Institutional Crypto Outlook Survey

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Contents

01 Overview
02 Interests and Motivations
03 Portfolio Allocation and Outlook of Crypto
04 Drivers of Crypto Adoption
05 Trading and Custody
06 Sources of Information
A Joint Study by Binance Research and Binance VIP & Institutional

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 & 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 makers, 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

![Pie charts showing Crypto Assets Under Management and Crypto Investing Experience]

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

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

◆ **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.
Sectors of Interest
Infrastructure, L1 and L2 are areas of focus among institutional investors

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)

◆ 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%**.
DeFi dApps were most widely used

Question: Which of the following types of dApps have you interacted with in the past three months? (Select all that apply)

- DeFi
- Gaming and Metaverse
- NFT Lending
- NFT Marketplace
- Liquid Staking
- Lending
- Spot DEX
- Perps DEX

- 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.
Portfolio Allocation and Outlook of Crypto
Historical Changes in Perception of Crypto
Largely unchanged, and with a greater proportion having turned more positive than negative

Questions: (1) As a whole, how has your perception of the crypto market changed over the last 12 months? (2) How has your perception of Bitcoin changed over the last 12 months?

- 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.
Historical Changes in Crypto Allocation

Most investors have maintained their crypto allocations in the past year.

**Question:** How has your crypto allocation as a percentage of your overall portfolio changed 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.

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased</td>
<td>35.6%</td>
</tr>
<tr>
<td>Maintained</td>
<td>47.1%</td>
</tr>
<tr>
<td>Decreased</td>
<td>17.3%</td>
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</tbody>
</table>
Outlook of Crypto
Institutional investors are generally optimistic about the outlook of the crypto market.

Outlook over the Next 12 Months

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

Question: How will your percentage allocation to crypto likely change 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.
Drivers of Crypto Adoption
Factors Driving Crypto Adoption

More real-world use cases and increased regulatory clarity are believed to be key in driving crypto adoption.

Question: Select up to three factors that you think will be most critical in driving widespread crypto adoption.

◆ 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 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

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)

- **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.
Trading and Custody
Trading Venues
Institutional investors largely trade on centralized exchanges

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

![Custody Mediums](chart)

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

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

◆ 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.
Sources of Information
Sources of Information

Social media is a widely relied upon source for information and news about crypto. According to a recent survey, 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.
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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.
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