

coinbase

# Coinbase Crypto Report Europe 2022 H1

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# Executive Summary

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The Coinbase Crypto Report Europe 2022 H1 (CCRE) examines the behaviour and investment climate of crypto asset owners in Europe in the first half of 2022.

To analyse relevant aspects, crypto asset market participants were asked about, among other things, their approach to existing crypto assets in the next 12 months, as well as the use of crypto-specific investment opportunities such as staking and crypto interest investments<sup>1</sup>. In addition, the CCRE provides an overview of overarching topics, including the initial entry of crypto asset investors into the crypto asset market and the barriers to investing in this asset class. For the first time, this report publishes the crypto sentiment within the population represented by the Coinbase Crypto Sentiment Index (CCSI). Based on a total of 6115 respondents from France, Germany, Italy, the Netherlands, Spain, and the UK, the main findings can be summarised as follows:

- 01** In the next twelve months, 56% of crypto asset owners plan to increase their crypto asset holdings. Furthermore, 33% of respondents said they plan to keep their holdings, whereas only 11% plan to reduce them. Interestingly, the willingness to increase crypto asset holdings predominates in the 18 to 39-year-old crypto owner demographic.
- 02** The first-ever release of the Coinbase Crypto Sentiment Index (CCSI) demonstrates a positive climate within the crypto asset market. At 123 points, the CCSI is significantly above the baseline of 100 points, indicating market participants' optimistic assessment of the crypto asset market. The CCSI's goal is to determine the crypto sentiment within the population and to identify early changes in the investment climate of crypto asset investors.
- 03** In terms of existing barriers to investing in crypto assets, 25% of respondents mentioned the lack of investment-relevant information. This is followed by security concerns regarding crypto assets, which discourage 23% of respondents from investing. The necessary know-how on how to invest in crypto assets is a barrier for 8% of respondents.
- 04** The popularity of crypto assets shows a clear upward trend. From 2019 to 2021, 60% of the surveyed crypto asset owners entered the market for the first time. The average annual growth rate is 32%, indicating significant potential for growth in the coming years.

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<sup>1</sup> Online survey conducted in February 2022 by Qualtrics LLC. Participants were surveyed in France (1019), Germany (1016), Italy (1018), the Netherlands (1023), Spain (1019), and the United Kingdom (1020).



**Prof. Dr. Philipp Sandner,**  
Head of Frankfurt School  
Blockchain Center regarding the  
first release of the Coinbase  
Crypto Sentiment Index (CCSI)

“The way in which the sentiment around crypto-asset evolves - and why it does so - is relevant for the entire industry. This is where the CCSI can provide a lot of value.”

- 05** The majority of crypto asset owners actively use their holdings instead of pursuing a “buy-and-hold” strategy. To this end, 26% of respondents mentioned that they grow their holdings through staking and crypto interest investments. Another 10% reported using their holdings as crypto loan collateral. Non-fungible tokens (NFTs) are popular as well – 14% of the respondents plan to acquire them with their existing crypto assets.
- 06** Bitcoin, Ethereum and Binance Coin are the most popular among crypto asset holders. Bitcoin, the most significant crypto asset by market size, is owned by 69% of investors. However, it is notable that Ethereum has gained market share and narrowed the gap between Bitcoin from 34% to 24% compared to the CCRE 2021’s data, and is now found in 45% of portfolios. Binance Coin follows in third place with 25%.
- 07** In Germany, 47% of investors plan to increase their holdings, whereas 43% plan to keep their holdings. In general, the adoption of crypto assets in Germany is proceeding at a slower pace, compared with the other surveyed countries. However, a remarkable 68% of investors have become active for the first time between 2019 and 2021. The most popular two crypto assets in Germany – as in all other participant countries – are Bitcoin, followed by Ethereum. Bitcoin appears more often than average in the portfolios of investors with 71%, whereas Ethereum is slightly underrepresented with a value of 42%.

# Change in Crypto Asset Portfolios Over the Next 12 Months

The future outlook of the crypto asset investors' sentiment is analysed below to quantify the dynamics of the crypto asset market and its increasing adoption. Hence, Figure 1 presents the respondents' intended changes to their crypto asset portfolio within the next 12 months. Given that age demographics seem to have a considerable impact on investors' portfolio decisions, the surveyed crypto asset owners were divided into different age groups to highlight the obtained data more comprehensibly. With more than 56% of respondents planning to increase

their holdings and 89% refraining from selling, the clear picture of a bull market is emerging in the first quarter of 2022. Only 11% of crypto asset owners plan to reduce their holdings. Although the CCRE 2021 already revealed a bull market, this projection is reinforced by the mentioned positive development found in this market assessment. Predominantly, it is the younger age group between 18 to 39 who intend to increase their crypto asset holdings within the next twelve months.<sup>2</sup>

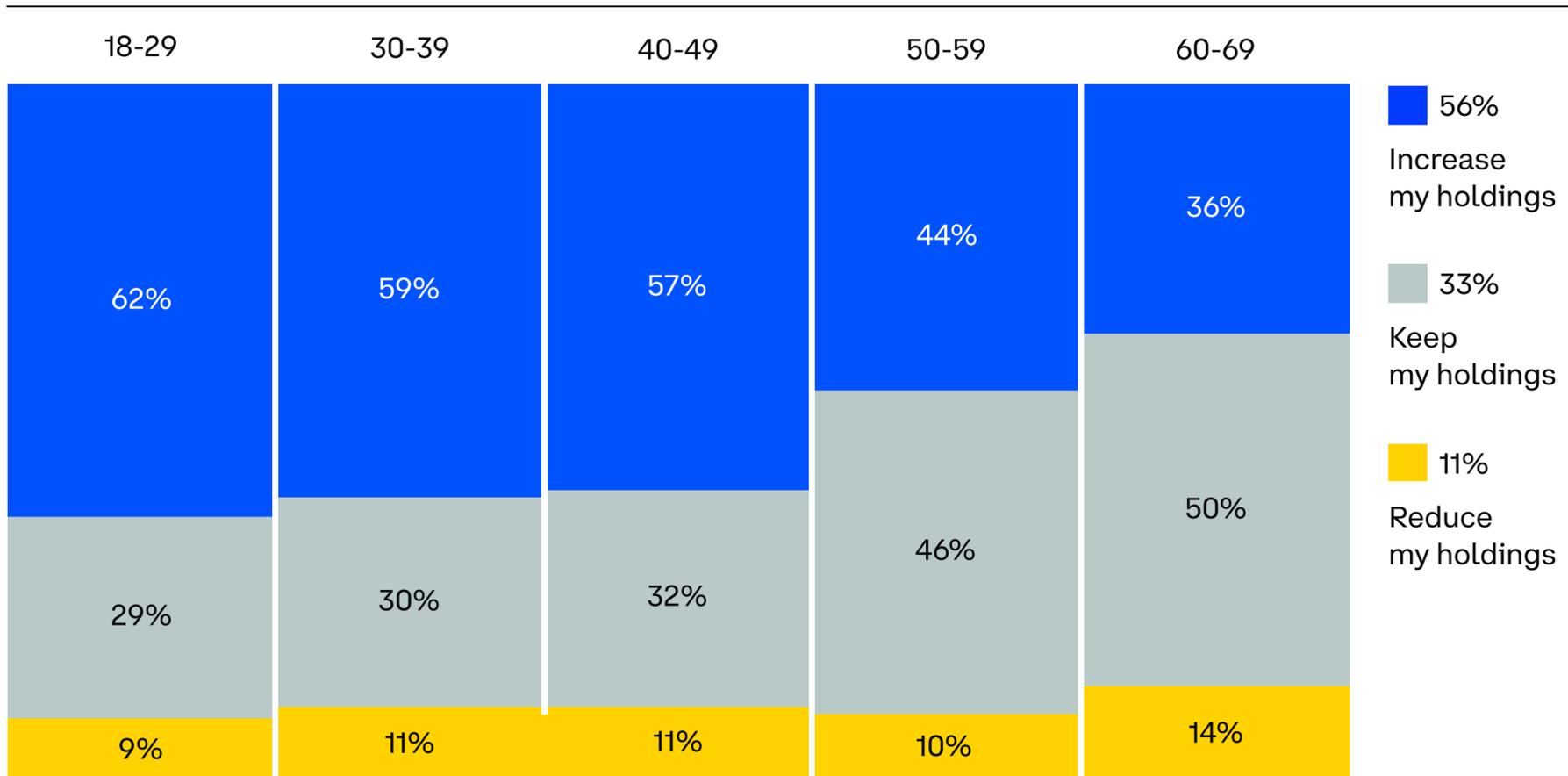
<sup>2</sup> See: Coinbase Crypto Report Europe 2021: [https://assets.ctfassets.net/c5bd0wqjc7v0/60BdmgBZVNZKaEc0DiezvR/af5f9be4130b419c0d1a9d96917d03e0/Coinbase\\_Report\\_English\\_070222.pdf](https://assets.ctfassets.net/c5bd0wqjc7v0/60BdmgBZVNZKaEc0DiezvR/af5f9be4130b419c0d1a9d96917d03e0/Coinbase_Report_English_070222.pdf).

Figure 1: Change in Crypto Asset Portfolios Over the Next 12 Months

## Change in Crypto Asset Portfolios over the Next 12 Months<sup>1</sup>

% of respondents with crypto asset holdings<sup>2</sup>

Breakdown by age group



<sup>1</sup> What are you likely to do with your crypto asset holdings in the next 12 months?

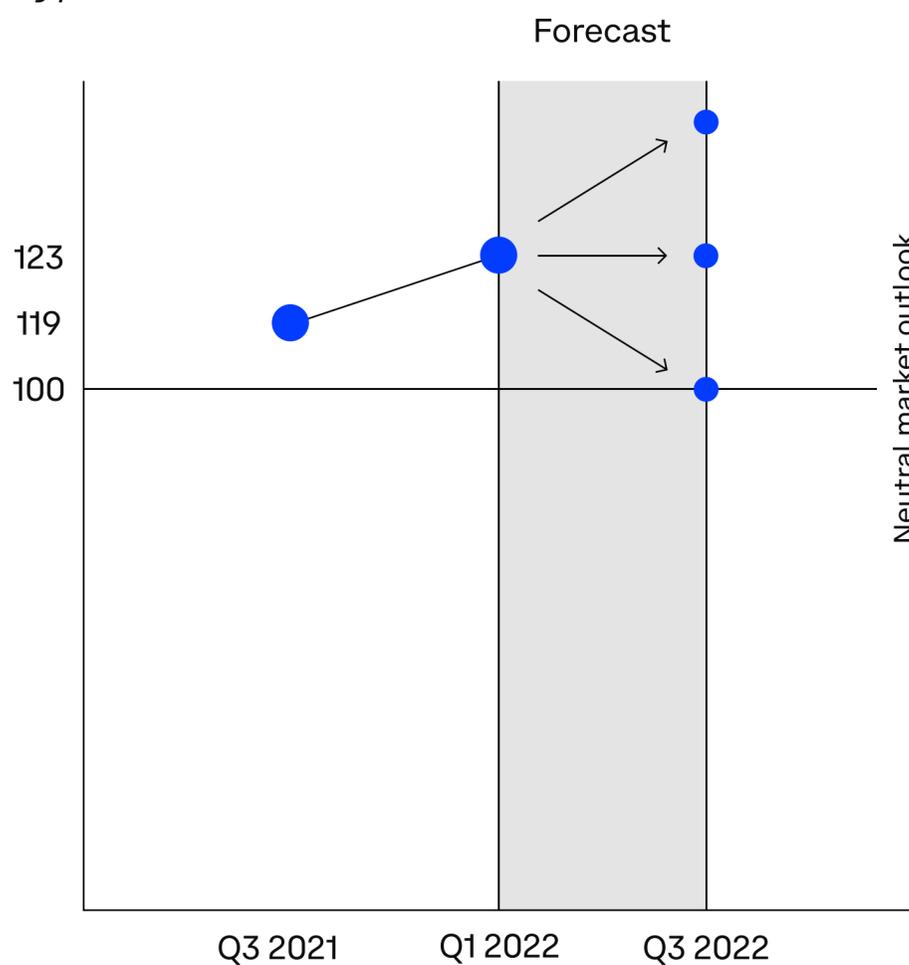
<sup>2</sup> n=1745, surveyed countries: France, Germany, Italy, Netherlands, Spain, United Kingdom.

# Coinbase Crypto Sentiment Index

Figure 2: Coinbase Crypto Sentiment Index

## Coinbase Crypto Sentiment Index<sup>1</sup>

*Outlook on the development trends of crypto assets*



The Coinbase Crypto Sentiment Index (CCSI) was calculated for the first time during Q3-2021 covering France, Germany, Italy, the Netherlands, Spain, and the United Kingdom.<sup>3</sup> The goal of the CCSI is to quantify crypto sentiment within the population and identify possible changes in the investment climate early on. The first measured data point in Figure 2 already suggests an optimistic market assessment with 119 points for the third quarter of 2021, being significantly above the baseline of 100 points.

Based on the positive development of the market sentiment discussed in Figure 1, the CCSI increased by 4 basis points to a value of 123 in the first quarter of 2022. In order to deliver more robust statements, the CCSI improves in accuracy with each and every coming iteration and subsequently offers more granular data.

<sup>1</sup>The basis for the Coinbase Crypto Sentiment Index is the planned behavior of crypto asset investors over the next 12 months (increase holding, keep holdings, decrease holdings).

<sup>3</sup> For the calculation, crypto investors are asked to indicate their intended behaviour in the coming 12 months with regard to their portfolios. For this purpose, they can answer with "increase holdings", "keep holdings" or "reduce holdings". The balance between the answer options "increase holdings" and "reduce holdings" forms the sentiment measurement, which is normalised to a fluctuation interval of around 100. Thus, fluctuations around the value 100 can be easily interpreted.

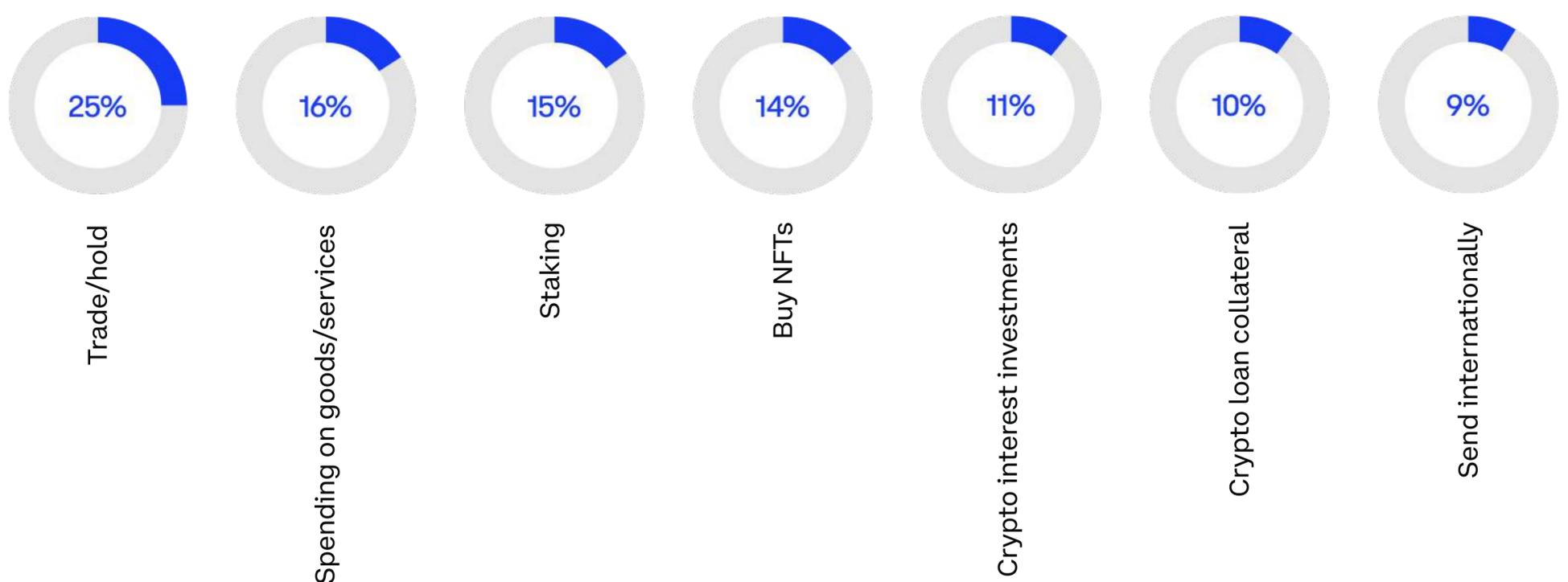
To illustrate the calculation, an example: Of the crypto owners surveyed, 56% intend to increase their holdings in the next 12 months, 33% plan to keep their holdings, and 11% would reduce them. The respondents who intend to keep their holdings are rated as neutral and do not affect the result. The remaining percentage points are now netted (i.e., 56 minus 11). The resulting value of 45 is the sentiment (sentiment = increase holdings - reduce holdings). As an average of the sentiment and the reference value (0), the CCSI is formed in a fluctuation interval of 50 to 150:  $CCSI = \left[ \frac{\text{Position} + 200}{\text{Reference Value} + 200} \right] \times 100$

# Planned Activities with Existing Crypto Asset Holdings

Figure 3: Planned Activities with Existing Crypto Asset Holdings

## Planned Activities with Existing Crypto Asset Holdings<sup>1</sup>

% of respondents with crypto asset holdings<sup>2</sup>



<sup>1</sup> What would you like to do with your crypto asset holdings in the next 12 months (select all that apply)?

<sup>2</sup> n=1745, surveyed countries: France, Germany, Italy, Netherlands, Spain, United Kingdom.

Following up on the positive market sentiment shown by the CCSI, Figure 3 displays how crypto asset owners plan to grow and leverage their holdings over the next twelve months. Investors are turning to the blockchain-specific capabilities of their assets. In particular, there is a positive trend for crypto assets to become serious and long-term value investments, confirmed by the demand for staking, crypto interest investments, and crypto loan collateral.<sup>4</sup> The so-called non-fungible tokens (NFTs) are also enjoying great popularity. NFTs store unique, non-replicable data on the blockchain and are, for instance, linked to digital artwork or physical objects. Hence, the holder of the token

also acquires ownership or rights of disposition over the object associated with the token. In 2021 alone, crypto assets worth over USD 44 billion were moved to NFT marketplaces.<sup>5</sup> This demonstrates how relevant this new asset class is within the crypto asset market since this figure would already place NFTs among the top 10 crypto assets in terms of market capitalization. However, this rapid growth over the past year also raises concerns about a possible speculative bubble and has already caught the attention of the authorities. Notably, the Chinese government has already responded with tighter regulatory measures to calm the market for NFTs.<sup>6</sup>

<sup>4</sup> Staking: Users deposit their tokens as monetary collateral and participate proportionately in the total distribution of the newly generated tokens by the protocol, depending on the portion of funds provided

Crypto interest investment: Users lend a portion of their crypto assets to collect interest payments.

Crypto loan collateral: Crypto assets that serve as overcollateralized items of value to help minimize credit risk for capital providers.

<sup>5</sup> See 2021 Chainalysis NFT Market Report: <https://go.chainalysis.com/nft-market-report.html>.

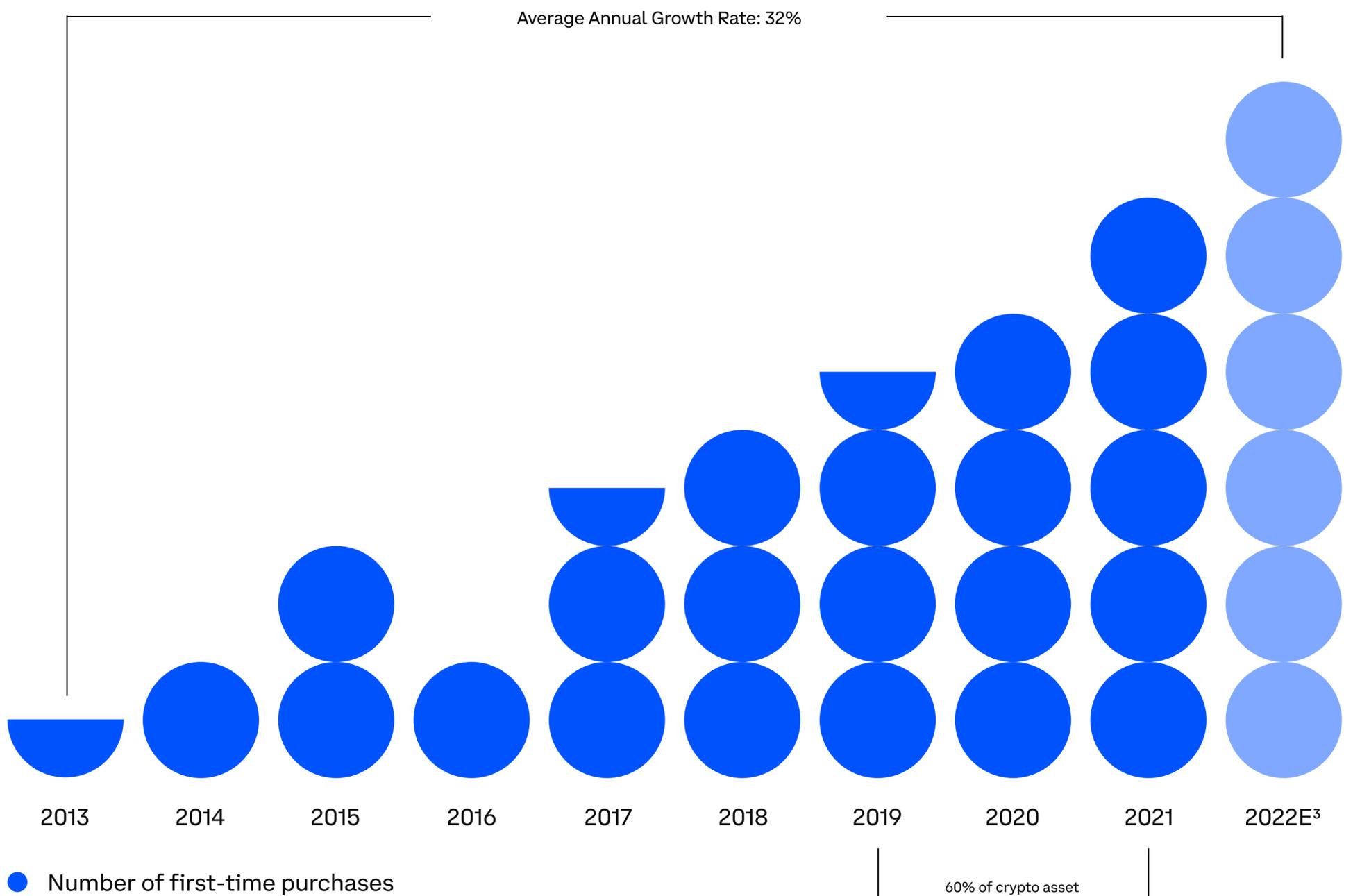
<sup>6</sup> See Q1 2022 State of the NFT Market: <https://forkast.news/state-of-the-nft-market/>.

# First-Time Crypto Asset Purchases per Year

Figure 4: First-Time Crypto Asset Purchases per Year

## First-Time Crypto Asset Purchases per Year<sup>1</sup>

Number of respondents with crypto assets holdings<sup>2</sup>



<sup>1</sup> What year did you buy crypto assets for the first time?

<sup>2</sup> n=1580, surveyed countries: France, Germany, Italy, Netherlands, Spain, United Kingdom.

<sup>3</sup> 2022E as projection based on the average growth rate between 2013 and 2021.

Recently, in addition to the increasing market volume, there has been a broader acceptance of crypto assets among the population. Figure 4 shows the distribution of first-time crypto asset purchases per year and highlights an increasing annual number of new entrants. Note that 2022 is a projection based on the average annual growth rate of 32% from previous years. Excluding 2016, all the years considered show an expansion in first activities by the survey participants in the crypto asset market. This implies a growing demand for first-time purchases of crypto assets.

Developments in the crypto ecosystem are accompanied by a particularly pronounced growth from 2016 onwards. The crypto asset market is benefiting from increasing user interest and a comprehensive range of services and professional infrastructure that is significantly simplifying access to the world of crypto assets. Other key building blocks for positive growth include regulatory advances related to crypto assets, paving the path for greater adoption of blockchain technology in general. Increasing momentum in the crypto asset market has been particularly evident in the recent past: In line with the forecast published in the CCRE 2021, 60% of all new entrants during the period considered in Figure 4 became active for the first time in 2019-2021.<sup>7</sup>



**Timo Emden,**  
Founder of Emden Research  
regarding the first crypto-asset  
purchases per year

“Adoption of  
cryptocurrency is still in  
its infancy in Germany but  
the annual growth rate  
shows that interest  
continues to increase.”

<sup>7</sup> See Coinbase Crypto Report Europe 2021:

[https://assets.ctfassets.net/c5bd0wqjc7v0/60BdmgBZVNZKaEc0DiezvR/af5f9be4130b419c0d1a9d96917d03e0/Coinbase\\_Report\\_English\\_070222.pdf](https://assets.ctfassets.net/c5bd0wqjc7v0/60BdmgBZVNZKaEc0DiezvR/af5f9be4130b419c0d1a9d96917d03e0/Coinbase_Report_English_070222.pdf).

# Current Crypto Asset Holdings

Figure 5: Current Crypto Asset Holdings

## Current Crypto Asset Holdings<sup>1</sup>

% of respondents with crypto asset holdings<sup>2</sup>

Due to several innovations related to possible applications in the blockchain space, numerous crypto assets with different technical characteristics have emerged over the past few years. Figure 5 describes the popularity of various crypto assets among retail investors. Leading the ranking is Bitcoin, which is held by 69% of respondents, followed by Ethereum, and Binance Coin.

Ethereum enjoys great popularity due to its potential benefits, primarily developed through smart contracts, decentralised apps (dApps) and the access they provide to complex financial applications in the decentralised finance (DeFi) context. The transition to Ethereum 2.0, scheduled for 2022, which is expected to bring better scalability to the network and a significant reduction in power consumption by switching the Proof-of-Work (PoW)



consensus mechanism to Proof-of-Stake (PoS), further expanding the crypto asset's features.<sup>8</sup> This could also be the reason why Ethereum was able to close the still rather large gap between Bitcoin from 34% in the CCRE 2021 to 24% and is now found in 45% of crypto asset holders' portfolios. With a value of 53% each, Dutch crypto asset owners and those in the UK are mainly responsible for this. In comparison, for French and Italian crypto asset owners, Ethereum appears to be less attractive and is found in only 36% of the portfolios, respectively. In Germany, this value is also slightly below average at 42%. As in last year's report, Dogecoin follows in fourth place with a small increase to 24%, and Shiba Inu replaces Cardano in fifth place with 18%. The crypto asset Shiba Inu, as well as Dogecoin, were both launched as "meme coins", i.e. humorous alternative crypto assets, and allude to the dog breed Shiba Inu.



<sup>1</sup> Which of the following cryptocurrencies do you currently hold (select all that apply)?  
<sup>2</sup> n = 1745, surveyed countries: France, Germany, Italy, Netherlands, Spain, United Kingdom.

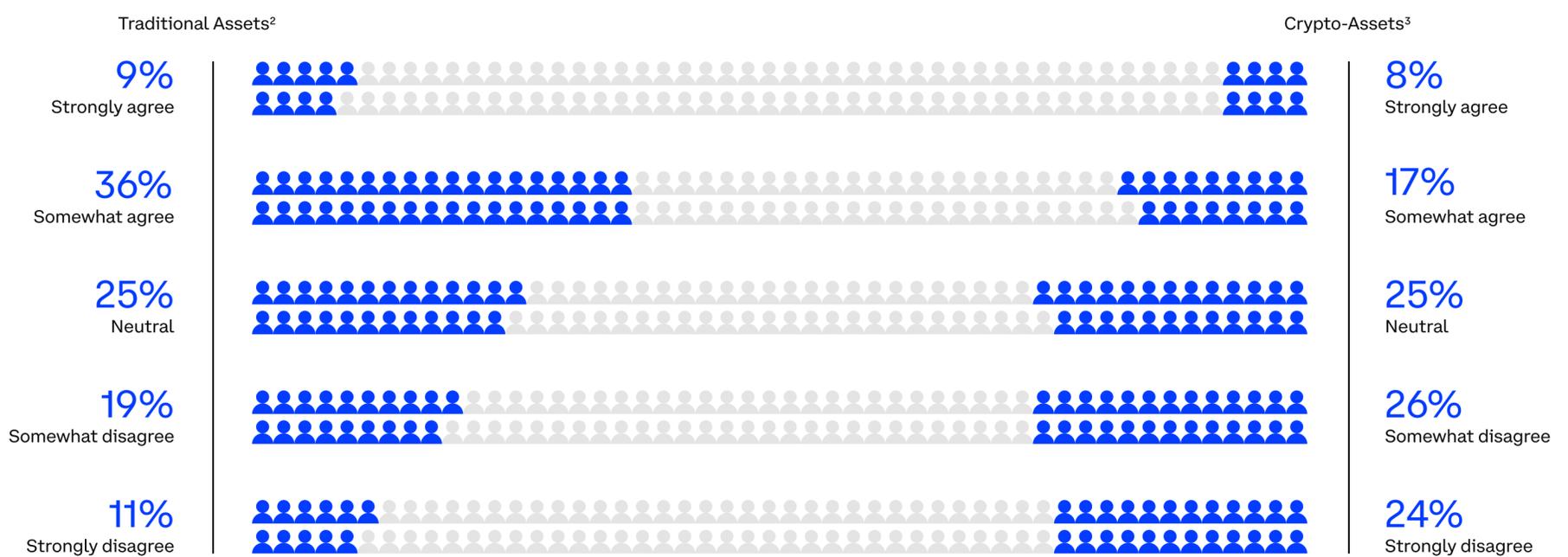
<sup>8</sup> See <https://ethereum.org/en/eth2/>.

# Sound Understanding of Traditional Assets vs Crypto Assets

Figure 6: Sound Understanding of Traditional Assets vs Crypto Assets

## Self-Assessment: Sound Understanding of Various Assets

% of respondents with and without crypto asset holdings<sup>1</sup>



<sup>1</sup> n=6115, surveyed countries: France, Germany, Italy, Netherlands, Spain, United Kingdom.

<sup>2</sup> I have a good understanding of traditional assets (stocks, bonds, real estate, etc.).

<sup>3</sup> I have a good understanding of crypto assets beyond Bitcoin.

To further examine the consolidation of crypto assets among retail investors, Figure 6 describes how widespread sound understanding of traditional assets in society compares to that of crypto assets. The results of the survey show that the level of knowledge about the traditional financial market among investors is superior to that of the crypto asset market: Only 25% of respondents agree to have good to very good knowledge of crypto assets, compared with 45% regarding traditional assets.

Noteworthy, however, is a large group of investors that is familiar with both conventional assets and the crypto asset market. The knowledge discrepancy compared to traditional assets is smaller than the young age of the crypto asset market would lead one to expect.

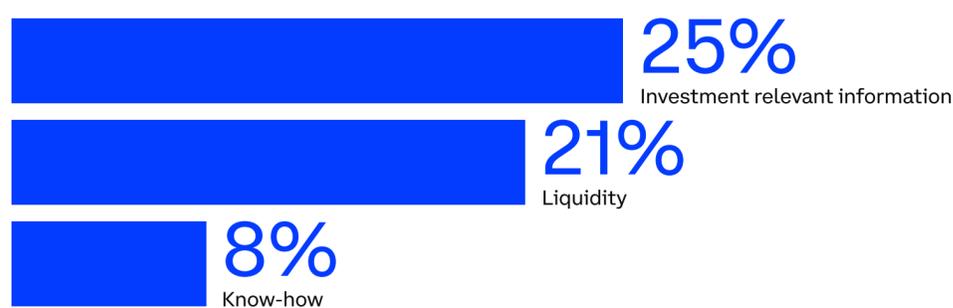
# Reasons Not to Own Crypto Assets

Figure 7: Reasons Not to Own Crypto Assets

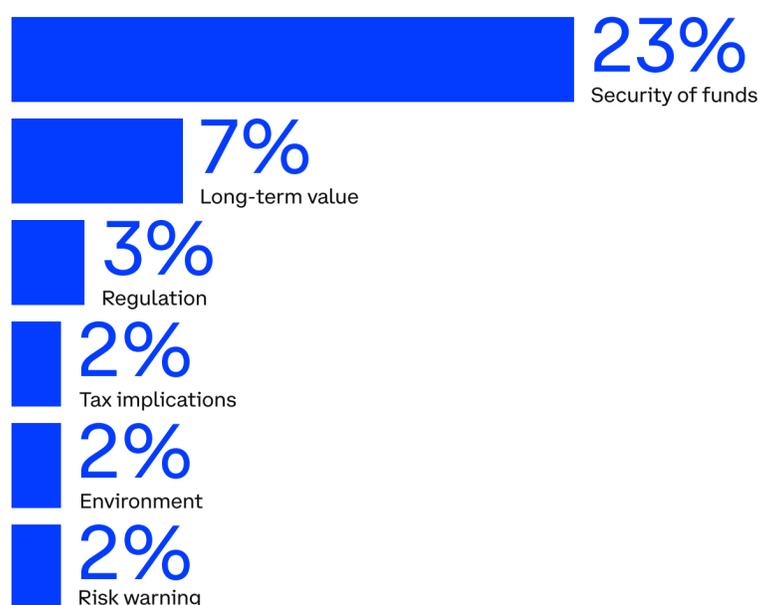
## Reasons Not to Own Crypto Assets<sup>1</sup>

% of respondents without crypto asset holdings<sup>2</sup>

Lack of:



Concerned about:



<sup>1</sup> What is the main reason you have never owned crypto assets?

<sup>2</sup> n = 4370, surveyed countries: France, Germany, Italy, Netherlands, Spain, United Kingdom.

After comprehensively analysing the planned actions of crypto asset owners, the CCRE 2022 now, for the first time, addresses the question of why 71% of the respondents do not currently hold crypto assets. The most prominent reason is the lack of investment-relevant information stated by 25% of the participants, therefore being the main argument against holding crypto assets. The second reason stated are security concerns regarding crypto assets, which discourage 23%



**Sascha Rangoonwala,**  
Coinbase Country Manager  
Germany regarding the reasons  
not to own crypto assets

“The cryptocurrency industry has the responsibility to inform and educate investors and to remove barriers to entry as much as possible”

of respondents from investing in the crypto asset market. The lack of know-how on how to invest in crypto assets, which 8% of respondents cited as a reason, also points to the need for adequate information in the retail segment. Even though 21% of the respondents are unable to invest in crypto assets due to a lack of liquidity, the responses outlined in Figure 8 suggest a potential for future market growth. Consequently, providing basic information about crypto assets could have far-reaching positive consequences for the further adoption of this asset class.

# Conclusion & Outlook

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## The Coinbase Crypto Report Europe 2022 H1 (CCRE) highlights the consolidation of the crypto asset market.

This is particularly evident in the unabated growth of new entrants into the crypto asset market with an average annual growth rate of 32%. In 2019-2021, 60% of the respondents reported investing in crypto assets for the first time. Although market participants faced significant price declines and comparatively pronounced volatility in the first quarter of 2022, the overall market sentiment remains optimistic. Over the next twelve months, 56% of crypto asset owners plan to continue expanding their crypto holdings, whereas only 11% intend to reduce them. The first Coinbase Crypto Sentiment Index (CCSI) published, reflects the positive investment climate among market participants. With a value of 123 points, the CCSI is significantly above the baseline value of 100 points. The goal of the CCSI is to represent crypto sentiment within the population and identify early changes in the investment climate of crypto investors.

The planned activities with existing crypto asset holdings show that investors are aware of the opportunities of the innovative asset class and view them as long-term capital investments. For example, 15% of respondents said they plan to increase existing crypto holdings through staking and another 11% through crypto interest investments. There is also a significant intention of potentially using existing crypto assets as means to invest in non-fungible tokens (NFTs) since 14% of respondents stated that they plan to acquire them in the next twelve months.

In addition to the exponential growth the crypto asset market experienced in the last year and the positive sentiment of crypto investors, the CCRE also explores the entry barriers mentioned by 71% of the respondents. For 25% of the participants, the lack of investment-related information is the main reason for not owning crypto assets. This is followed by security concerns regarding crypto assets, which discourage 23% of respondents from investing in the crypto asset market. The required know-how on how to invest in crypto assets is also stated as a barrier for 8% of the respondents. The reasons given highlight the market potential of crypto assets, which could be reached by providing adequate information for market participants.

Through regular iterations, the CCRE, in conjunction with the first results of the CCSI's data model, will gain significance and contribute to the early identification of trends in the crypto asset market. It will be interesting to observe how the progressing regulation at the European level will affect the crypto asset market. This includes, above all, the Markets in Crypto-Assets Regulation (MiCA), which aims to harmonise the regulatory framework for crypto assets and is expected to come into force during 2022 with a 18-month transition period. The draft regulations recently presented by the EU for further money laundering legislation specifically targeting the crypto asset sector (Transfer of Funds Regulation) should also be observed, as it contains an obligation for crypto asset service providers to verify the holders of so-called "Unhosted Wallets".<sup>9</sup> Unhosted wallets are particularly used in the field of Decentralised Finance (DeFi), where users usually do not have to prove their identity through a verification procedure (KYC). Furthermore, the analysis should include to what extent the current geopolitical conflict, namely the Russia-Ukraine war, has an impact on the popularity of crypto assets.

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<sup>9</sup> Wallets correspond to a digital wallet that allows users to interact with blockchain networks. They are essential for receiving, sending and storing crypto assets.

# Risk Notice

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Please note that there are significant risks of loss associated with trading or holding cryptocurrencies.

There is a risk of total loss of the capital invested. Risks arise from the high volatility and possible illiquidity of cryptocurrencies, which you should consider when making your investment decision. Please carefully consider whether trading in or holding cryptocurrencies is suitable for you given your financial situation.

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# About

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## About Coinbase

Coinbase is creating the new crypto-economy - which is fairer, more accessible, more efficient, and more transparent thanks to blockchain technology. In 2012, Brian Armstrong, founder of Coinbase Global, Inc., had a revolutionary idea: everyone in the world should be able to send and receive digital assets like Bitcoin in a simple and secure way. Since then, the company has built a reliable and intuitive platform that provides easy access to a wide range of crypto products. Coinbase Global, Inc. is listed on Nasdaq under the ticker symbol COIN. In June 2021, Coinbase Germany GmbH, a subsidiary of Coinbase Global Inc. was the first company to receive permission to provide crypto custody services in Germany.

## About the Frankfurt School Blockchain Center

The Frankfurt School Blockchain Center is a think tank and research centre which investigates implications of the blockchain technology, crypto assets and distributed ledger technology (DLT) for companies and their business models. Besides the development of prototypes, it serves as a platform for managers, startups, technology, and industry experts to share knowledge and best practices. The Blockchain Center also provides new research impulses and develops training for students and executives. It focuses on banking, finance, mobility and, "Industrie 4.0".

## About INTAS.tech

INTAS.tech is a blockchain consultancy founded by the Frankfurt School and Plutoneo Consulting and is specifically tailored to the needs of financial organisations. INTAS.tech focuses on the integration and handling of digital assets as well as the strategic evaluation of blockchain deployment opportunities and their implementation.

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# FAQ

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## **Why is the Coinbase Crypto Sentiment Index (CCSI) created?**

The CCSI is created to provide regular insights into crypto asset investor sentiment and thus the investment climate in the crypto asset market.

## **What is an index?**

Generally speaking, an index serves as a statistical measure to depict the performance in a market or market segment. As the CCSI relates to the crypto asset market segment, it is formed based on the general sentiment among crypto asset investors. The aim is to provide an early indication of changes in the investment climate of crypto assets.

## **What does sentiment mean?**

The term sentiment stands for psychological mood and, in this context, is used in reference to crypto asset market sentiment. So, simply put, 'Sentiment Index' could be understood as a barometer of sentiment.

## **Who creates the CCSI?**

The CCSI is commissioned by Coinbase Germany GmbH and evaluated and processed by the Frankfurt School Blockchain Center and INTAS.tech.

## **What are crypto assets and why are they not referred to as "cryptocurrencies"?**

For the purposes of this report, crypto assets are digital representations of value that have not been issued by a central bank or public body and do not have the legal status of currency or money but are nevertheless used as a means of payment, serve investment purposes, or convey rights of use, access, or governance. Compared to the term "cryptocurrency", which implies a pure payment or unit of account function, crypto assets also capture investment and utility tokens.

## **What is an NFT?**

NFTs store unique, non-replicable data on the blockchain and are linked to digital artwork or physical objects, for example. The holder of the token thus acquires ownership or rights of disposition over the object linked to the token.