



Independent Reserve

CRYPTOCURRENCY INDEX

IRCI Australia 2021



IRCI is a yearly survey of over 2,000 Australians



About the index

The Independent Reserve Cryptocurrency Index (IRCI) 2021 is an annual cross-sectional survey of over 2,000 Australians, conducted by PureProfile.

It is a sample of everyday Australians and reflects the nation as a whole.

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

- Awareness
- Adoption
- Trust
- Confidence

2021 marks the third year of the survey.

Ownership of crypto assets surged by a massive 56% in 2021, with 28.8% of Australians saying they own or have owned cryptocurrency, up from 18.4% in 2020.

Methodology

Independent Reserve engaged leading consumer research institution PureProfile to conduct a cross-sectional survey to gauge Australia's attitudes towards cryptocurrencies.

The survey consisted of more than 2,000 Australians and the sample was reflective of the gender, age and geographic distribution of the nation.

Foreword

As we move towards the end of another tumultuous 12 months, both from a financial markets and broader societal perspective, cryptocurrency as an asset class seems to be gaining further momentum as each year passes.

Indeed the 2021 Independent Reserve Cryptocurrency Index (IRCI) shows a solid increase in positive public sentiment from an index of 47 in 2020, to 54 in 2021. This has been driven by the surge in ownership of broader crypto assets, outlining yet again that crypto is an investment toward which more people are gravitating; not only globally, but also in Australia.

On behalf of the team at Independent Reserve, we are delighted to be able to bring you Australia's most robust crypto industry survey, with more than 2,000 respondents.

The data demonstrates how quickly crypto is moving into the mainstream as an asset class, from previously being perceived as fringe to now as an everyday investment opportunity adopted by more Australians of all ages.

While the industry has continued to march forward at speed with new products like ETFs hitting the market and new crypto alternatives providing greater investment opportunities, the sector still desperately needs regulation to catch up and provide operational certainty and security for both investors and cryptocurrency businesses alike.

We at IR have continued to work closely with regulators and are pleased that many of the Bragg Report recommendations in October were key items that we not only support, but had proposed to government and industry over time. We remain cautiously optimistic that the pathway to greater regulation is becoming clearer.

2021 was not only a momentous year for the industry but it was also a huge year for IR. Our launch into Singapore, where we proudly beat numerous large global exchanges to be accepted by the Monetary Authority of Singapore (MAS) as a major payment institution, was significant not only for us, but also for the industry in Australia.

Finally, it's with great pleasure that we invite you to read our third annual IRCI and we are delighted that these insights yet again shine a light on an industry which continues to evolve and grow into the mainstream.



Adrian Przelozny

CEO, Independent Reserve

54
2021
INDEX
47
2020

Executive Summary

The index moved from 47 in 2020 to 54 in 2021, driven primarily by a surge in ownership of crypto assets as well as a significant increase in awareness of cryptocurrencies outside of Bitcoin, such as Ethereum.

Australia's cryptocurrency industry has had a bumper 2021, propelled by several major events in the second half of the year.

In October, a Senate inquiry recommended changes to taxation laws, licensing and regulatory regimes to encourage digital and crypto-asset businesses to set up in Australia, arguing that Australia could become a global hub for cryptocurrencies. In the wake of the report, the corporate regulator, the Australian Securities and Investment Commission (ASIC), ramped up its oversight of the local cryptocurrency investment market with licences for crypto-asset holders, marking a significant step towards the integration of crypto-assets into Australia's financial ecosystem.

ASIC also green-lit a range of cryptocurrency-related exchange-traded funds (ETFs), which paved the way for Bitcoin and Ethereum-backed investment funds to begin trading on the Australian Securities Exchange (ASX) and the Chi-X exchange.

But perhaps the biggest seismic change came in November, when Commonwealth Bank of Australia (CBA) announced that it would become Australia's first bank to offer customers the ability to buy, sell and hold crypto assets, directly through the CommBank app. CBA will provide customers with access to up to ten selected crypto assets, including Bitcoin, Ethereum, Bitcoin Cash and Litecoin.

Although Australia's regulators and government agencies may have taken a while to get their heads around cryptocurrency and other digital assets, Australians themselves have sped ahead into crypto, as the asset class moves from the fringe to the mainstream.

Awareness

Overall cryptocurrency awareness* among Australians was stable this year, with 91.2% having heard of at least one cryptocurrency and Bitcoin (BTC) continuing to lead market awareness with 89.1% of respondents having heard of the asset.

What's notable though is the significant increase in awareness of the second-largest digital currency by market capitalisation, Ethereum, surging to 36.7% in 2021 from 23.5% last year. The 18-24-year-old cohort was the most familiar with Ethereum.

This age group also saw a strong rise in awareness of Ripple, the digital payment settlement asset exchange and remittance system, from 13.5% in 2020 to 20.3% in 2021.

Ethereum Surging Awareness



Ripple Surging Awareness



*In 2021, the range of crypto assets able to be selected in the survey question on cryptocurrency awareness was changed in order to reflect changes in availability and the current crypto marketplace. This included dropping Litecoin, Bitcoin Cash, EOS and Chainlink, and introducing Cardano, Tether, Solana and Dogecoin.



Adoption

Ownership of crypto assets surged by a massive 56% in 2021, with 28.8% of Australians saying they own or have owned cryptocurrency, up from 18.4% in 2020.

This is being driven by the positive experience of those who own crypto, with 89% saying they have made money or broken-even, up from 78% in 2020.

Bitcoin remains the most popular cryptocurrency to own, with 21.1% of Australians owning it, while 11% of Australians own Ethereum, more than double the proportion (5%) that owned it in 2020. Ripple is now held by 5.7% of Australians, up from 5.1% in 2020. The next most popular crypto is Cardano, followed by Dogecoin.

Interestingly, the proportion of women who own (or have owned) cryptocurrency doubled this year from 10.3% to 20%, reflecting greater adoption across a more diverse cross-section of the Australian community and a general move to more mainstream recognition of digital assets as an investment vehicle.

The percentage of female Bitcoin owners rose from 8.3% to 14.8%.

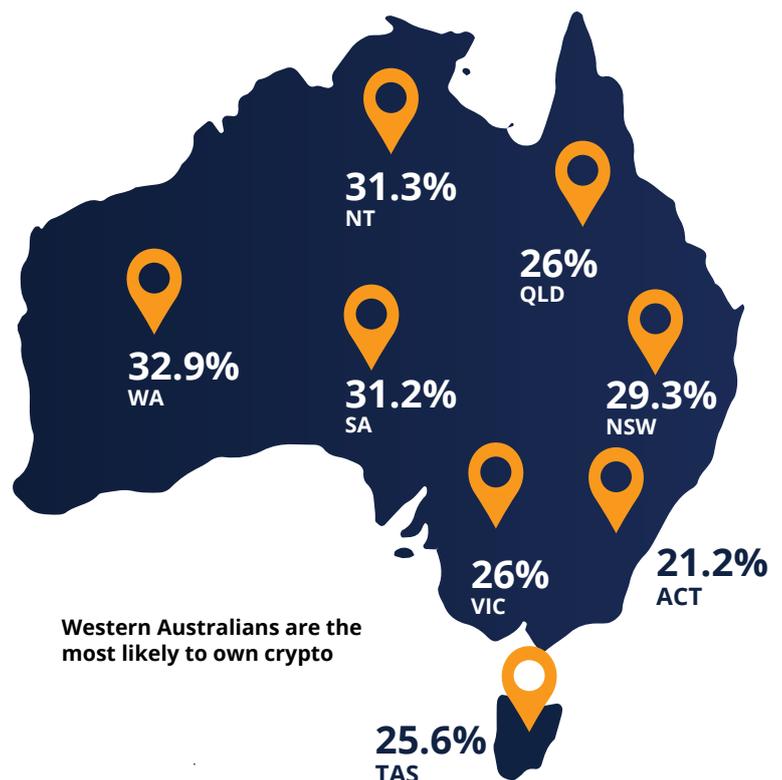
Ownership rose across all age-groups in 2021, with the strongest rises recorded in 18-24s, whose crypto ownership more than doubled, from 25% to 55.7%, and the 45-54s, where ownership also more than doubled, from 11.5% to 25.3%.



10.3% to 20%

The increase in women investing in crypto comes off the back of comments from Deputy Chair of the Board of Blockchain Australia, Karen Cohen, in the 2020 IRCI Report, actively encouraging the crypto industry to put women front and centre of its advertising and promotions and to include them in events and panel discussions, saying “we are what we see”.

Crypto ownership grew in every state and territory this year. The most likely location for ownership was Western Australia, where 32.9% of the population own crypto: followed by Northern Territory on 31.3%, South Australia on 31.2%, New South Wales on 29.3%, Victoria and Queensland sharing 26%, Tasmania on 25.6% and Australian Capital Territory with the nation’s lowest participation, at 21.2%.



Family and friends drive adoption

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

The most common influence on adopting crypto is "friends or family", with 47.5% of Australians saying this was why they initially invested in crypto (this question was not asked in 2020).

The second most common influence was "curiosity after seeing it in the media", cited by 44.4% of people, followed by "to diversify my portfolio" (33.2%), "to get rich" (21.6%), the shoulder-shrugging "why not?" (10.4%) and a belief that "the system is broken and crypto is the future" (9.3%).

Why Australians invest in crypto

47.5%

friends or family

44.4%

curiosity, media driven

33.2%

diversify portfolio

21.6%

to get rich



Females were much more likely to listen to family and friends (56.7% to males' 42.2%), while males were more likely to enter the crypto market because they were curious because of media coverage (45.9% to women's 41.8%).

The 24-34-year-old age group was the most trusting of crypto to make them rich while disbelievers in the system are most likely to be found in the 65+ group.

In the 2020 IRCI report, National Blockchain Roadmap Lead, Chloe White, encouraged men and women in crypto to actively and consciously choose to include women in conversations about digital currencies to help drive a greater gender balance in the sector. And with 56.7% of females likely to get into crypto because of family and friends, her advice is right on the money.

"If you would like to see more women in the space, start at home. Talk to your partners, friends, family and work colleagues. The onus is on all of us to be conscious about who we choose to share our knowledge with. Spread the word!" she said.

Barriers to ownership

The biggest issue holding people back from owning crypto is the perception that the price is too volatile, and that crypto seems too inherently risky, with 36.5% of Australians saying this is the reason they have not invested in crypto.

32.3% are “just not interested in it”. Other dissuading factors are the perception that it is “too confusing or difficult”, cited by 28.5%; “a lack of consumer protection and regulation” was the main reason given by 24.8%; the belief that crypto is “all a scam” (24.5%); not knowing “where to start” (18.2%); and not being in a financial position to invest (13.4%).

While “nothing” will induce 40.6% of respondents to invest in crypto, 34.3% of respondents would be encouraged to invest if they had more “education and learning more about it”.

This is a clear signal to the industry to lift its efforts in the education space: using plain-English to describe crypto and how it is used could reach this cohort of potential investors.

Better consumer protection would attract 28.6% of respondents, closely followed by better industry regulation (26.6%). Less price volatility would get 21.1% of respondents interested, while “seeing businesses adopt it” would convert 9.9%, and “seeing family and friends do it” would influence 8.5%.



36.5% of Australians believe investing in crypto is too risky, while 28.6% would invest if there were greater consumer protections

Self-managed super opts-in to crypto

In 2021, the survey explicitly identified self-managed super funds (SMSFs) for the first time. 17.4% of respondents had SMSFs. Because the SMSFs were qualified, 37.8% of SMSF members said they were likely or very likely to invest in crypto (up from 12% when unqualified).

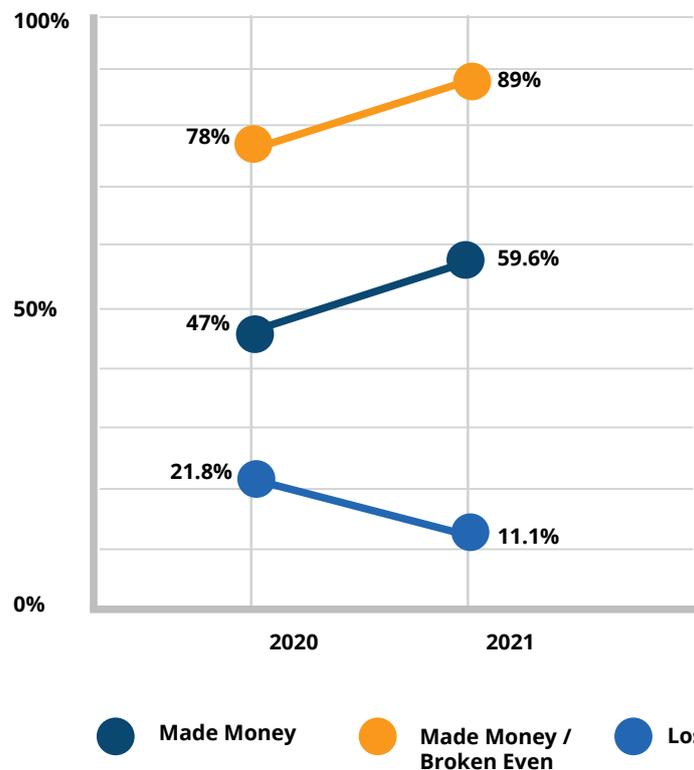
This finding is particularly interesting given that SMSFs are by their nature serious investment vehicles. Under superannuation legislation, SMSF trustees must ensure that the fund is maintained for the sole purpose of providing retirement benefits to members. The trustees must “formulate and implement” an investment strategy for the fund, “having regard to liabilities, risk and return, diversification and liquidity”.

That almost two in five SMSF trustees are comfortable investing in digital currency to diversify their portfolios and support their investment goals shows the extent to which crypto investment has become mainstream. The strong support from SMSF trustees indicated in the survey conforms with Independent Reserve’s activity data in this segment: our SMSF crypto volume traded in 2021 to date is \$557 million, up from \$122 million in 2020 and \$77 million in 2019.

Self-managed super funds are a massive potential market for crypto assets. According to industry body the Association of Superannuation Funds of Australia (ASFA), there are 599,934 SMSFs in Australia, holding \$824 billion in assets, representing just under 25 per cent of Australians’ super – second only to the “industry” super fund sector.

These super funds have up to six members and are often set up for families or individuals. Clearly, many Australian investors have voted with their feet for control of their investment destiny in an SMSF; and within that we see a significant and growing vote in favour of cryptocurrency.

Data from the Australian Taxation Office (ATO) shows SMSF member numbers grew in 2020-21 at their fastest rate in five years, with 43,000 more people signing up in 2020-21, to take the total past 1.11 million. The ATO statistics also reveal that both men and women aged between 35 and 54 have been the most active in terms of recently establishing new SMSFs. Moreover, women are starting their own SMSFs at a faster rate than men in all age groups between 25 and 44. Overall, 56 per cent of new members are men and 44% are women.



Performance

In 2021, 59.6% of people reported making money with their crypto investments, up from 42.7% in 2020; and 89% have made money or broken-even (up from 78%).

Males reporting successful crypto investment rose from 48.3% to 62.2%, while female money-making in crypto surged from 29.5% in 2020 to 54.8%.

The age group most adamant that they had made money were the 18-24s, at 63.6%, just shading the 35-44s, on 63.2%. The location most conducive to capital gain in crypto was the ACT, where 85.7% of crypto investors made money in 2021, followed by 66.2% in Western Australia.

The proportion of investors reporting loss of value/money in crypto improved dramatically, coming in at 11.1% in 2021, almost halving the 21.8% who reported losing money in crypto in 2020. The age groups most likely to have lost money on crypto in 2021 were the 65+ bracket (31.3%) and 55-64s (21.4%), but only 5.9% of 18-24-year-olds posted negative investment results.

Expectations of future adoption and price growth

People's expectations of and for cryptocurrencies are changing; we see this as the inevitable consequence of greater familiarity with and experience in the asset class, and the rise in the proportion reporting a positive financial experience.

In 2021, 41.5% of respondents said they believed cryptocurrencies would become widely accepted by businesses and everyday people (this was very likely or likely), up from 30.4% in 2020. Men were more likely to believe this, at 46.4% (up from 38.6%), versus 37.3% of women (up from 23.9%), although the gain in conviction was stronger among females.

The younger people are, the more likely it is they feel cryptocurrencies will become widely accepted: 42.5% of 18-24-year-olds, and 44.7% of 25-34s believe this, but the proportion erodes to 13.1% among the 65+ age-group.

Bitcoin price predictions

Bitcoin Expectation

People were also asked what price they thought Bitcoin would reach by

2030,

after having reached A\$84,000 at the time of the survey.

2021 Survey

32%

of people thought BTC would be worth

**more than \$100,000
by 2030**

(with 7.5% foreseeing a price of \$250,000+.)

2020 Survey

In 2020, only **3.9%** of people thought Bitcoin would be worth

**more than \$100,000
by 2030**

(and only 2% expected to see a price of \$250,000+.)

We're seeing people much more confident in a six-figure price for Bitcoin this year, although it is easier to see this at \$84,000 than it was to see it at \$28,500, which is where Bitcoin was trading at the end of 2020.



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