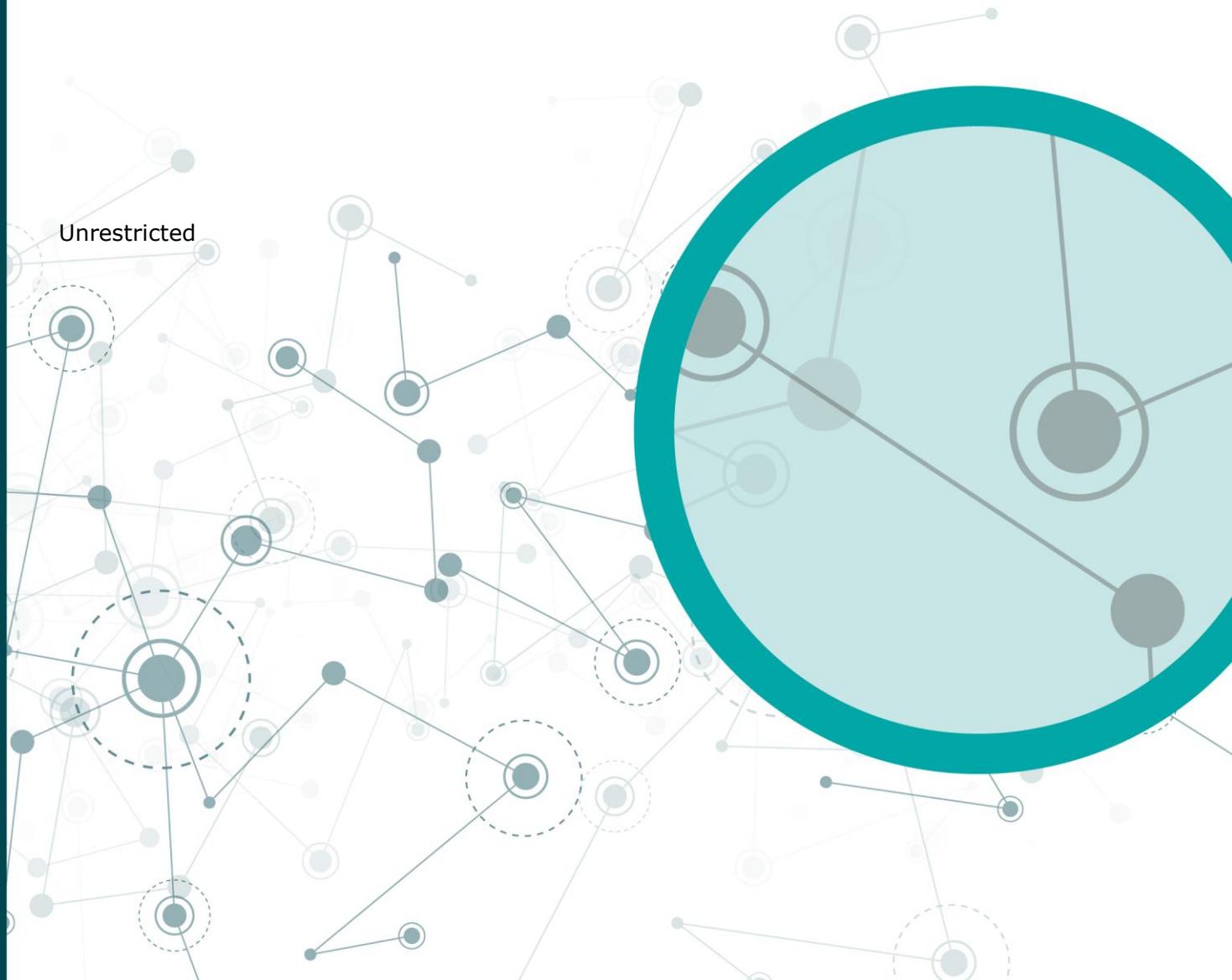


Research Note

30 June 2020

Cryptoasset consumer research 2020

FCA



FCA research notes in financial regulation

The FCA research notes

The FCA is committed to encouraging debate on all aspects of financial regulation and to creating rigorous evidence to support its decision-making. To facilitate this, we publish a series of Research Notes, extending across economics and other disciplines.

The main factor in accepting papers is that they should make substantial contributions to knowledge and understanding of financial regulation. If you want to contribute to this series or comment on these papers, please contact Kevin James (kevin.james@fca.org.uk) or Karen Croxson (karen.croxson@fca.org.uk)

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Acknowledgements

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Summary

In October 2018, [we published a joint report](#), alongside the Bank of England and the Government, as part of a UK Domestic Taskforce on Cryptoassets. In the document, we provided an overview of the state of the UK cryptoassets market and committed to several actions. Whilst the Taskforce report identified 3 major risks of harm associated with cryptoassets - to market integrity, of financial crime and to consumers - we also acknowledged the limited amount of detailed, credible evidence on this rapidly-evolving market.

The FCA commissioned research to gain insight into the size of the market and identify potential harm. In March 2019, we published [consumer research](#) into 'consumer attitudes and awareness of cryptoassets'. Through a nationally representative survey of 2,132 UK consumers and 31 in-depth interviews, this research provided invaluable insights into the size of the market and where potential harms could be found. It concluded that the size of the market was relatively small with 3% of consumers having ever bought cryptoassets, spending on average £200. It also showed that awareness of cryptoassets among the general population was low.

Whilst these results were informative and taught us much about consumers' attitudes and motivations in relation to cryptoassets, both aspects of the research had certain limitations. The qualitative research was exploratory and reached a sample of 31. The nationally representative survey started with 2,132 participants, but the specific follow-up questions related to cryptocurrency ownership were only applicable to a small sub-set of 51 adults, as the remaining individuals in the overall study population had not purchased cryptocurrencies.

A year on, we commissioned follow-up quantitative research among a larger sample of cryptoasset owners, to ensure our understanding of consumer behaviour and areas of potential harm remain accurate. This research was designed to help us build on the previously gained insight into how consumers interact with the cryptoassets market.

Through a longer survey and larger sample sizes, we have been able to understand whether and how the market has changed over the past year. Thirteen current or former cryptocurrency owners also provided video interviews to help us gain deeper insights from the consumer perspective.

This research relates to cryptoassets that are, generally, outside of the regulatory perimeter. They are unregulated transferable cryptoasset tokens including well-known tokens such as Bitcoin, Ether and Ripple. As they are unregulated, we do not otherwise hold significant relevant data about them. The market sizing data, insight into consumer profiles and attitudes towards cryptoassets in the UK included in this research is otherwise unavailable.

The FCA continues to work with the Government and Bank of England, as part of a UK Cryptoassets Taskforce. This research increases our collective understanding of the market size, consumer profiles and attitudes towards cryptoassets.

To note, we chose to use the term 'cryptocurrency' throughout the questionnaire. This term is more widely used in public domain than the broader 'cryptoasset' term we tend to prefer. We also use 'exchange' to represent 'cryptoasset trading platforms', given 'exchange' is widely understood and used by consumers.

1 Overview

Key findings

We estimate 3.86% of the general population currently own cryptocurrencies. This amounts to approximately 1.9 million adults with the UK population (over 18) taken to be approximately 50 million.

- 75% of consumers who own cryptocurrencies hold under £1,000.
- Technical knowledge appears high among most cryptocurrencies owners. Most consumers seem to understand the risks associated with the lack of protections, the high volatility of the product and have some understanding of the underlying technology.
- Nevertheless, the lack of such knowledge among some presents potential consumer harm to consumers. 11% of current and previous cryptocurrency owners thought they were protected. This amounts to approximately 300,000 adults.
- The most popular reason for consumers buying cryptocurrencies was as 'as a gamble that could make or lose money', acknowledging that prices are volatile.
- Cryptocurrency exchanges are a key market participant and most consumers used non-UK based exchanges.
- Adverts are important components of the consumer journey with the ability to influence consumer sentiment. Other mediums such as traditional media and online news also impact consumer behaviour.
- 45% of all current and previous cryptocurrency owners said they had seen a cryptocurrency related advert. Of these, 35% or approximately 400,000 adults, stated it made the purchase more likely. 16% of current and previous cryptocurrency owners were influenced by an advert.

Year on year differences

- The research findings highlight a statistically significant increase from 3% in the [2019 FCA Consumer Research](#) to 5.35% this year in those who hold or held cryptocurrencies. This represents an increase of 2.35 percentage points, from approximately 1.5 million people to 2.6 million people.
- This year 27% had never heard of cryptocurrencies, compared with 58% in our survey last year. This represents a statistically significant increase in the percentage of those being aware of cryptocurrencies from 42% to 73% of adults.
- The media's role in raising consumer awareness about cryptocurrencies has risen.

Equality and diversity considerations

We have considered the equality and diversity issues that may arise from the proposals in this Research Note.

Overall, we do not consider that the proposals in this Research Note adversely impact any of the groups with protected characteristics ie age, disability, sex, marriage or civil partnership, pregnancy and maternity, race, religion and belief, sexual orientation and gender reassignment.

2 Research context

The UK Cryptoassets Taskforce, consisting of the Government, the FCA and the Bank of England, published a [Final Report](#) in October 2018 setting out the UK's policy and regulatory approach to cryptoassets and made a number of commitments. It included a commitment to consult on a potential ban on the sale to retail consumers of derivatives that reference certain types of cryptoassets.

In July 2019, the FCA consulted on banning the sale of certain cryptoasset derivatives to retail investors. The consultation closed October 2019 and, should the FCA decide to proceed with final rules, a final policy statement and Handbook rules will be published.

Since January 2020, the FCA is the anti-money laundering and counter-terrorist financing (AML/CTF) supervisor of UK cryptoasset businesses. UK cryptoasset businesses carrying on activities in scope of the Money Laundering Regulations (MLRs) are required to register with the FCA before carrying out the activity.

The FCA continues to work with the Government and Bank of England, as part of a UK Cryptoassets Taskforce, to understand and address the potential harms from cryptoassets and encourage innovation in the interests of consumers.

In the 2020 budget, the Government announced its plans to consult on bringing certain cryptoassets into scope of the financial promotions regulation. The Government also intends to consult on the broader regulatory approach to cryptoassets, including new aspects relating to so-called 'stablecoins'.

We continue to monitor the market and gain a better understanding of business models through our support services including the regulatory sandbox and direct support for innovative firms. Whilst engaging with an international group of financial regulators and related organizations through our role as chair of the Global Financial Innovation Network (GFIN).

We actively engage with standard setting bodies considering cryptoassets including the Financial Stability Board (FSB) and the International Organization of Securities Commissions (IOSCO).

3 Research design

The quantitative research fieldwork took place from 13 to 21 December 2019, during which time respondents completed an online survey. This contrasts with the previous consumer research, conducted face-to-face.

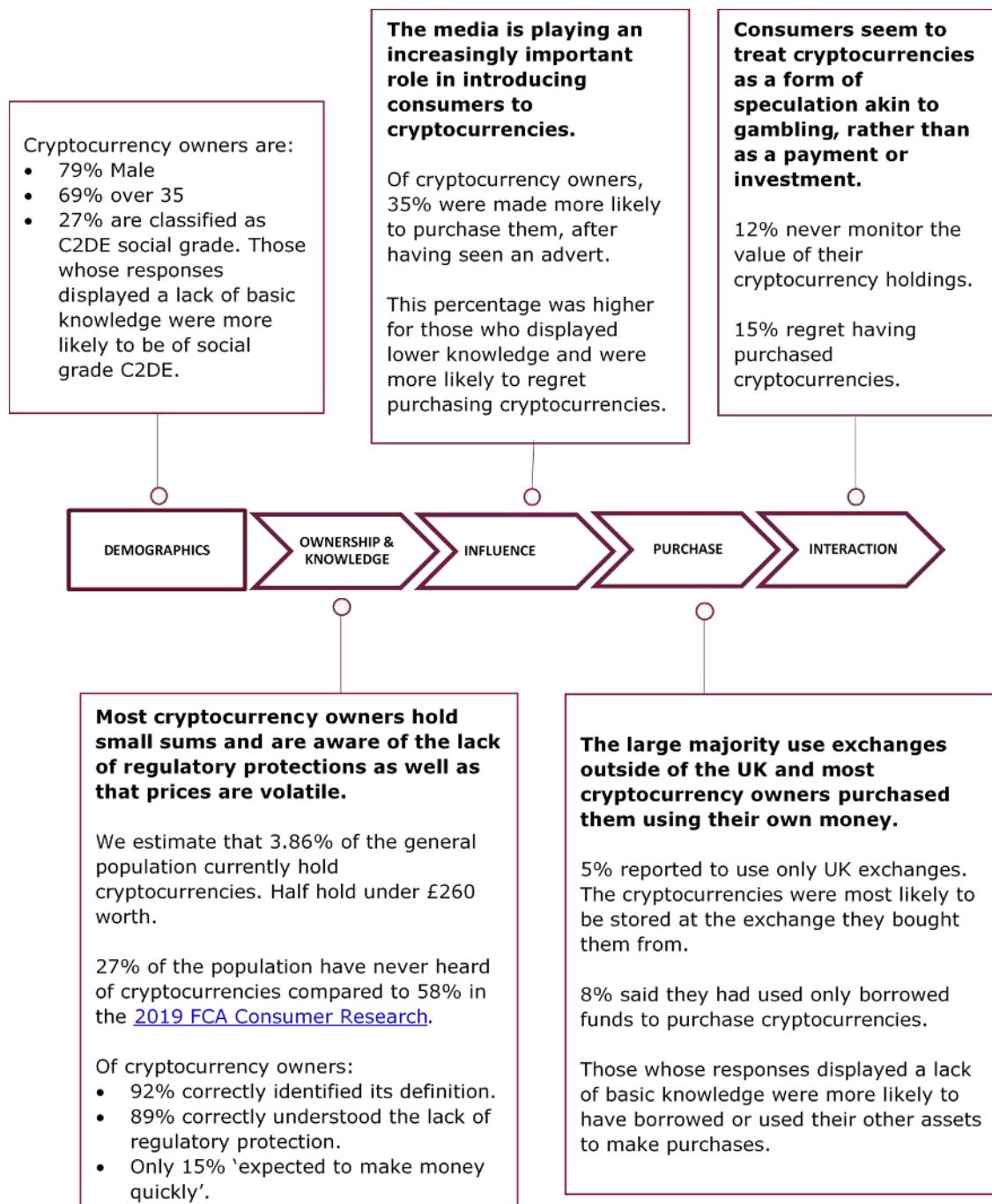
The sample was split into 2 specific groups:

- **Nationally representative sample:** A nationally representative online panel of 3,085 respondents were presented with a question as to whether they had heard of cryptocurrencies. Everyone who said they had heard of them (2,258 or 73%) continued to complete the rest of the online questionnaire. The rest were screened out.
- **Additional cryptocurrency owner sample:** A slightly longer version of the questionnaire was shown to an additional boost sample of 493 individuals, all of whom were current or previous cryptocurrency owners. This boost guaranteed that the longer questionnaire was put to a large enough sample of current or previous cryptocurrency owners.

We combined the 165 'cryptocurrency owners' in the nationally representative sample and the additional 493 from the cryptocurrency owners sample, for a sample of 658 'cryptocurrency owners'.

4 Results

Figure 1: Summary of results



*The National Readership Survey social grade is a system of demographic classification. C2DE represents the skilled manual workers (C2), semi-skilled and unskilled manual workers (D) state pensioners, casual and lowest grade workers and unemployed with state benefits only (E). It is estimated that 43% of the UK population are classified as C2DE .

Ownership and Knowledge

“There is a mixed message of awareness, with false reports online and in the news”

Male, 38

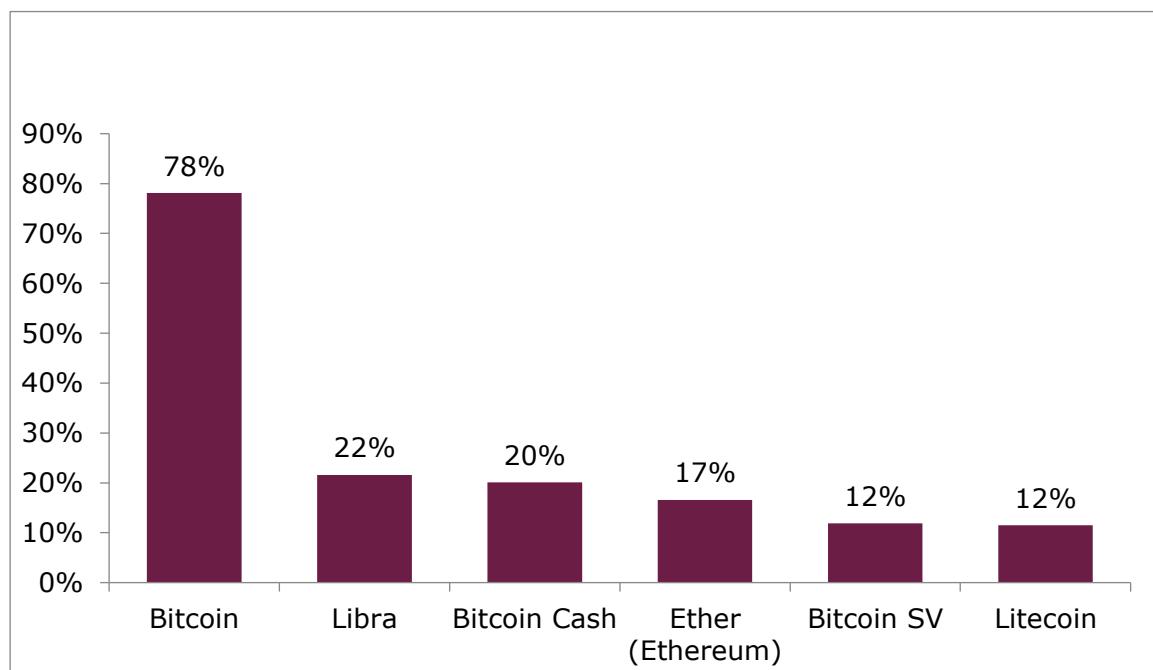
- The typical cryptocurrency owner holds small sums of cryptocurrencies. The mean is greater than the median due to a small number of consumers who hold larger sums.
- Most cryptocurrency owners appear to understand the lack of regulatory protections and demonstrate some awareness of the technology underpinning cryptocurrencies. Also, they acknowledge that prices are highly volatile and may fall.
- Year on year differences:
 - (i) 5.35% hold or held cryptocurrencies, up from 3% in 2019. This represents an increase of approximately 1.2 million people. With the UK population (over 18) taken to be approximately 50 million.
 - (ii) 27% of adults have never heard of cryptocurrencies compared to 58% in 2019.

We estimate that 3.86% of the general population currently hold cryptocurrencies. 5.35% of the general population hold or held cryptocurrencies. This is up from the 3% reported in the 2019 FCA Consumer Research, which was conducted face to face with a smaller sample.

The value held by 50% of current cryptocurrency owners is £260 or less. 75% reported £1,000 or less and 90% (315) reported £4,300 or less. Those who held over £260 worth of cryptocurrency tended to declare higher household income in their survey responses – more than 40% reported an income of £50,000 or more. Further analysis on the distribution of these results is in Annex B.

The value of cryptocurrencies held is unequal across the respondents, with just over 80% of the total value of purchases held by only 20% of the population.

Figure 2: Cryptocurrencies more than 10% of respondents had heard of*



*the list of cryptocurrencies included those that are yet to launch eg Libra.

Base: Aware of cryptocurrencies N = 2188

Consumers appear increasingly aware of cryptocurrencies, as 27% had never heard of cryptocurrencies this year, compared with 58% in our survey last year. The number of consumers aware of cryptocurrencies has significantly increased. A possible explanation for this increase in awareness may relate to the increased media presence. Bitcoin was the most recognised cryptocurrency and, whilst Libra does not yet exist as a cryptocurrency, 22% had heard of Libra. The list of cryptocurrencies included unlaunched ones (Libra), to capture awareness of potential cryptocurrency players.

Considering the knowledge of cryptocurrency owners:

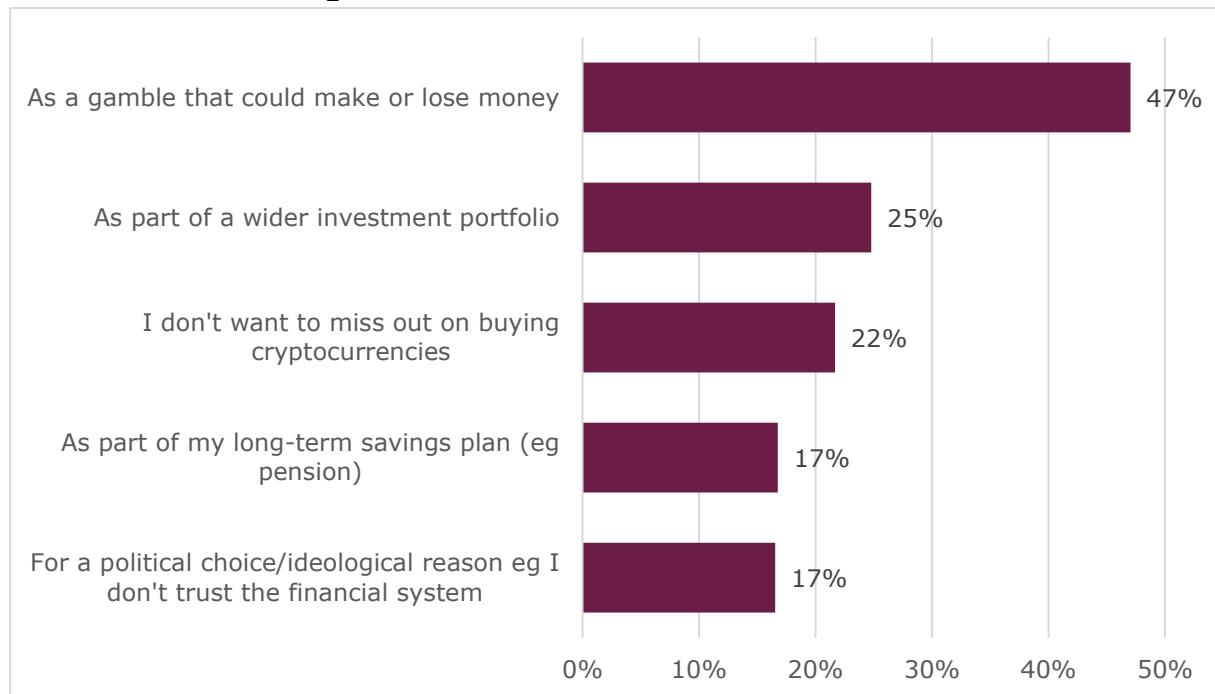
- (a) 92% could identify the correct definition of a cryptocurrency
- (b) 77% recognised 3 or more different cryptocurrencies
- (c) 90% conducted some research before purchasing cryptocurrencies, compared to 84% in the 2019 FCA Consumer Research.
- (d) 89% correctly understood that they did not have regulatory protection when they made the purchase

This tells us that many cryptocurrency owners have basic knowledge of the products and are aware of the lack of regulatory protections.

When asked why they bought cryptocurrencies, 47% said they bought cryptocurrencies 'as a gamble that could make or lose money' compared with 31% in the 2019 consumer research (noting this year's survey was online whilst last years was face to face) as one of the main reasons.

Only 15% stated that they were 'expecting to make money quickly'.

Figure 3: Top 5 main reasons for purchasing cryptocurrencies (more than one answer is possible)



Base: All who currently own cryptocurrency N = 492

31% of consumers who own but do not currently intend to purchase more cryptocurrency report that this is because they consider the purchase too risky. 41% of all respondents who hadn't bought cryptocurrencies because they considered it too risky reported their household income between £20-50k. At the same time, adults with household income of over £60K are more likely to agree than disagree with the statement that purchasing cryptocurrency is a risk they're prepared to take.

Which consumers are aware that there are no regulatory protections?

Cryptocurrencies like Bitcoin do not have regulatory protections. Consumers investing in Bitcoin, for example, do not have recourse to the Financial Services Compensation Scheme (FSCS) and the Financial Ombudsman Service (FOS).

We asked consumers whether they believed they had regulatory protections when purchasing cryptocurrencies. We consider the proportion of different groups of respondents (eg of those who stated they regretted purchasing cryptocurrencies) who believed they did have regulatory protection. This is then compared to the benchmark - the 89% of all cryptocurrency owners who correctly believed they do not have regulatory protections.

The absence of regulatory protection reinforces some consumers' decision not to purchase cryptocurrencies. 73.2% of consumers that do not currently own but plan to purchase cryptocurrencies in the future reported that the lack of regulatory protection has impacted their decision not to buy cryptocurrencies to date. Furthermore, 29% of consumers who currently do not own and do not plan to buy cryptocurrencies agreed with the statement that they would consider purchasing cryptocurrencies in the future if it was regulated.

Most significant results relating to regulatory protections:

- Those who saw their purchase as a 'gamble that could make or lose money' were more likely to correctly identify the absence of regulatory protection when purchasing cryptocurrencies.
- Current owners were more likely to identify that they are not afforded regulatory protection than previous owners. This could suggest that consumers' understanding of the lack of protection has risen over time.

Consideration

“Heard about it through articles on the BBC... and seeing many online ads”

Female, 29

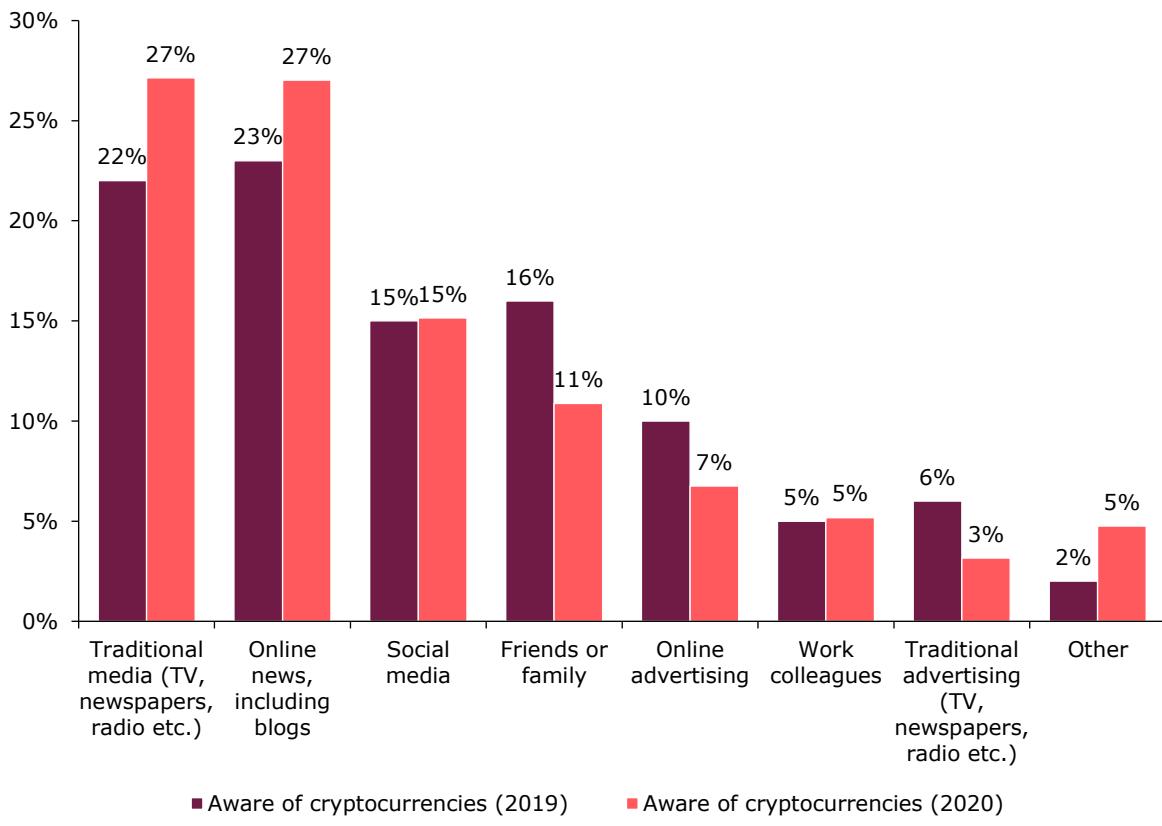
- Adverts are important components of the consumer journey, but other media appear to have influenced consumers more greatly.

Year on year differences:

- More people are first hearing about cryptocurrencies through the media, with 'traditional media' being the place where people are most likely to have first heard about cryptocurrencies.

Compared with last year's survey, more people are hearing about cryptocurrencies through traditional media and online news. The role of the media in introducing people to cryptocurrencies is supported by evidence from the video interviews (this is covered in Section 8, in greater detail).

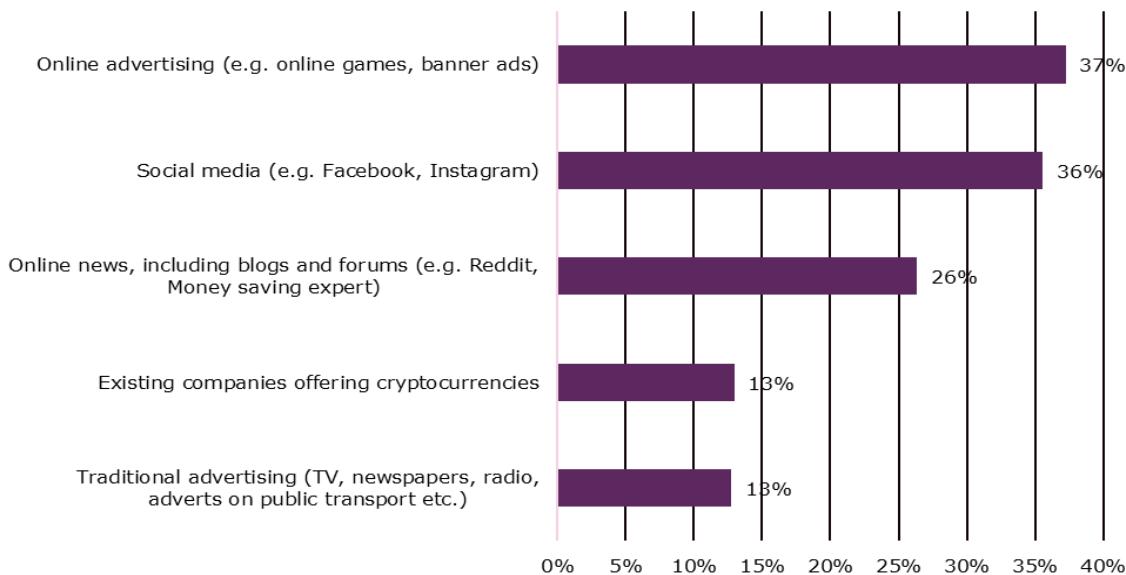
Figure 4: Where did you first hear about cryptocurrencies



Base: Aware of cryptocurrencies N = 624 (2019) N = 2188 (2020)

28% of adults that were aware of cryptocurrencies had seen an advert. Of those adults that had seen an advert, those adverts most frequently seen were online and on social media.

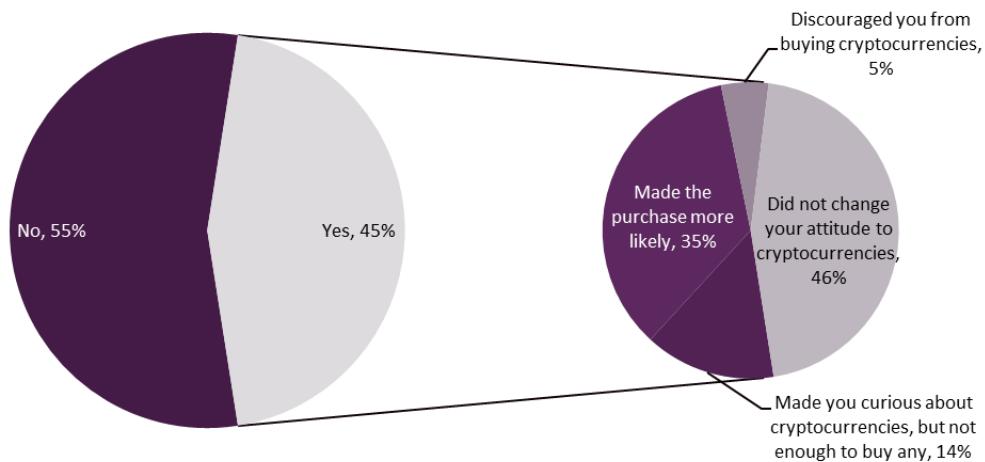
Figure 5: Top 5 places people heard/saw adverts (multiple responses possible)



Base: Those aware of cryptocurrency and had seen an advert N = 604

45% of all cryptocurrency owners said they had seen a related advert, of which 35% stated it made the purchase more likely.

Figure 6: Have you seen/heard an advert? If so, what was the impact on your decision to purchase cryptocurrencies?



Base: Cryptocurrency owners N = 658

Which consumers are more likely to be influenced by advertising?

The [Cryptoasset Taskforce 2018 final report](#) concluded that advertising regarding cryptocurrencies, which is often targeted at retail investors, is not typically fair or clear and can be misleading. We asked consumers whether they remembered cryptocurrency adverts and, if so, whether those adverts influenced their decision to purchase cryptocurrencies.

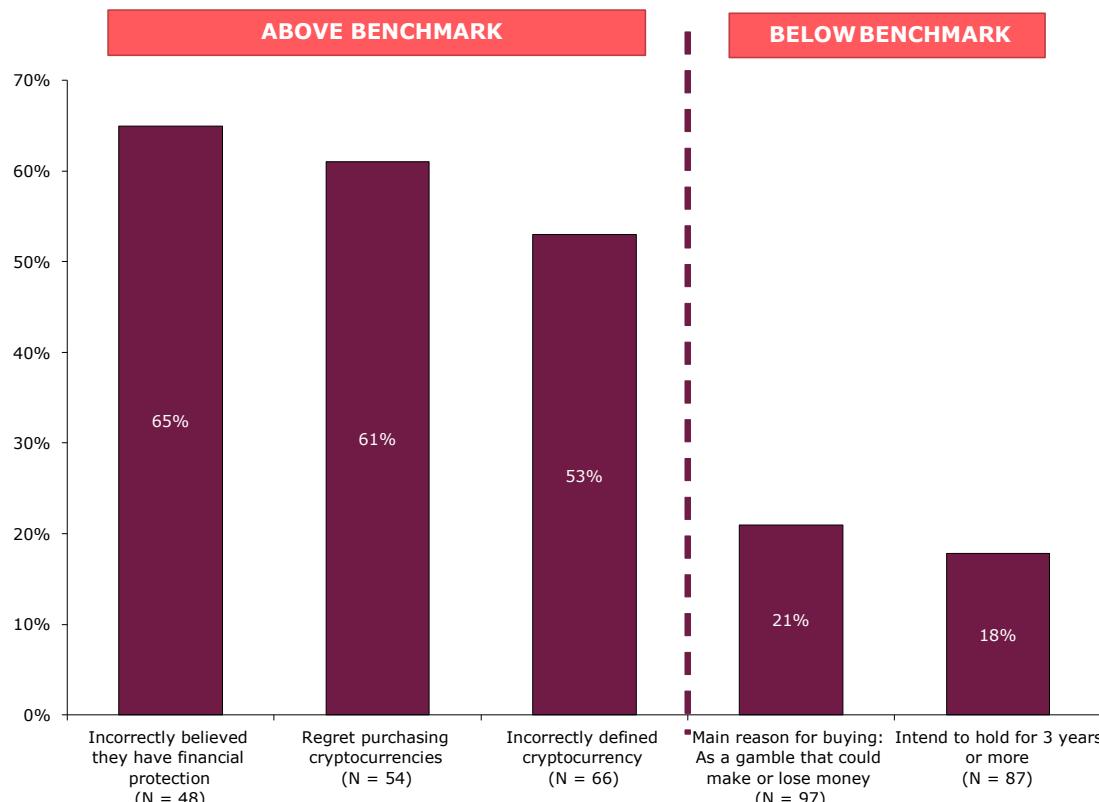
We consider the proportion of different groups of respondents (eg of those who intend to hold their cryptocurrencies for more than 3 years) who were influenced by advertising. This is then compared to a benchmark, the 35% of cryptocurrency owners who had seen an advert and who were influenced by advertising (to be made more likely to purchase cryptocurrencies).

Most significant findings in related to advertising:

Advertising appeared more likely to influence those with less knowledge surrounding the technology underpinning cryptocurrencies and the absence of regulatory protections.

- Those that were influenced by advertising, were more likely to subsequently regret the purchase.
- Conversely, those who purchased lower amounts, saw it as a 'gamble that could make or lose money' and intend to hold them for longer time periods, were less likely to be influenced in this way.

Figure 7: Percentage of different groups who were influenced (to be made more likely to purchase cryptocurrencies) by advertising Benchmark: 35% of cryptocurrency owners who saw an ad and were influenced by it



Purchase

“Excited that it may be the currency of the future”

Female, 29

“Much more volatile and less reliable than other investments... more of exploration and a bit of fun”

Female, 28

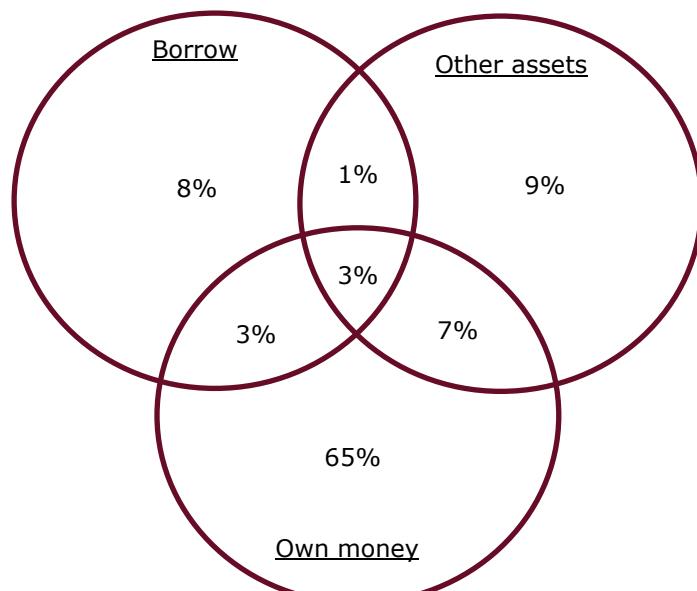
- Online exchanges are the most common way to purchase cryptocurrencies and they are typically stored there as well.
- Only 5% of consumers solely use UK exchanges.
- Most cryptocurrency owners used their own money to purchase cryptocurrencies.

Year on year differences:

- In this survey, 8% reported to have used only borrowed money to purchase cryptocurrencies, while none reported so in the previous survey (in the 2019 consumer research the sample size was 51).

91% used their own money ('disposable income' or 'previous gains') or other assets ('long-term savings or investments' or 'selling other assets/personal items') to finance purchases. 8% used only borrowed (borrowed money from 'financial firms', 'friends/family', 'other sources' or 'using a credit card/existing credit facility') money corresponding to approximately 215,000 individuals. Of those borrowing money, the value of cryptocurrencies purchased were typically lower than the average (among all cryptocurrency owners), with half of such consumers purchasing less than £120 worth.

Figure 8: How did you pay for the cryptocurrencies you bought? *



Base: Cryptocurrency owners that had made the purchase N = 554

*4% are not accounted for in this diagram – these are the consumers who only paid for their cryptocurrencies in a different way

Who is more likely to purchase cryptocurrencies with borrowed money and/or other assets?

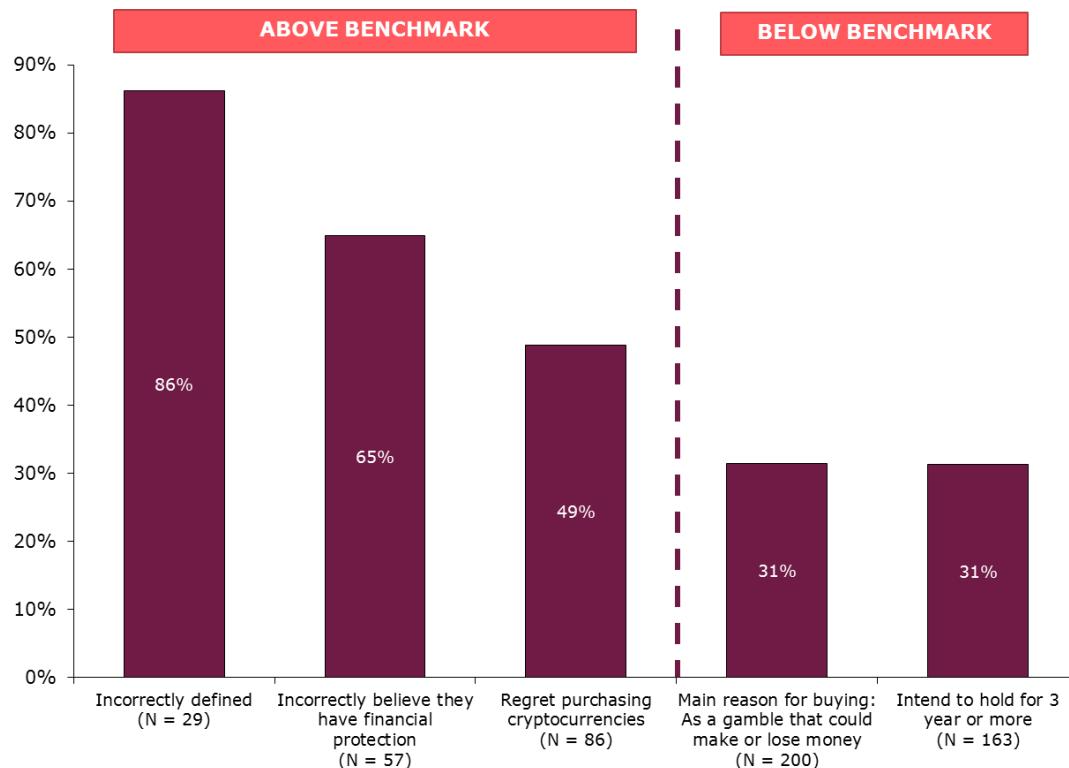
There may be harm to consumers if they are not purchasing cryptocurrencies with money they can afford to lose, as the prices of many cryptocurrencies are highly volatile.

We consider the proportion of different groups of respondents (eg of those who intend to hold their cryptocurrencies for more than 3 years) who made purchases using borrowed money and/or other assets. This is then compared to a benchmark, the 32% of all cryptocurrency owners who had made purchases in this way.

Most significant result relating to cryptocurrency purchase funding:

- Those displaying a lack of knowledge surrounding the technology underpinning cryptocurrencies or the absence of regulatory protections, appear more likely to have financed their purchases of cryptocurrencies with borrowed money and/or other assets. This creates an area of potential harm for consumers.

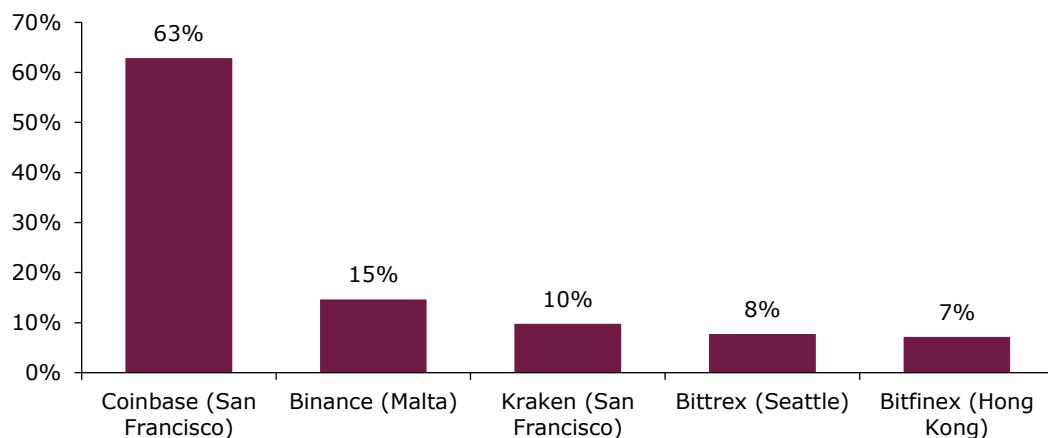
Figure 9: Percentage of different groups who made purchases using borrowed money and/or other assets Benchmark: 32% of cryptocurrency owners made purchases this way



77% of respondents bought cryptocurrencies through an online exchange, reinforcing the results of last year's survey. Of those that used an online exchange:

- 5% used only UK based exchanges
- 12% used both UK and non-UK based exchanges
- 83% used only non-UK based exchanges

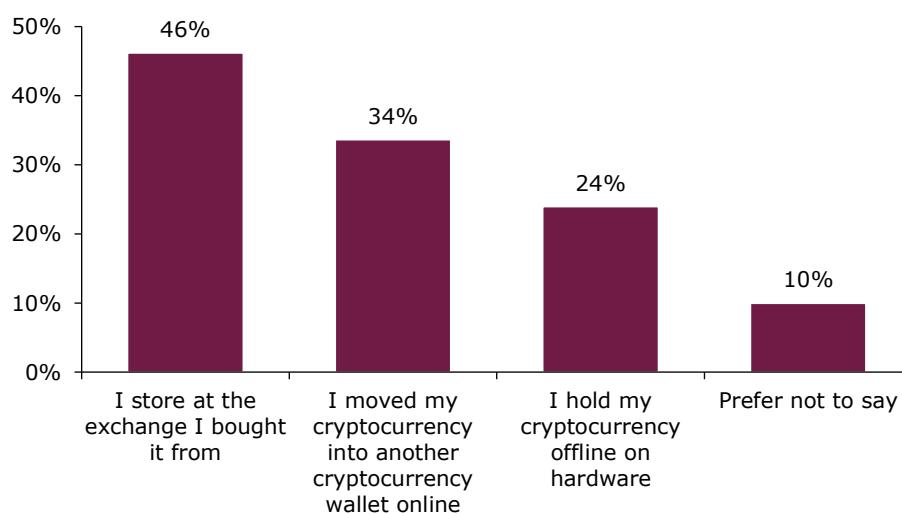
Figure 20: The top 5 exchanges consumers said they used. (location of headquarters in brackets)



Base: Cryptocurrency owners that used an online exchange N = 504

Amongst cryptocurrency owners, the most popular form of storage was on the exchange they bought them from.

Figure 31: Where do you store your cryptocurrency? Please select all that apply



Base: Current cryptocurrency owners N = 492

Interaction

“It is not easy to spend and it is highly volatile”

Female, 37

“As a disadvantage, it is very volatile. Need to have a trading policy/strategy on how much loss you can bear. Have to be equipped with technical analysis tools”

Male, 35

- Whilst just over 25% use cryptocurrencies to purchase goods and services, nearly half have never done anything with them, suggesting people purchase them with the hope of making a return.
- In general, cryptocurrency holders expect to hold them for long periods of time.

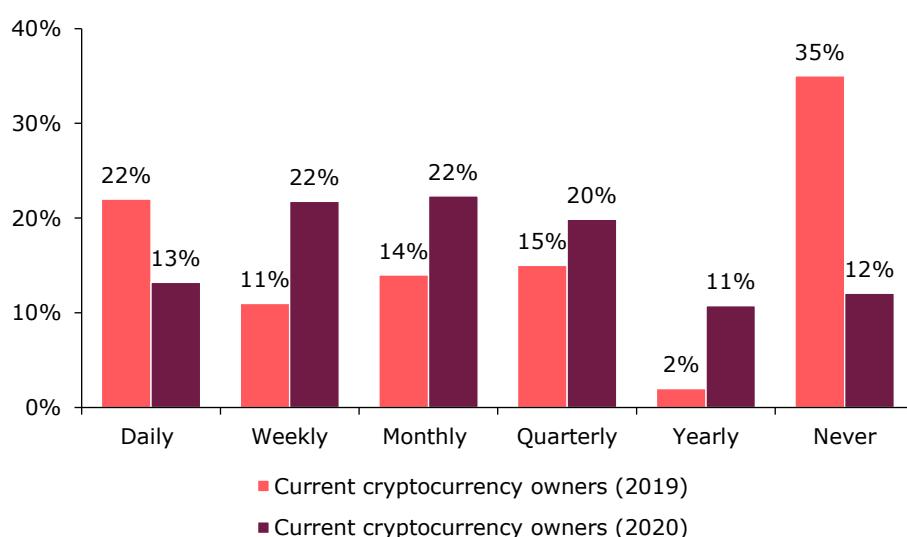
Year on year differences:

- 12% never monitor the value of their cryptocurrency holdings (Dec 2019) compared to 35% in the previous survey (Dec 2018).

Consumers are more likely to monitor the value of their cryptocurrencies this year compared to last year. Fewer consumers, compared to last year's FCA consumer research, reported that they never monitor the value of their cryptocurrencies.

11% of consumers never monitor their retail investments (eg funds, shares, bonds) according to the 2018 Financial Lives Survey. We might expect more consumers to actively monitor cryptocurrencies given their volatility.

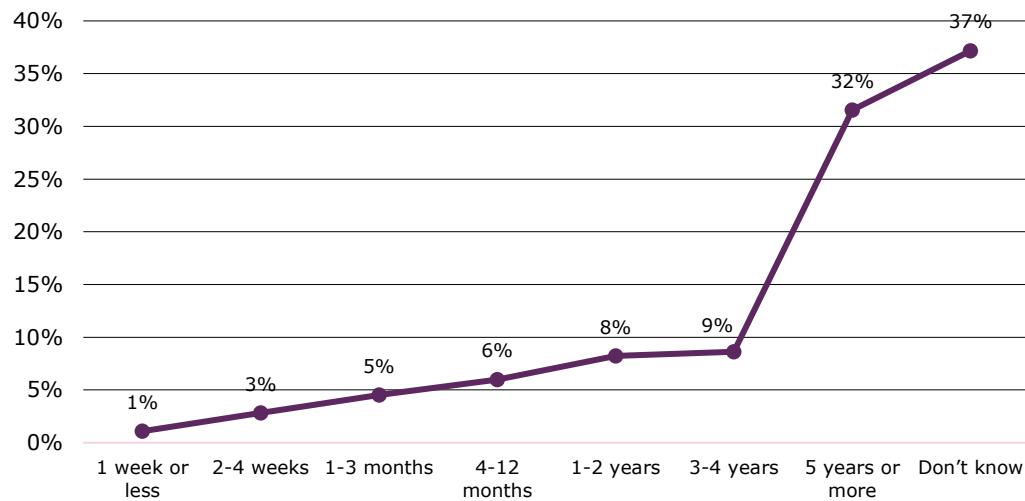
Figure 42: How often do you monitor the value of your cryptocurrency holdings?



Base: Current cryptocurrency owners N = 492

Most current cryptocurrency owners who have a plan for how long they intend to hold cryptocurrencies expect to keep them for 3 years or more. At the same time, almost 40% said they don't know for how long they will hold their cryptocurrencies.

Figure 53: How long do you expect to typically hold your cryptocurrencies for



Base: Current cryptocurrency owners N = 491

Who is more likely to plan to hold cryptocurrencies for long periods?

The length of time a consumer intends to hold their cryptocurrencies is important to examine, as it helps reveal how consumers perceive them.

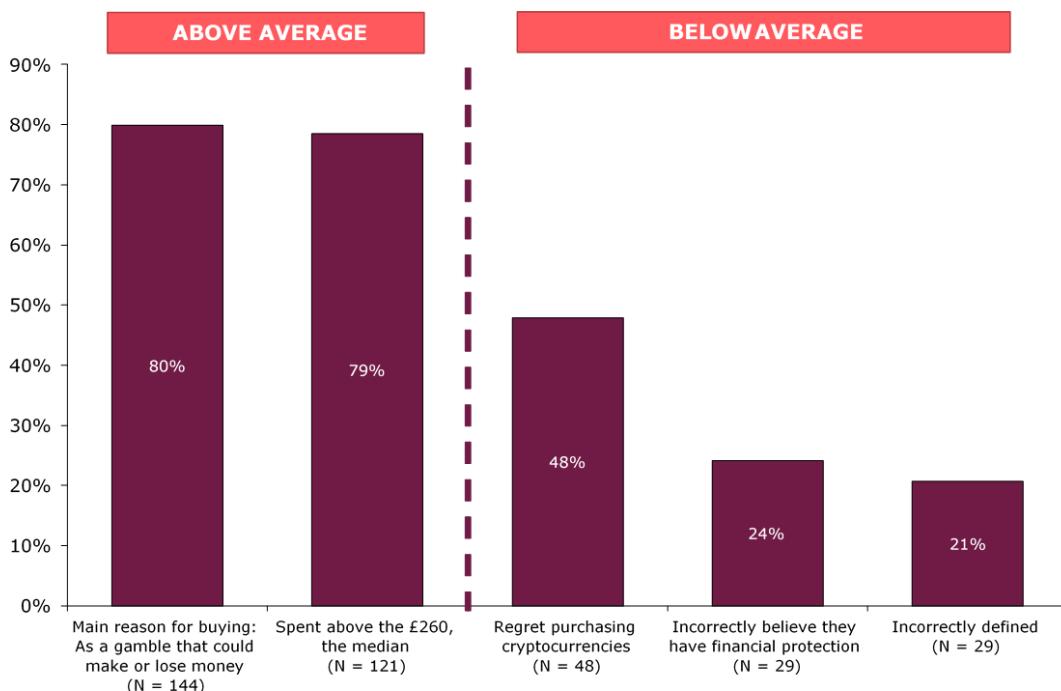
Potential drivers for consumers intention to hold cryptocurrencies for longer periods include:

- (i) people generally hold small sums of cryptocurrencies, limiting their exposure
- (ii) those interviewed thought cryptocurrencies had 'the potential to take off in the future' and saw purchasing them as something 'fun' and 'exciting'.

Most significant results related to duration of intended ownership:

- Those displaying a lack of basic knowledge and who are unaware of the absence of regulatory protections, tend to hold their cryptocurrencies for shorter periods.
- Those who invested more and see it as a 'gamble that could make or lose money', were more likely to hold their cryptocurrencies for longer periods.
- Those who held over £260 worth of cryptocurrency also had higher household incomes – more than 40% reported an income of £50,000 or more.

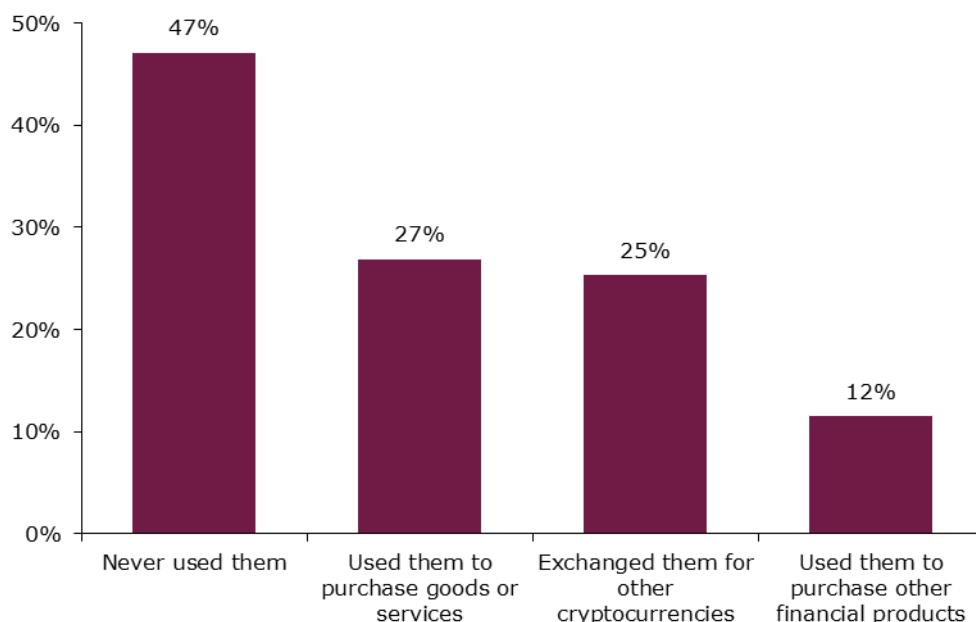
Figure 64: Percentage of different groups who intend to hold cryptocurrencies for over 3 years Benchmark: 77% of cryptocurrency owners intend to hold them for this length of time



Who used their cryptocurrencies?

Almost 50% of cryptocurrency owners have never used them, while 27% have used them to purchase goods and services. The video respondents explain 'nobody I know has purchased anything with them' (male, 36) and 'It is not easy to spend and it is highly volatile' (female, 37).

Figure 75: Have you ever used any of your cryptocurrencies? (multiple responses allowed)



Base: Cryptocurrency owners N = 658

When it comes to the usage among those who owned cryptocurrencies but have sold them, we can see an almost even split between those who never used them for anything specific and those who used them to purchase goods and services (40.7% vs. 38%).

52% of those consumers that currently own cryptocurrencies but do not intend to purchase more reported that they had never used them.

85% of all current cryptocurrency owners did not regret purchasing them. Many do not regret buying cryptocurrencies, even if their value has fallen. It is important to consider this in the context of the sums of cryptocurrencies people hold; half have less than £260 worth.

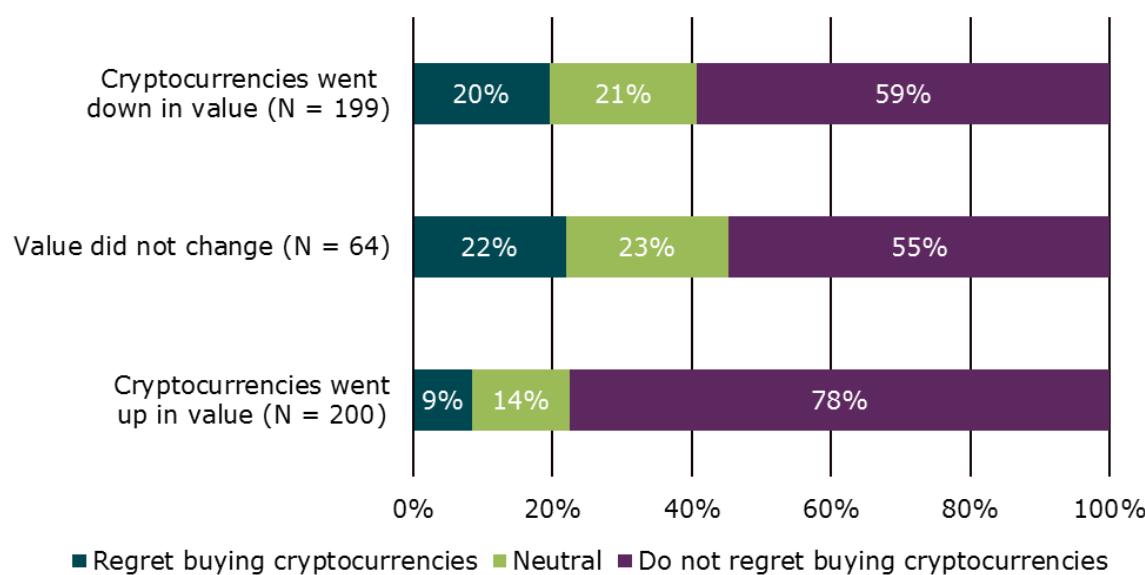
50% of current cryptocurrency owners who do not currently intend to buy more in the future remained neutral on whether they regretted their purchase, reporting that they neither agree, nor disagree. 60% of consumers that had bought and sold their cryptocurrencies do not regret buying cryptocurrencies do not regret buying them.

Several video respondents saw cryptocurrencies as something exciting:

“Much more volatile and less reliable than other investments... more of exploration and a bit of fun”

Female, 28

Figure 86: Are those whose cryptocurrencies have fallen in value, more likely to regret purchasing them?



Base: Current cryptocurrency owners

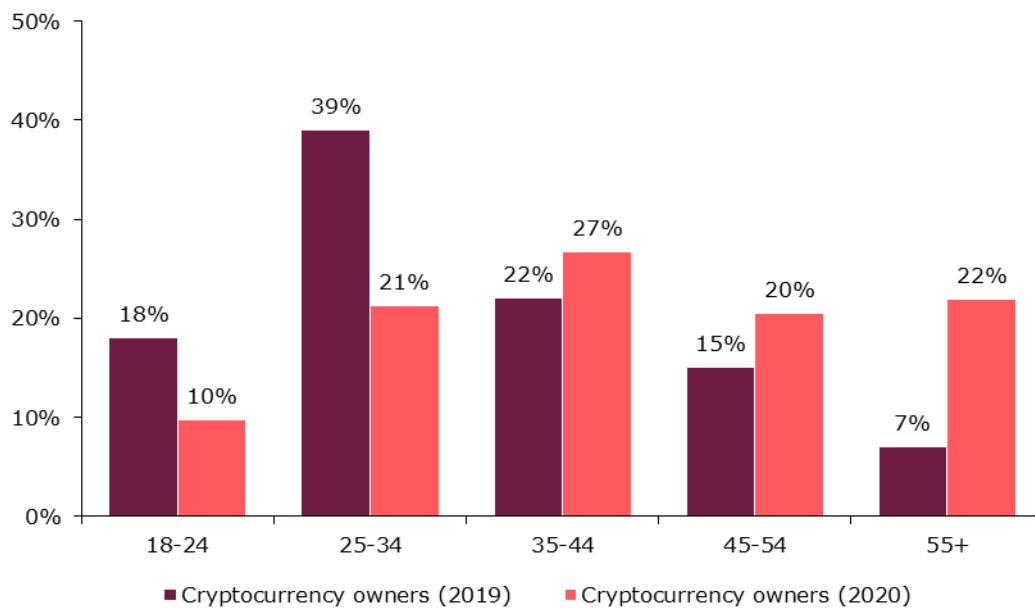
17% of cryptocurrency owners reported having a negative experience relating to owning/purchasing cryptocurrencies. These tended to be surrounding fees on exchanges, transaction times, cryptocurrencies being stolen, and fluctuation in the cryptocurrencies' value.

Demographics

Similar to the findings of last year's FCA consumer research, the typical cryptocurrency holder is male (79%) and of social grade ABC1 (73%).

When it comes to the age bands however, this year's online consumer research shows that the cryptocurrency ownership seems to be more evenly spread.

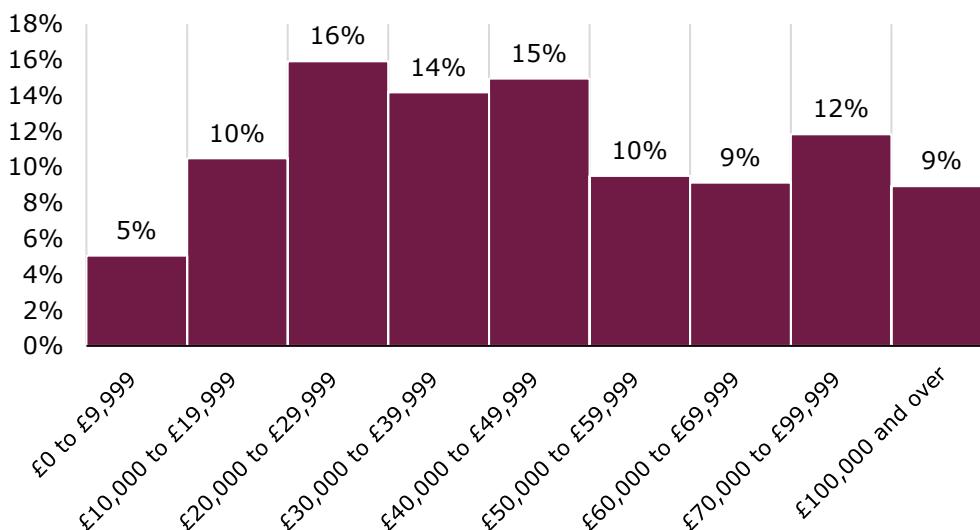
Figure 97: Age distribution of cryptocurrency owners



Base: Cryptocurrency owners N = 648

91% of cryptocurrency owners earn less than £100,000.

Figure 108: Annual income distribution of cryptocurrency owners



Base: Cryptocurrency owners, who recorded their income N = 515

Base: Current cryptocurrency owners

Who is more likely to fall into the C2DE Social Grade category?

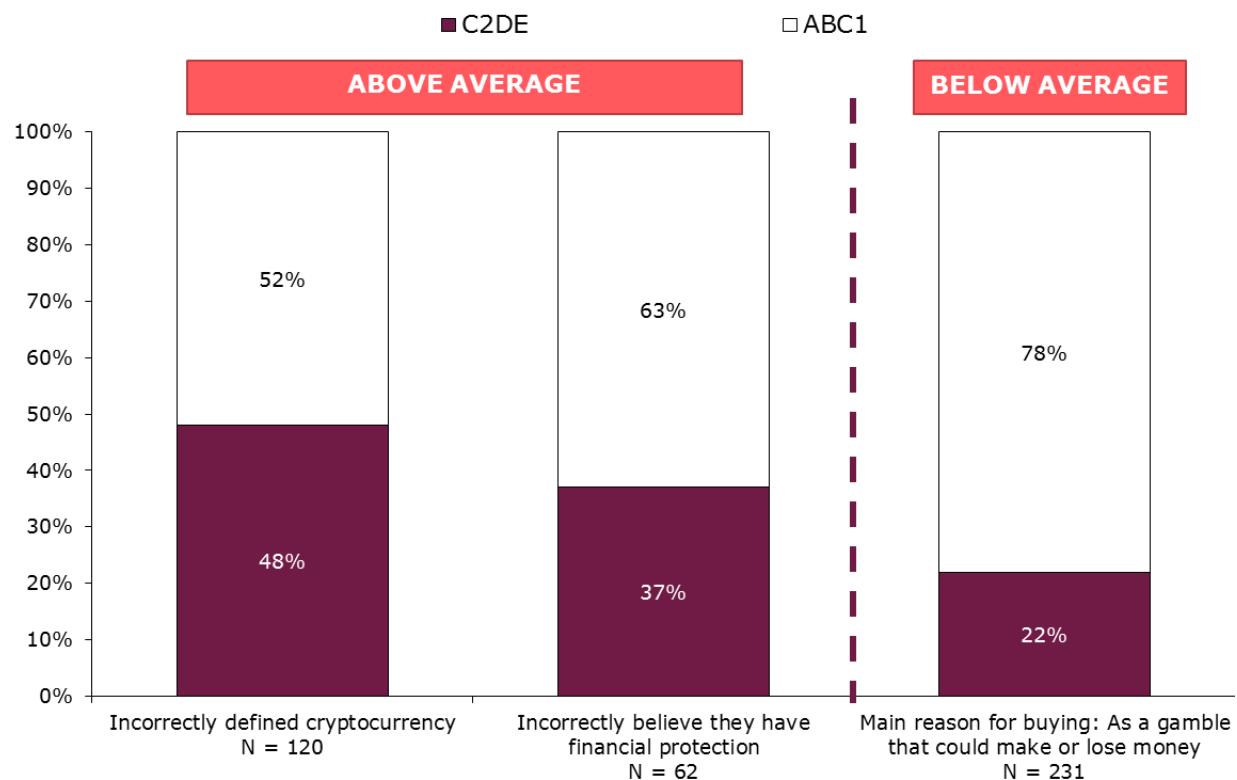
The National Readership Survey social grade is a system of demographic classification. C2DE represents the skilled manual workers (C2), semi-skilled and unskilled manual workers (D) state pensioners, casual and lowest grade workers and unemployed with state benefits only (E). It is estimated that 43% of the UK population are classified as C2DE.

We consider the proportion of different groups of respondents (eg of those whose main reason for purchasing cryptocurrencies was as a gamble) who are of C2DE social grade. This is then compared to a benchmark, the 27% of all cryptocurrency owners who are of C2DE social grade.

Most significant findings related to social grade:

- Those displaying a lack of basic knowledge and are unaware of the absence of regulatory protections are more likely to be of social grade C2DE (than the typical cryptocurrency owner).

Figure 19: Correlations between socioeconomic grade and different questions. Benchmark: 27% of cryptocurrency owners are of C2DE social grade



Case Studies

YouGov conducted 13 video interviews with current and former cryptocurrency owners.

When and where did you first hear about ‘cryptocurrency’?

There is a lot of presence in the media. People also hear about cryptocurrencies through ads and word of mouth...

“Heard about it through articles on the BBC... and seeing many online ads” (female, 29)

“Heard about it through my brother” (male, 36)

“Through some sensational news coverage about the rise and fall, as well as media stories” (female, 64)

What were your main reasons for investing?

People are excited by the new technology and high returns whilst acknowledging the high risk...

“Invested an amount I’m prepared to lose, taking a bet” (male, 60)

“Excited that it may be the currency of the future” (female, 29)

“Main reason for investing... we saw the rise of Bitcoin, may be quicker way to make a good investment... wouldn’t invest a lot of money as very hard to predict what will happen” (male, 36)

“More democratic way of managing your money, is the main attraction” (female, 50)

“Much more volatile and less reliable than other investments... more of exploration and a bit of fun” (female, 28)

Did you ever use ‘cryptocurrencies’ to purchase goods and services?

“*Nobody I know has purchased anything with them*” (male, 36)

“*Used Bitcoin on an online game to buy items*” (male, 30)

“*It is not easy to spend and it is highly volatile*” (female, 37)

What do you see as the main disadvantages?

Emphasis is on the high risk from fluctuations in value...

“*Value could just go down to zero at any point and if you lose it (or there is fraud) you are not protected by any agency*” (female, 37)

“*Advantage is high returns, disadvantage is that it is a high-risk investment. You have to be ready to take on that risk*” (male, 38)

“*Highly volatile, even the so-called ‘experts’ cannot predict all the time*” (male, 30)

Annex 1: Cryptocurrency ownership by value

Those that currently own cryptocurrencies were asked what the value of their current cryptocurrency holdings are. This amounted to 315 responses.

Figure 20. Value of cryptocurrencies people currently hold

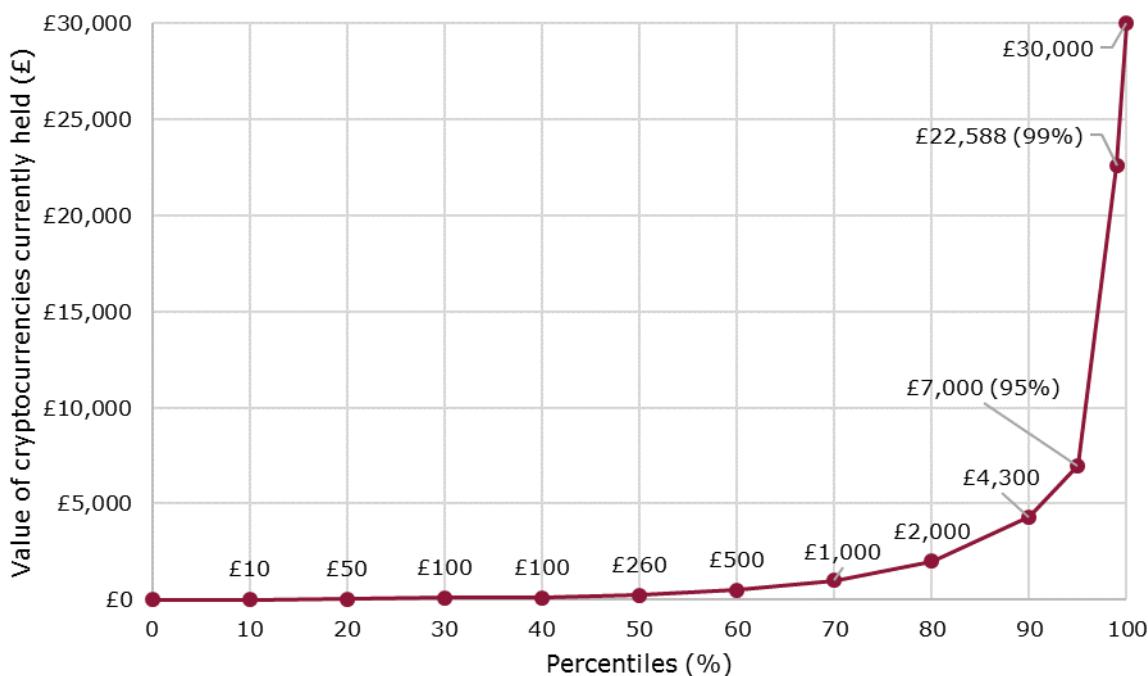


Table 1: Summary statistics

Sample size	Median	Mean Average	Skewness	Standard Deviation	Kurtosis
315	£260	£1,575	4.85 ¹	3870	27.6 ²

¹ Is equal to 0 when the distribution is normal.

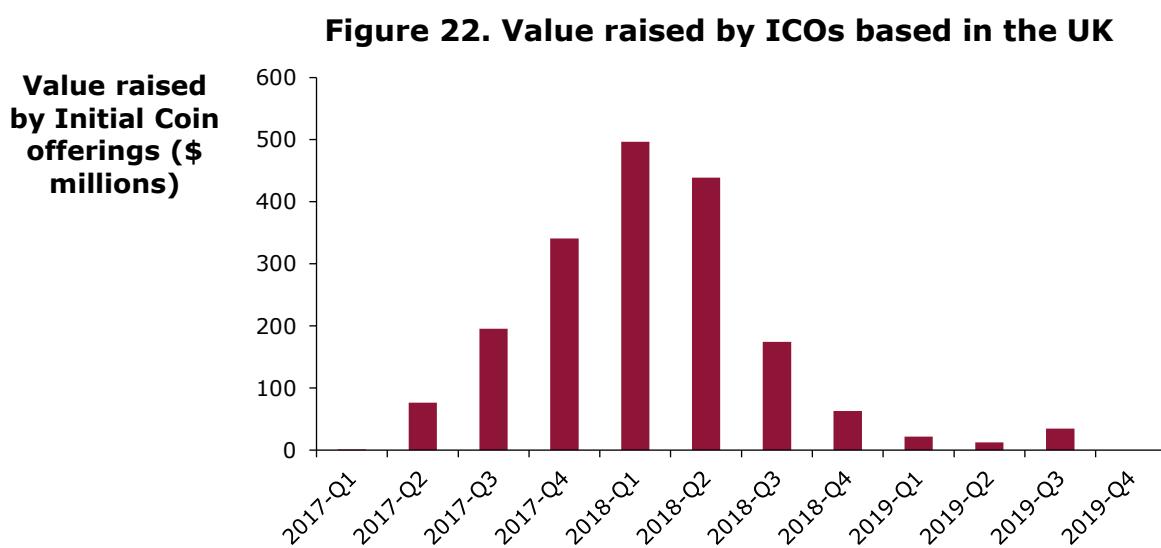
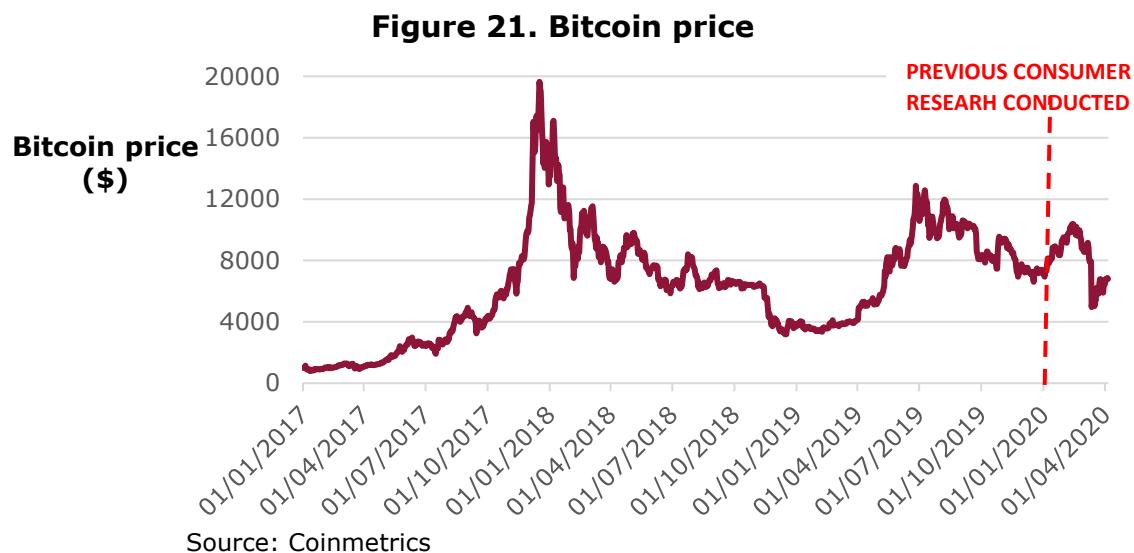
² Is equal to 3 when the distribution is normal.

Annex 2: How the market has developed over time

To get a sense of how the market has developed, we have looked at the price of Bitcoin (the largest and typically most well-known cryptocurrency, with a market capitalisation of \$178 billion³) and the market for Initial Coin Offerings.

When the previous consumer research was undertaken (between 12 and 16 December 2018), the price of Bitcoin and value raised by ICOs had fallen significantly from their peak in late-2017 / early-2018.

Since then, the price of Bitcoin has risen somewhat higher, but still significantly below its previous peak. The value raised by ICOs in the UK (and globally) continues to be small.



Source: Coinschedule (the date is based on when the issuer began raising funds)

³ Source is Coinmarketcap. The second largest cryptoasset is Ether with a market capitalisation of \$23 billion. (Figures at March 2020).

Annex 3: Methodology

2020 Methodology

Sample is drawn from YouGov's high quality proprietary research panel which numbers 850,000 adults in the UK.

Once the samples have been drawn from the YouGov panel, an invitation is sent by email with a link to the survey embedded within it. The covering email does not indicate what the survey is about to minimise any possible panel conditioning. Only respondents who are invited to take part can do so and the survey cannot be undertaken in any other way.

Recruitment from the YouGov panel is controlled using YouGov's proprietary sampling technology, a process called 'turbo sampling'. This is an active sampling system which assigns panellists to the most appropriate survey at the time they respond to an invite. The most appropriate survey is defined based on many factors including demographic needs, time left in field and any lockout criteria from other studies in the field at the time.

Our nationally representative samples are based on 4 key metrics: age, gender, region and social grade.

The sample was split into 2 specific groups:

- N = 2,258 survey of those who stated they had heard of cryptocurrencies. The N = 827 who responded that they had not heard of 'cryptocurrencies' were recorded. The combined sample of N = 3,085 is nationally representative.
- N = 493 online interviews all of whom are current or previous 'cryptocurrency' owners.

2019 Methodology

Kantar TNS Survey was used for the face-to-face survey published in March 2019.

The fieldwork took place from 12 to 16 December 2018. During this time, Kantar TNS conducted 2,132 face-to-face interviews among UK consumers (including Britain and North Ireland), age 16+.

The TNS face-to-face omnibuses employ a random location methodology each week. A varying number of sampling points are issued, depending upon the length of the questionnaire.

2001 Census small area statistics and the Postcode Address File (PAF) are used to define sample points. These are areas of similar population sizes formed by the combination of wards with the constraint that each point must be contained within a single Government Office Region (GOR).

Annex 4: References

2019 FCA Consumer Research -

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