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eToro research: what will it take for crypto to hit \$2 trillion?

- Market cap is the biggest barrier to institutional adoption
- More institutional investment is contingent on greater standardisation of the global regulatory framework
- There is a need for greater adoption of enterprise-grade technology infrastructure and standards
- Cold storage solutions could address reputational risk and security issues

January 21, 2021 — A new research report from advisory firm Aite Group commissioned by investment platform eToro reveals that insufficient market capitalization is the biggest barrier to institutional adoption of crypto and the recent crypto rally supports this finding with the evidence of increased institutional flows. With the total value of all cryptoassets surpassing \$1 trillion for the first time, currently one tenth of the gold market, the report outlines what must happen for the sector to reach \$2 trillion.

Based on in-depth interviews with 25 institutional market participants, the report identifies four key barriers to wider participation in the crypto ecosystem. **Insufficient market capitalization** was cited as the single largest impediment to further growth, but respondents also highlighted **regulatory uncertainty**, **immature market infrastructure**, and concerns over **reputational risk and security issues**.

Access to credit was also deemed necessary for wider institutional adoption, alongside greater adoption of enterprise-grade infrastructure and standards. Some market participants revealed that they trade exclusively with OTC desks rather than exchanges, citing lack of access to credit as one of the primary reasons.

One respondent's assertion that bitcoin should break \$25,000 to attract the attention of major tier-1 banks and individual investors proved particularly prescient. Since September, investors who purchased at least 1,000 bitcoins have [helped](#) drive the price of the bitcoin past its all-time high, setting a new record of \$41,973 earlier this month. The report notes that rising interest is coming from high-net-worth individuals, family offices, and a few institutions.

Reflecting on the research, **Tomer Niv, Head of Business Development for eToro's professional crypto exchange eToroX**, said, *"2020 was the year when many institutional investors such as banks and traditional asset managers began to either invest in crypto or seriously consider doing so, with several touting the asset class – particularly bitcoin – as an inflation hedge. Daily trading volumes on eToroX doubled from Q3 to Q4 as prices surpassed the \$25,000 threshold."*

"The report provides a fascinating insight into the factors which leading institutional investors consider vital for encouraging richer institutional inflows into the crypto market. Only by widening the playing field and facilitating more participation will crypto reach and maintain a market cap of \$2 trillion and beyond."

Contributors to the report agreed that barriers to institutional adoption were gradually falling thanks largely to innovative crypto-native participants sustaining the market. The executives noted, however, that the next wave of growth must be led by traditional institutional investors buoyed by greater regulatory clarity, improved market infrastructure, and technological innovation.

Despite the efforts of individual bodies, the lack of a standardised global regulatory regime is a significant barrier to entry for most institutional players. This is predominantly because one jurisdiction often has multiple regulatory bodies and it is currently unclear as to which one crypto would fall under. The report provides a dispatch of current steps regulators around the world are taking to bring crypto inline with traditional markets.

Respondents named regulated markets as their preferred execution venue, followed by OTC market-makers and crypto spot exchanges. Regarding the possible launch of regulated funds and ETF products, executives were positive, with most stating that the availability of reputable funds and crypto ETFs would help to ensure institutional market growth.

The report also noted that traditional institutional players wish to make a decision on exposure and trade without having to concern themselves with the technical complexity and risks of storing their own private keys. Most respondents heralded cold storage as the most popular custody method while dismissing hot wallets as inappropriate for the institutional market.

Tomer Niv added, *"It's encouraging to see that the next phase of the crypto industry's evolution is underway with more participation from institutions. At eToroX we are seeing more and more professional traders coming to us wanting to know how to access crypto liquidity."*

"More needs to be done from a market infrastructure point of view to make this group of investors feel comfortable joining the crypto ecosystem. eToroX has introduced a series of enterprise-grade infrastructure solutions like FIX APIs and cold storage, which we view as a critical component for attracting institutional capital to the exchange."

The eToro institutional trading report can be viewed in full [here](#).

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Notes to editors

About the research

Institutional Cryptoasset Trading: Looking for the Missing Bits was prepared by advisory firm Aite Group on behalf of eToro. The report encapsulates the findings of in-depth interviews with 25 senior executives from leading liquidity providers, banks, brokers, exchanges, crypto funds, asset managers, and global technology vendors in November 2020. Banks and brokers constituted the largest share of interviewees (41%) followed by liquidity providers (27%) and fund managers (18%).

About eToro

eToro was founded in 2007 with the vision of opening up the global markets so that everyone can trade and invest in a simple and transparent way. The eToro platform enables people to invest in the assets they want, from stocks and commodities to cryptoassets. We are a global community of more than 17 million registered users who share their investment strategies; and anyone can follow the approaches of those who have been the most successful. Due to the

simplicity of the platform users can easily buy, hold and sell assets, monitor their portfolio in real time, and transact whenever they want. As technology has evolved, so has our business. In 2018 we launched our professional crypto exchange eToroX, together with the eToro Wallet.

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eToro is regulated in Europe by the Cyprus Securities and Exchange Commission, regulated by the Financial Conduct Authority in the UK and by the Australian Securities and Investments Commission in Australia.

eToroX is incorporated in Gibraltar with company number 116348 and its registered office is at 57/63 Line Wall Road, Gibraltar. Its distributed ledger technology (DLT) provider licence was granted by the Gibraltar Financial Services Commission in December 2018 (licence number FSC1333B).

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