

Australian Independent Reserve Cryptocurrency Index

IRCI 2022

4th edition. November 2022.

The IRCI is an annual report that examines Australian attitudes towards cryptocurrency, as well as their level of awareness, adoption, trust and confidence in the growing market. The IRCI is based on a panel of over 2,000 adult respondents from all walks of life.



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Australia's **trusted** cryptocurrency exchange



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About the index

Now in its fourth year, the Independent Reserve Cryptocurrency Index (IRCI) 2022 is an annual cross-sectional survey of over 2,000 Australians conducted by PureProfile. It is a sample of everyday adult Australians, reflective of the gender, age and geographic distribution of the nation.

The index is a single rating out of 100 designed to reflect four key aspects of Australian attitudes towards cryptocurrency:

- Awareness
- Adoption
- Trust
- Confidence

IRCI 2022

The index moved from 54 in 2021 to 45 in 2022.

The reduction reflects lower ownership rates, fewer people making profits and a decrease in the more immediate-term confidence with a drop in the number of people likely to invest in the next 12 months. This is symptomatic of the difficult year the crypto sector has had, with the price of Bitcoin and other digital currencies dropping dramatically from their 2021 highs.

Despite the fall in the index, it's clear that Aussies remain committed to crypto in the longer term, with overall adoption and long-term confidence in the sector's future remaining high.



Foreword

On behalf of the team at Independent Reserve, I am delighted to invite you to read our fourth annual IRCI; Australia's longest-running and most robust crypto industry survey.

The 2022 survey results reflect the period of immense global market uncertainty we're currently experiencing. Like many other markets worldwide such as equities, bonds and some commodities, crypto is going through a cyclical downturn.

Excessive central bank liquidity has ultimately led to higher interest rates and currency debasement. Continued surging inflation, shifting monetary policy, and the ongoing war in Ukraine has contributed to price volatility across all major markets, including crypto.

This has happened off the back of a breakthrough period for the crypto sector. In 2021, all-time high prices and an array of new products such as ETFs hitting the market lead to a shift from the fringe to the mainstream for crypto.

Crypto has a reputation for being volatile and we have seen this volatility increase recently as the industry market cap has decreased. Despite this volatility, the 2022 IRCI data clearly demonstrates that Australians' interest, and investment in crypto remains high and continues to gain momentum.

Our 2022 IRCI findings highlight that the fast pace of this change is driving a greater need for a fit-for-purpose regulatory framework for digital assets that fosters trust and investment in Australia's financial and payment systems.

The Bragg Report recommendations, in particular, represent a significant coming together of industry, regulators and government. The Bragg recommendations,



Adrian Przelozny
Chief Executive Officer
Independent Reserve

¹ <https://www.fool.com.au/2021/12/02/australias-first-direct-bitcoin-and-ethereum-etfs-are-launching/>



if adopted, will revolutionise the Australian crypto sector and improve consumer protection, therefore driving innovation, confidence and growth in the industry. It's clear that crypto has a meaningful role to play in a more competitive and diversified financial system. For too long, investors have had to weigh up access to the growth of digital assets such as cryptocurrencies with the risks of investing in a largely unregulated environment.

The Albanese Labor Government has a unique opportunity to enable Australia to be a world-leading digital economy and society. The introduction of stronger regulation and policy change will drive investment, provide certainty to the sector and ultimately, increase consumer protection.

We commend the Government on its recent announcement that Australia is set to become the first country to do a stocktake of the cryptocurrency sector via a 'token mapping' exercise. This will enable the Government to better understand and group different types of crypto assets based on their features and underlying code. This is an important and timely recognition that different cryptocurrencies have different business and use cases and should be evaluated differently.

While this is a step in the right direction, there is much more to be done to support the role of crypto as part of a financially strong, competitive and innovative Australian financial and payments system. The time for talk is over, and the time for action to drive competition, attract investment and protect consumers is now.

We are proud to be a positive and valuable contributor to the fast-growing crypto sector in Australia and throughout the Asia-Pacific. We look forward to continuing to work with the governments and industry to advance the sector as it continues to evolve.

Adrian Przelozny

CEO

Independent Reserve



Awareness and adoption

Awareness

General cryptocurrency awareness among Australians increased slightly to 92%, up from 91.2% last year.

With 90.8% of respondents familiar with Bitcoin, it continues to be the most widely heard of asset. Surprisingly, the age group with the highest awareness of Bitcoin was those over 65, at 93.5%.

Ethereum awareness continued to surge on the back of its recent transition to the proof-of-stake protocol and its continued growth fueled by the growth of NFTs, DeFi and decentralised applications. 42.9% of Australians were aware of Ethereum, compared to 36.7% last year.

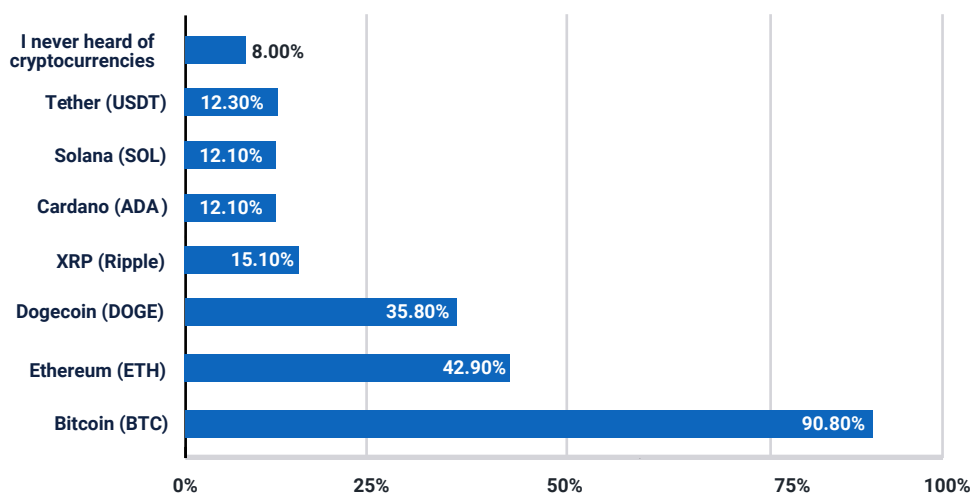
The other notable increase in awareness was in the fast-growing blockchain, Solana. Solana awareness increased to 12.10%, up from 7.30% in 2021 and was most widely known amongst those aged between 25-44 years (18%).

The age group with the greatest awareness of altcoins was those aged 25-34.

92%

of Australians have heard of at least one cryptocurrency.

Most known cryptocurrencies





■ The future of Ethereum

Ethereum has long played second fiddle to Bitcoin in terms of its popularity and value by market capitalisation. In what has been one of the most hotly anticipated events in crypto this year, Ethereum has completed a significant upgrade to its platform designed to make it more scalable and energy efficient. The upgrade - known as 'The Merge' - has dominated media headlines and saw Ethereum's transition from the proof-of-work (PoW) to the proof-of-stake (PoS) protocol².

Some sources³ suggest the Ethereum switch to PoS could reduce its electricity usage by over 99%. The merge may also help to push crypto further into the mainstream not only because it is more energy efficient but because the PoS model provides potential financial incentives such as lower inflation and increased staking yields which may make it more appealing for institutional investors.

Many believe the merge will unlock a boom period for Ethereum, and while no one has a crystal ball, it's certainly an asset many are watching closely. Only time will tell what the future holds for Ethereum.

Key Ethereum stats

- **Created:** 2015
- **Market cap:** ~US\$184,880,000,000 (AU\$285,693,000,000)⁴
- **Supply:** 122,373,863 ETH⁴
- **Supply rate:** 1,600 ETH per day⁵
- **Blocks per day:** 7,152⁶
- **Transactions per day:** 1,048,000⁷
- **Ethereum wallets:** 209,300,000⁸
- **Ethereum wallets holding > .1 ETH:** 6,261,131⁹

² <https://www.forbes.com/sites/qai/2022/09/27/proof-of-stake-will-the-ethereum-merge-really-lead-to-a-rally/?sh=688cface223d>

³ <https://www.coindesk.com/layer2/2022/09/19/did-the-ethereum-merge-drop-worldwide-electricity-consumption-by-02/>

⁴ As of 26 October 2022

⁵ <https://fumbi.network/en/news/ethereum-has-changed-its-inflation-policy-crypto-weekly-update/>

⁶ https://ycharts.com/indicators/ethereum_blocks_per_day

⁷ https://ycharts.com/indicators/ethereum_transactions_per_day

⁸ https://ycharts.com/indicators/ethereum_cumulative_unique_addresses

⁹ <https://studio.glassnode.com/metrics?a=ETH&category=Addresses&m=addresses.MinPoint1Count>



■ Adoption

Cryptocurrency adoption is one of the more influential metrics on the IRCI each year as it reflects Australians' confidence to invest in cryptocurrency as an asset class.

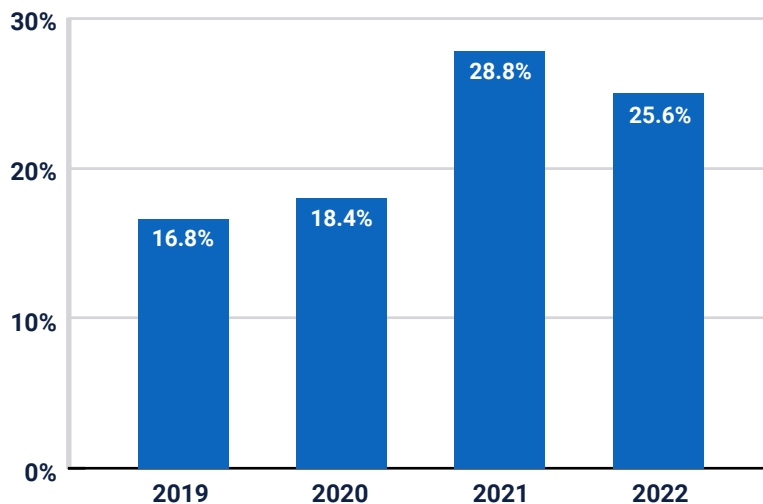
Ownership of crypto assets fell with 25.6% of Australians saying they own or have owned cryptocurrency in 2022, down from 28.9%. The most significant drop in ownership came from the 18-24-year-old age group, falling to 33.3% from 55.7%.

Interestingly, while crypto ownership among males fell almost 10% over the past year, female ownership increased slightly, up from 20% to 21.4%. The increase in female ownership comes off the back of a doubling of the proportion of women in crypto last year. It considerably closes the crypto adoption gap between men and women.

25.6%

of Australians own or
owned cryptocurrency
in the last 12 months.

Australian crypto ownership rates since 2019



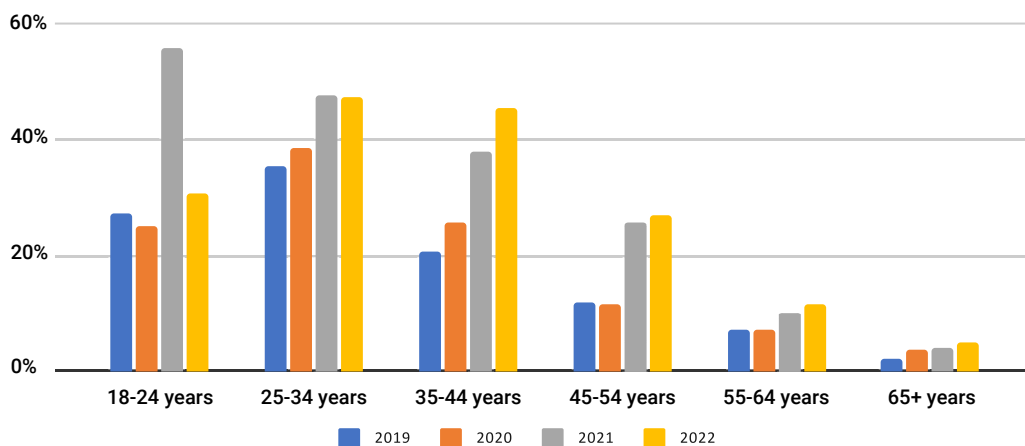


Pockets of growth

When it comes to crypto ownership, the age groups that bucked the trend are Australians aged over 35. The biggest growth in ownership came from respondents 35-44 years of age, up from 38% in 2021 to 45.5% in 2022. Ownership among 45-54-year-olds grew from 25.3% to 27%, and for 55-64-year-olds ownership grew from 9.7% to 11.4%. 5.1% of respondents over the age of 65 claim to own crypto, up from 3.9%.

The largest drop in crypto ownership came from 18-24-year-olds, dropping from 55.7% in 2021 to 30.7% in 2022. 23.4% of 18-24-year-olds that didn't invest in crypto stated that they wanted to, but were not in a financial position to do.

Crypto ownership by age 2019-2022



Buying the dip - monthly investment values on the rise

Despite overall ownership rates decreasing, those who are buying crypto are seizing the opportunity to 'buy the dip' and are investing more than ever before. In 2022, people investing \$500 or more per month in crypto rose 10.3% to 17.3%.

Increases are seen across the board. Even those just dabbling each month - investing between \$1 and \$100 - have more than doubled, rising from 11.6% in 2021 to 26.5% this year. Around a third of women (28.6%) and a quarter of men (24.6%) who buy crypto are investing between \$1 and \$100 each month.

17.3%

of Australian crypto holders invest \$500 or more every month.



Bitcoin remains the go-to investment

Unsurprisingly, Bitcoin remains a favourite across all ages, genders and geographic locations with 63.2% of those who own crypto holding Bitcoin. Ethereum remains a firm second, at 38.2%.

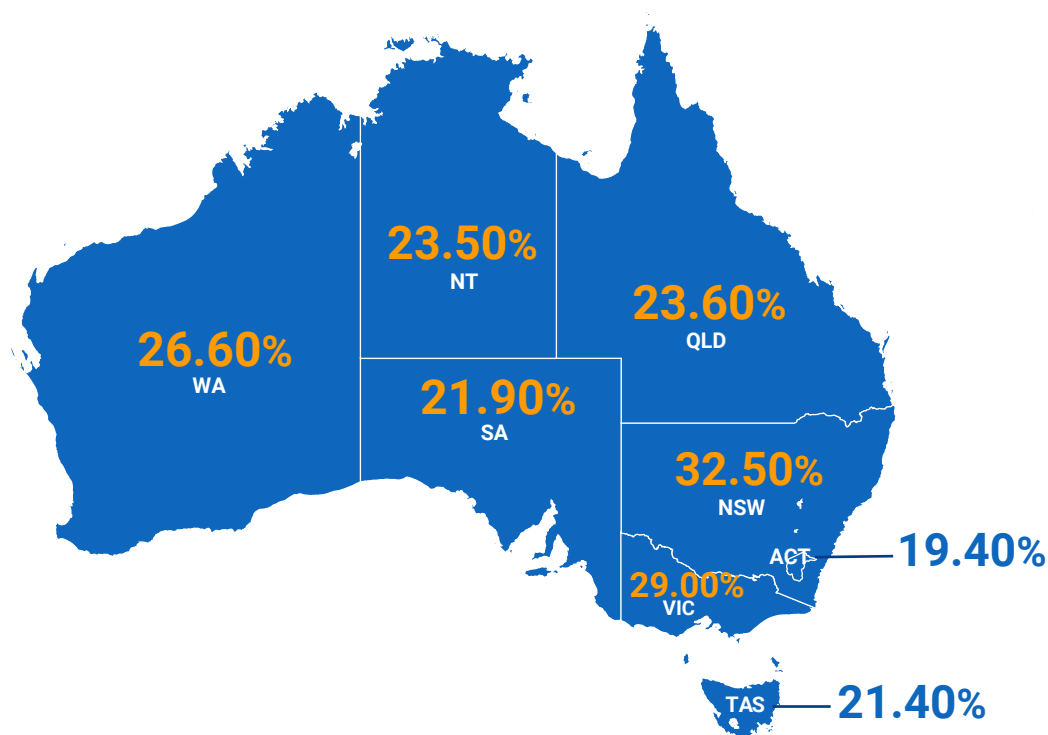
Ripple has shot up the ranks to take third place at 19.3%, bumping Cardano down to the fourth most popular currency to own at 16.7%.

Geographically, crypto ownership grew across NSW and Victoria, up from 29.3% to 32.5% and 26% to 29%, respectively over the past year.

63.2%

of Australian crypto investors own Bitcoin.

Crypto ownership across Australia





Family and friends continue to drive cryptocurrency adoption

The single biggest influence on Australians' decision to invest in crypto remains their "friends or family", with 49.2% (up from 47.5% in 2021) of respondents saying this is why they initially invested.

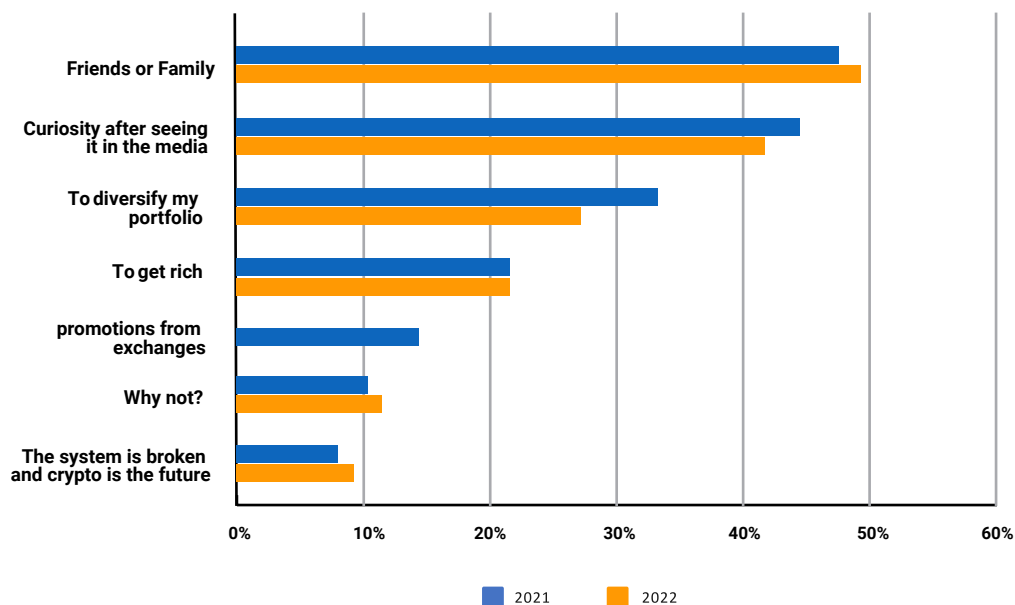
Women are more likely to listen to advice and experiences of friends and family, with 59.5% of females saying this is why they invested, compared with only 41.1% of men.

The second most common influence was "curiosity after seeing it in the media", nominated by 41.7% of people (down from 44.4% last year), followed by "to diversify my portfolio" (27.2%, down from 33.2%). "To get rich" (21.6%, flat YoY), promotions from exchanges (14.4% - this was not asked in 2021), "why not?" (11.5%, up from 10.4%) and a belief that "the system is broken and crypto is the future" (8%, down from 9.3%).

21.6%

of Australian crypto investors, said "to get rich" was their goal.

Influence on Australians' decision to invest in crypto



Those over 65 years of age were most influenced by media coverage, with 45% saying they invested as a result. They were also the most likely age group to throw caution to the wind, with 25% asking "why not?".



Plans in the bear market

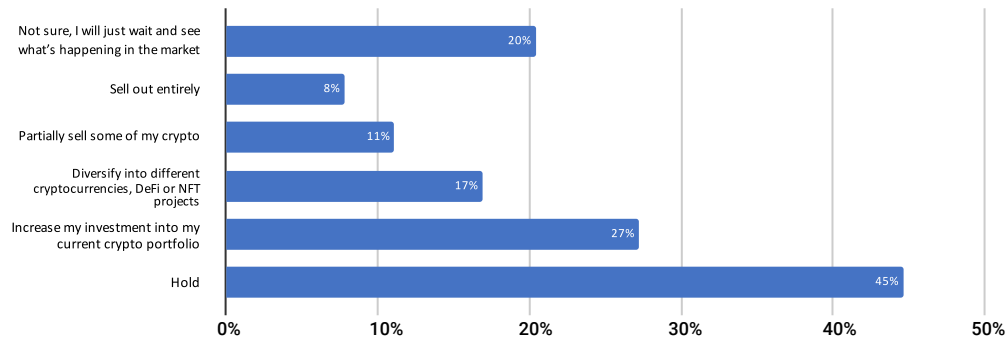
Despite the bear market, the vast majority of IRCI respondents signalled their intent to stay the course. A large proportion (44.6%) of those who currently own crypto said they would hold their investment for the next 12 months. At the same time, over half (51.2%) of Australians surveyed who said they had invested in crypto because they believed “the system is broken and crypto is the future” also said that they intended to invest more during the coming 12 months.

51.2%

of Australian crypto owners plan invest more into crypto over the next 12 months

Having said that, the price volatility has made some investors nervous. This year the IRCI recorded a large drop in the proportion of crypto investors who planned to increase their investment in their existing portfolio, down from 41.5% last year to 27.2% this year, as well as an increase in those who plan to sell out entirely, up from 4.7% in 2021 to 7.8% this year.

Investor's plans for the next 12 months



Price volatility holds Australians back from entering the market

It is unsurprising given the large drop in value since this time last year, that **price volatility** remains the biggest issue holding Australians back from investing in crypto with 48% citing this as the key reason.

A lack of **regulation and consumer protection** is an increasing concern, cited by 36.1% of respondents as the main reason they didn't invest in crypto. This has increased significantly, up from 24.8% last year, and is reflective of the fact that regulation is struggling to keep pace and adapt with the growth of the crypto sector.



■ Regulatory change vital for consumer protection and investment certainty

There is widespread acknowledgement within government and industry of the need to embrace new and innovative technologies that promote investment, while also implementing guardrails to protect Australian consumers.

Consumers are also keen to see greater protections. A massive 32.5% of surveyed Australians that didn't invest in crypto, said they would be more likely to invest in crypto if the industry was better regulated and there were greater consumer protections in place.

In 2021, the Select Committee on Australia as a Technology and Financial Centre chaired by Senator Andrew Bragg made 12 recommendations to address the lack of formal regulation in the sector. The recommendations aimed to simultaneously protect Australian consumers while creating an environment that supports innovation and growth in new and emerging digital assets. The recommendations are yet to be adopted.

The newly-elected Albanese Labor Government recently announced that Australia is set to become the first country to do a stocktake of the cryptocurrency sector and via a 'token mapping'¹¹ exercise that will enable it to better understand and group different types of crypto assets based on their features and underlying code. Making the announcement, Australian Treasurer Jim Chalmers hailed the move as the "first step" in what could be quite a comprehensive reform agenda.

This comes as the Reserve Bank of Australia is exploring use cases for a central bank digital currency. At present, crypto is considered 'property' rather than legal tender in Australia and cryptocurrencies are excluded from foreign currency tax arrangements.

As more Australians invest in digital assets, it's critical that we have a robust and competitive regulatory, tax and policy framework that deals with these assets. Work is certainly underway and steps are being taken to address these concerns. However, there's a level of urgency now emerging as the government embarks on what may just be the most significant legislative changes to the Australian payments system that we've seen in many decades.

¹⁰https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Financial_Technology_and_Regulatory_Technology

¹¹ <https://ministers.treasury.gov.au/ministers/stephen-jones-2022/media-releases/work-underway-crypto-asset-reforms>



There is no reason why digital assets should remain unregulated

By: **Senator Andrew Bragg**, Liberal Party of Australia

Australia has an opportunity to become a global hub for digital assets. We can only take advantage of this opportunity, if we have an effective regulatory framework for digital assets in place.

An effective framework must protect consumer interests. Consumers of digital assets should be able to benefit from Australia's already sophisticated financial regulatory architecture.

For example, licensing regimes that reflect how digital assets are held and traded should be implemented. These regimes should contain different licensing categories and requirements for exchanges, custodians and stablecoin issuers. This regime would protect consumer interests and promote regulatory confidence, by implementing regulations around the pre-existing market.

Why we believe in regulation

Given that this report notes that an estimated 25.6% of Australians currently hold digital assets, implementing digital asset regulation will protect Australians.

Effective regulation would ensure that digital assets are treated in the same manner as conventional assets. Some benefits this would provide, include limiting how cryptocurrency is marketed, and providing recourse for individuals who are subject to cryptocurrency scams.

Recent market failures in the sector could have been mitigated if there had been minimum requirements in law for exchanges and custody services. This should include capital requirements, segregation between customer and corporate funds, and the need for key personnel to be based in Australia.

The risks of regulatory stagnation

One risk of failing to regulate digital assets is that we will enter into a state of regulatory stagnation. Other jurisdictions, including the UK and Singapore, have begun regulating digital assets.

These jurisdictions are placing themselves in a position to expand their local digital markets, and take advantage of the opportunities it provides. It is imperative that we move in the same direction. Failing to do so, will only limit the ability for Australia to fully benefit from the digital economy, including creating new consumer choices and promoting competition.



Senator Andrew Bragg
Liberal Party of Australia



Security and education are critical for mass adoption

By: **Devan Bishop**, Principal at MGI Dobbyn Carafa

We have clearly had a challenging 12 months, not just in the world of crypto but the world more broadly. Despite these challenges, I have seen an increase in the number of tax and legal professionals talking about crypto and the incremental improvements required to take the space from its current standing to a more accepted alternative asset class. Whilst regulation is a key part of the required mix to take us mainstream, it feels incredibly slow. However, there's optimism in the air as we have an amazing group of professionals in Australia who are all unifying and working with the authorities. Whether it is collaborating with Senator Andrew Bragg on the Bragg report, advising individual and business participants in the crypto economy, or more recently making submissions to the Board of Taxation on the tax issues observed by professionals.

Whilst regulation catches up, the bear market affords participants valuable time to focus on building and collaboration, which will ultimately spur the next phase of growth. I see increased activity in the mainstream adoption of Web 3 strategies such as the AFL NFT project. Whilst these projects may not receive the same hype as the peak of the NFT craze in 2021, with each project released, we see another wave of network adoption and technological advancements that result in continuous improvement and focus on the end consumer.

And what of the end consumer, are they prepared for continued volatility and uncertainty in their life? Have they secured their digital assets effectively? Of late, I have been increasingly discussing family law and estate planning matters, separation, death, and taking inventory of an individual's digital assets. They are subjects we tend to shy away from due to the pain and discomfort that can accompany them. That said whether you are serious about protecting your valuable assets personally or you want to find a service provider to custody them for you. Security and educating our loved ones about the digital assets we own is another important part of the mass adoption journey.



Devan Bishop
Principal at MGI Dobbyn Carafa

About MGI Dobbyn Carafa

MGI Dobbyn Carafa is a member of MGI Worldwide, a top 20 international accounting network, providing services across business and blockchain advisory, tax, corporate advisory and independent audit.



■ Pent-up demand

Of the Australians that didn't invest in crypto, many (11.6% of those surveyed) planned to invest in crypto during the last 12 months but didn't because they were negatively impacted by the economy or due to economic uncertainty. A further 5.3% planned to invest in crypto but held back because of reasons outside of the economy.

Self-managed super: a growth opportunity for crypto

The proportion of respondents who identified as having a Self-Managed Super Fund (SMSF) and said they were likely or very likely to use their SMSF to invest in crypto reduced from 37.8% in 2021 to 28.6%. This is hardly surprising given the impact that the rising interest rates, inflation and market volatility being experienced across the board is having on investment decisions across all asset classes.

28.6%

of SMSF trustees said it was likely they would use their SMSF to invest in crypto.

Self-managed super funds remain a significant potential growth market for crypto assets, particularly in the current environment. History shows that in times of uncertainty and market volatility, many people want to take more control over their finances. In fact, the latest Australian Taxation Office statistics reveal that the 2020-21 year resulted in the largest increase in new SMSFs since 2017-18, with 25,312 new funds. The growth in new funds is driven primarily by the younger age groups, who are also typically more likely to be crypto investors.



Confidence and trust

Expectations of future adoption

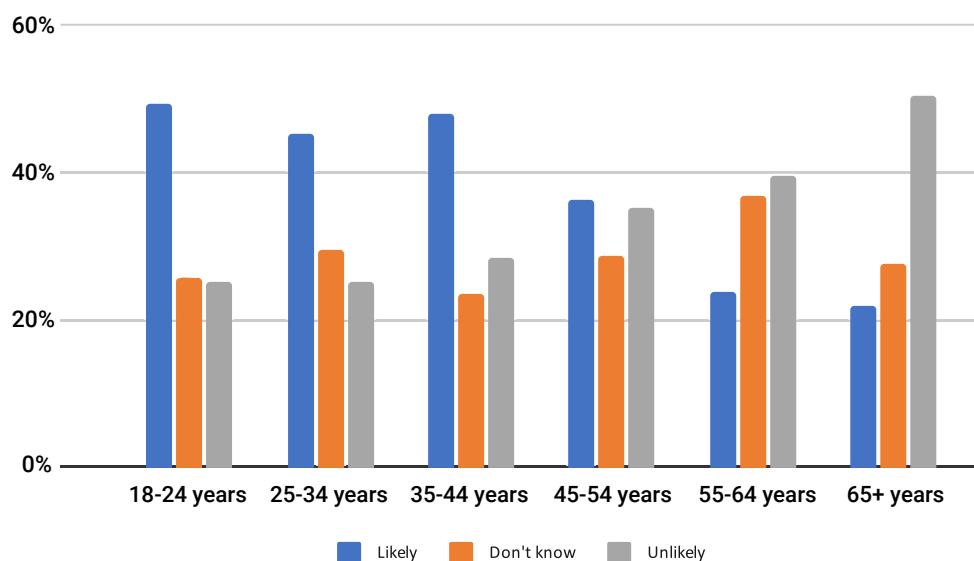
Australians are less convinced that cryptocurrencies will become widely accepted by businesses and everyday people, with 34.7% believing this is unlikely or very unlikely, up from 29.2% in 2021.

Those who currently hold crypto assets are much more upbeat, with 60.5% believing crypto will be widely accepted in the future, compared with only 27.5% of those who do not own crypto.

Of those aged 18-24, almost half (49.3%) believe crypto will be widely accepted in the future, compared with only 25.1% who believe it's unlike or very unlikely. Unsurprisingly, confidence in crypto wanes among older generations.

Younger generations are optimistic about the future

Will crypto be widely accepted by people and businesses?



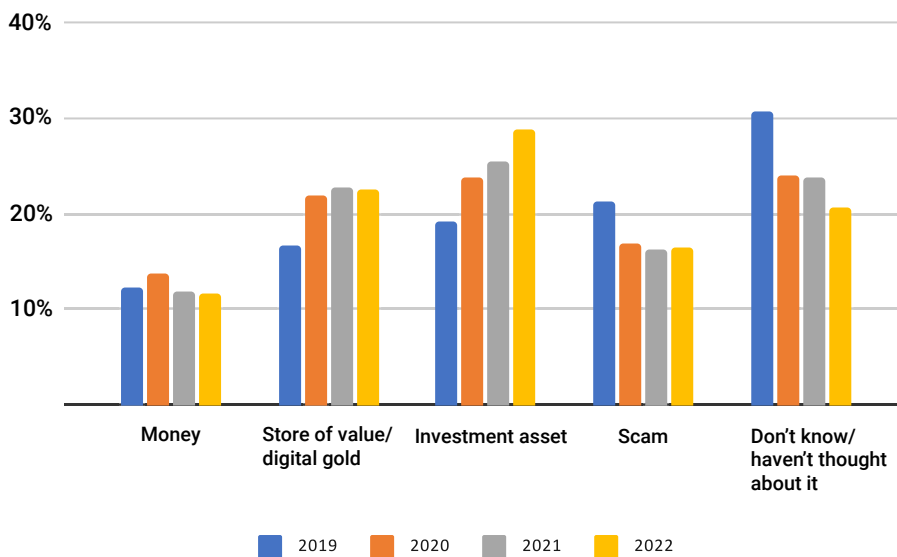


■ What do Australians consider Bitcoin to be?

Overall perceptions of Bitcoin remain materially unchanged, with the majority of respondents seeing it as either money, a store of value or an investment asset. However, compared to the first IRCI in 2019, 10% fewer people have no opinion on the matter, and 5% fewer consider Bitcoin a scam, reflecting the broader awareness, familiarity and knowledge base among the general population of what Bitcoin is.

- **Money:** 11.60% (down from 11.80%)
- **Store of value / digital gold:** 22.50% (down from 22.70%)
- **Investment asset:** 28.70% (down from 25.40%)
- **Scam:** 16.50% (up from 16.30%)
- **Don't know/haven't thought about it:** 20.70% (down from 23.70%)

Perception of Bitcoin 2019 - 2022





Australians remain bullish on Bitcoin's long-term price

Since the beginning of the IRCI, cynicism around Bitcoin's long-term value has continued to evaporate.

In 2020, 46.5% of users said Bitcoin would be worth \$0 or close to nothing by 2030. In 2021, this figure was 28%; this year, it has fallen again to 22.1%.

Most of the cynicism comes from older generations. Only 5.5% of 18-24-year-olds believe Bitcoin will be worth nothing by 2030, compared to 42.10% of those over 65 years of age.

What will the price of Bitcoin be by 2030?

	Own Crypto	Don't own crypto	Total
\$0/close to nothing	5.60%	28.40%	22.10%
Under \$10,000	16.50%	15.40%	15.70%
\$10,000 - \$30,000	15.80%	12.90%	13.70%
\$30,000 - \$100,000	39.90%	30.10%	32.80%
\$100,000 - \$250,000	18.10%	10.40%	12.60%
\$250,000+	4.10%	2.80%	3.10%



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