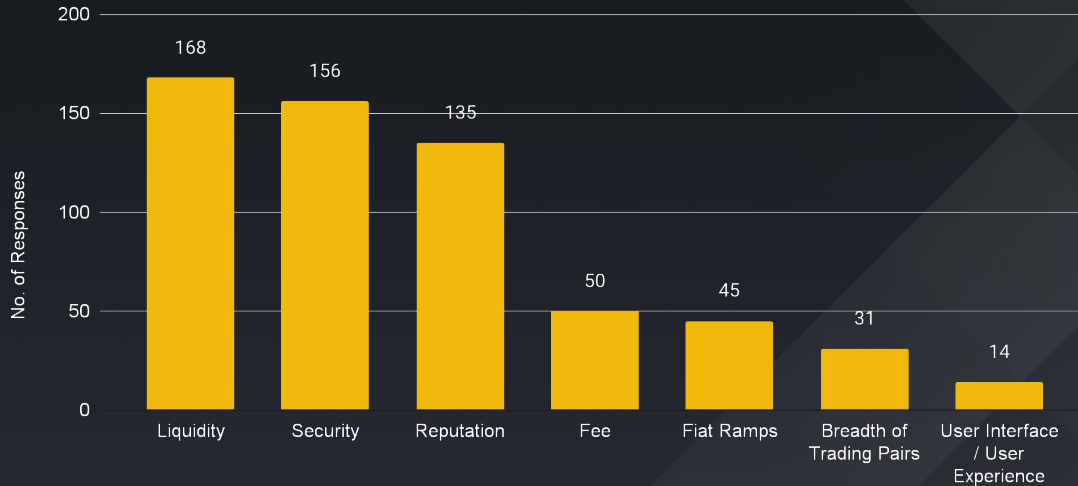
◆ **Liquidity** is the most important trait for institutional investors when evaluating a centralized exchange for their trading needs. This is understandable, given that institutional investors tend to trade in larger sizes.

◆ **Security** and **reputation** are also critical considerations that are clearly top of mind for institutional investors, particularly as most of them store the bulk of their assets on centralized exchanges.

◆ While competitive fees are still important, it is clear that institutional investors place relatively less emphasis on this.

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Question: Select up to three of the most important traits when you evaluate a centralized exchange for your trading needs.
Total number of responses = 599

Sources of Information

Sources of Information

Social media is a widely relied upon source for information and news

Information Sources

Legend: Not at all | Occasionally | Frequently

- Social Media Platforms: Not at all 5.8%, Occasionally 28.8%, Frequently 65.4%
- Crypto news outlets: Not at all 7.7%, Occasionally 42.3%, Frequently 50.0%
- Industry Professionals: Not at all 13.9%, Occasionally 46.2%, Frequently 39.9%
- Mainstream news outlets: Not at all 24.0%, Occasionally 51.0%, Frequently 25.0%
- Friends and / or Family: Not at all 56.7%, Occasionally 36.1%, Frequently 7.2%

- **65.4%** of respondents frequently used **social media** platforms (e.g., Twitter, Telegram, Discord) to receive up-to-date information about crypto.

- This was followed by **50.0%** who used **crypto news outlets** (e.g., Binance News, Coindesk, Cointelegraph) and **39.9%** who sourced information from **industry professionals**.

- Mainstream and business news outlets were occasionally used, while a minority rely on friends and/or family for information.

BINANCE RESEARCH   *Question: What sources do you rely on to receive up-to-date information about crypto?*

Contributors

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Jie Xuan ("JX") is currently working for Binance as a Macro Researcher. Before joining Binance, he worked as a Global Investment Specialist with J.P. Morgan and had prior Equity Research experiences at various fund houses. JX is a CFA charterholder. He has been involved in the cryptocurrency space since 2017.

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Shivam is currently working for Binance as a Macro Researcher. Before joining Binance, he worked as an Investment Banking Associate / Analyst at Bank of America on the Debt Capital Markets desk, specializing in European Financial Institutions. Shivam holds a BSc in Economics from the London School of Economics & Political Science ("LSE") and has been involved in the cryptocurrency space since 2017.

Colin Chan

Colin is currently an intern with Binance on the Macro Research team. Before joining Binance, he interned with Genesis Global Trading as a trader. Additionally, Colin has had experience as a data analyst, spending time with Paypal's Enterprise Architecture Team and Graticule Asset Management Asia's Digital Assets Team. He was also a Solidity developer at Morpheus Labs. Colin is an undergraduate at the National University of Singapore, studying Business and Computing (Information Systems). His interests primarily lie in DeFi and quantitative analysis.

Disclaimers