

Crypto Investment Literacy

The Ultimate Report on
Crypto Investment Literacy
Across Markets and Generations





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Introduction

In 2020, the crypto industry saw a bullish climate, attracting many investors into the Web3 and crypto world. As such, the current bear market might be a first for many. There is no doubt that the crypto winter is currently in full swing. The market capitalization of cryptocurrencies has fallen from \$3 trillion in November 2021 to less than \$1 trillion today. However, it is important for investors to note that the crypto market, just like the market for any other traditional assets, has cycles where unpredictable volatilities and fluctuations in asset prices are inevitable.

The speed and magnitude of price drawdowns in the current market have caught many retail investors off guard, which in turn revealed the need and importance of crypto investment literacy and how it could help investors manage their portfolios in such times. Unfortunately, compared to institutional investors, most retail investors have inadequate crypto investment literacy,

leaving them underprepared in the face of market volatility, thus suffering unintended losses.

As such, Bybit sees the necessity to dive into the user journey of retail investors and their crypto investment literacy. In the process, we will introduce the crypto industry's first crypto investment literacy framework and highlight key findings based on a survey to understand current crypto investors' investment literacy. We also hope to equip all existing and prospective crypto investors with adequate and appropriate investment literacy.

We strongly believe educating retail investors on crypto investment literacy is essential to the industry's long-term growth. Journey with us as we present you with findings on current perceptions and behaviors in the crypto market and a proper crypto investment checklist.

Methodology

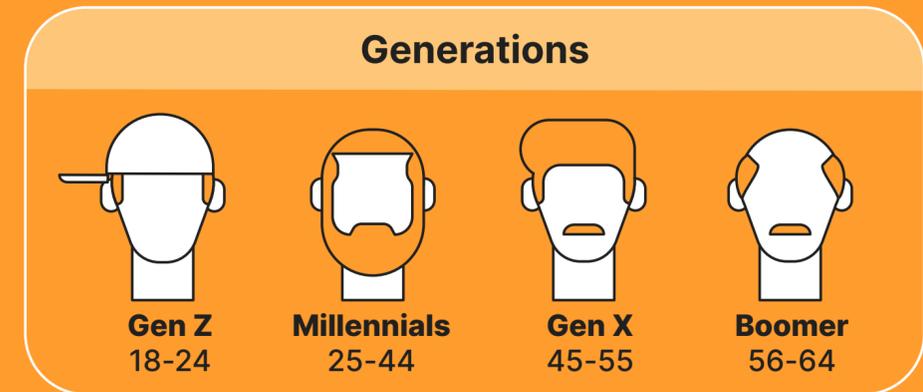
In November 2022, Bybit and Toluna embarked on a journey to better understand the consumer journey of crypto investors. As part of the process, 10,500 unique respondents in 19 markets, with 1,748 identified as 'crypto investors' were surveyed.

To ensure representativeness across each market, we set a quota per national representation among the following categories: Ages from 18 - 64 years, SES, and Urban vs. Rural regions.

The purpose of our study is to:

- Provide a global view on how crypto investors perceive centralized exchanges, KYC, and whether the pursuit of decentralization negates their trust in centralized exchanges.
- Provide an in-depth overview of current retail investors' crypto investment literacy and whether there are any significant differences amongst countries, markets, and generations on
 - A) crypto investors' due diligence behavior;
 - B) crypto investors' investment ambition and behavior.

Definition of Categories



Countries

	LATAM	APAC	
Emerging	Brazil	India Phillipines Indonesia Thailand Malaysia Vietnam	
	APAC	EMEA	NA
Developed	Singapore Hong Kong China Australia	Germany Spain France Italy United Kingdom United Arab Emirates Saudi Arabia	United States

Toluna is a technology company that delivers real-time consumer insights at the speed of the on-demand economy. By combining global scale and local expertise with innovative technology and award-winning research design, Toluna helps clients explore tomorrow, now.

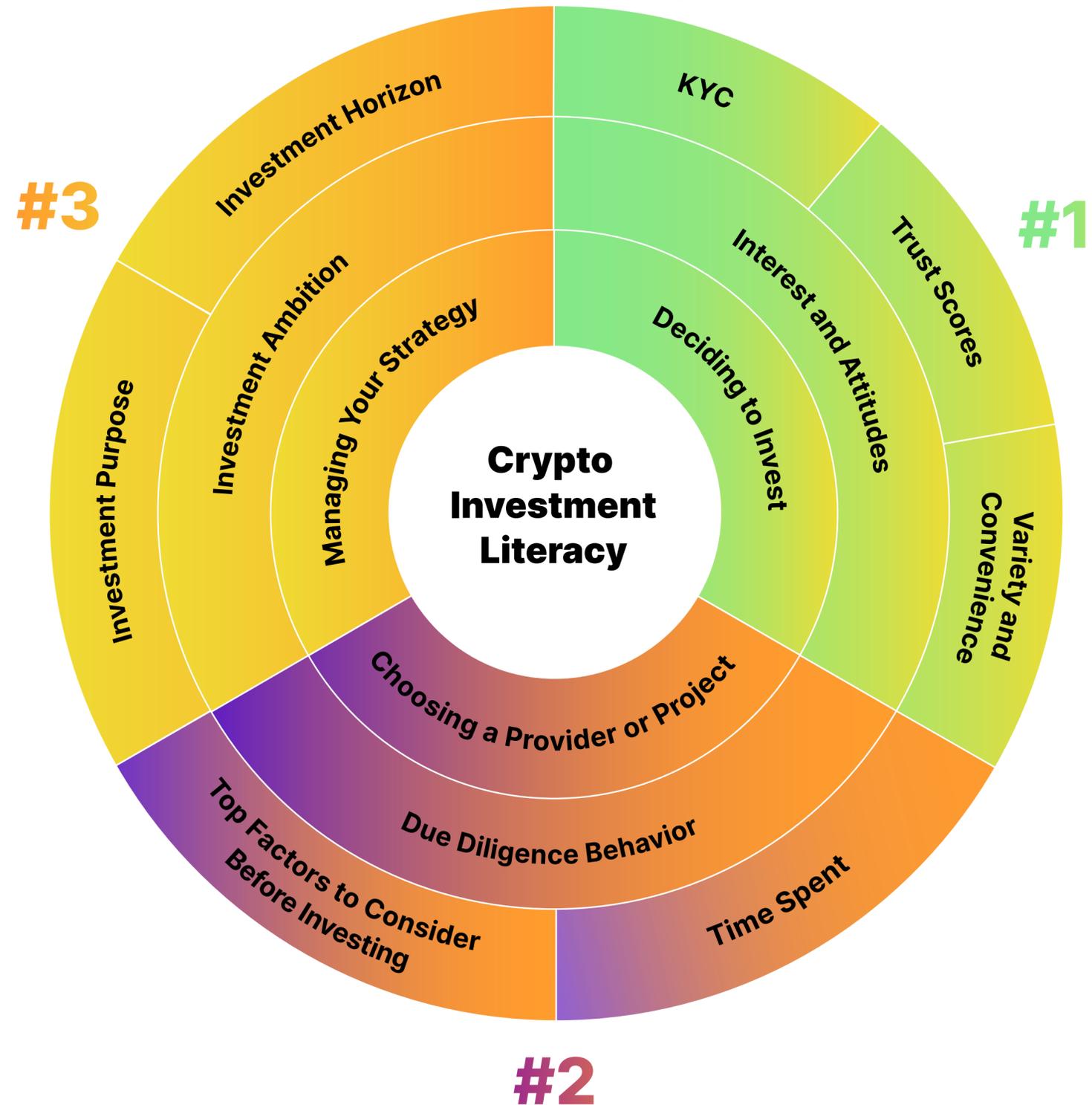
With every research capability at your fingertips and our panel of over 40 million respondents at the ready, Toluna Start helps you get the insights you need, the moment you need them.

Crypto Investment Literacy Framework

Before diving into useful practices one can take to enhance their crypto investment literacy, one should first understand the common components of an investment journey and how they are important.

For typical crypto investors, there are three main milestones. First, their decision to invest in crypto, second, choosing a provider or project, and last but not least, how they manage their portfolios.

Thus, we have created a Crypto Investment Literacy Framework to flesh out what each milestone entails, why it is important, and what we can learn to better our own investment literacy.



Findings at a Glance

#1 Interest and attitudes

Retail investors reveal that their sentiments towards CEXes have been relatively positive. In addition, the importance of centralization and regulation amidst the current market was also emphasized.

1 in 2 investors are undeterred by stricter regulations.

1 in 4 investors are willing to accept CEXes regulation for greater safety over their investments.

1 in 2 correspondents calls for more centralized control for wider Web3 adoption.

CEXes score the highest on trust, 15% higher, over NFTs and DeFi.

In fact, 3 in 5 DeFi believers diversify, placing their trust in CEXes too.

#2 Due diligence behavior

Boomers prove to be the most careful, risk-savvy investors, with 50% more doing DYOR of up to a few days, and with savvier tactics.

Investors choose projects vs CEXes differently. With CEXes, the focus is on business practices and policies. With projects, emotional factors like reputation matter more.

34% of Boomers spend a few days DYOR-ing, 50% more than other generations.

64% of North American investors spend less than 2 hours or don't DYOR at all.

When choosing a token project, 30% more investors prioritize reputational factors as compared to technical factors.

Boomers are generally 20% savvier than other generations, as they focus more on technical factors.

Contrary to how token projects are chosen, the day-to-day business practice factors of CEXes are preferred 30% more than reputational factors.

#3 Investment ambition and behavior

While crypto is a nascent asset class, investors continue to believe in the long-term growth potential of crypto, showing long-term investment horizons of 7 months to over 2 years.

In fact, Boomers and Gen Xs have the stronger diamond hands, hodling for 6 months or longer.

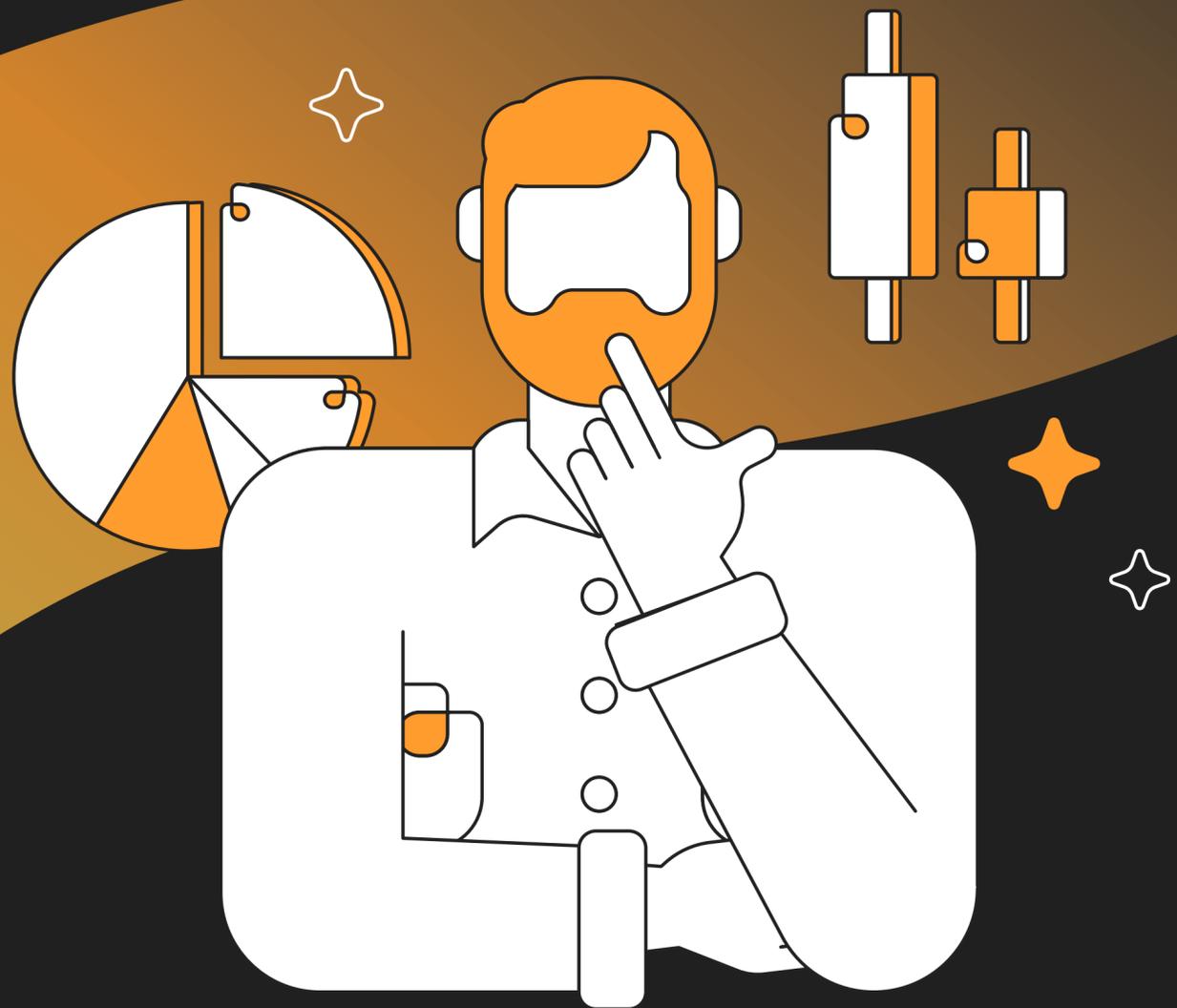
1 in 3 invests in crypto due to its growth and wealth accumulation potential.

46% of crypto investors are in it for the long run, with an investment horizon of 7 months to over 2 years.

Boomers, Gen X and Developed Countries are more likely to HODL for longer, by 6 months at most.

Dimension 1

Interest & Attitudes

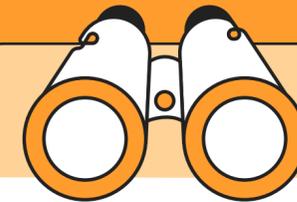


Global Score Card

Dimension 1

Interests and Attitudes

Providing a wide range of trading tools and simplified procedures, CEXes are often the first stop for many new crypto investors. As such, we dive into how retail investors perceive the centralization and regulation of CEXes. In addition, we also explored the trust of investors in web2 and web3 players and their safety awareness.



Findings

1 in 2 investors are undeterred by stricter regulations.

1 in 4 investors are willing to accept CEXes regulation for greater safety over their investments.

1 in 2 investors call for more centralised control for wider Web3 adoption.

CEXes' score the highest on trust, **15% higher**, over NFTs and DeFi.

In fact, **3 in 5 DeFi believers** diversify, placing their trust in CEXes too.

1 in 2 investors are undeterred by stricter regulations.

KYC is commonly misunderstood to add little value to the CEX user experience. However, KYC is a useful tool for crypto exchanges to prevent cyber crimes and hacks, which ultimately contributes largely to the safety and security of the ecosystem.

However, **more than 50% of participants** have little to no preference when it comes to exchanges using KYC verifications.

Fun Facts

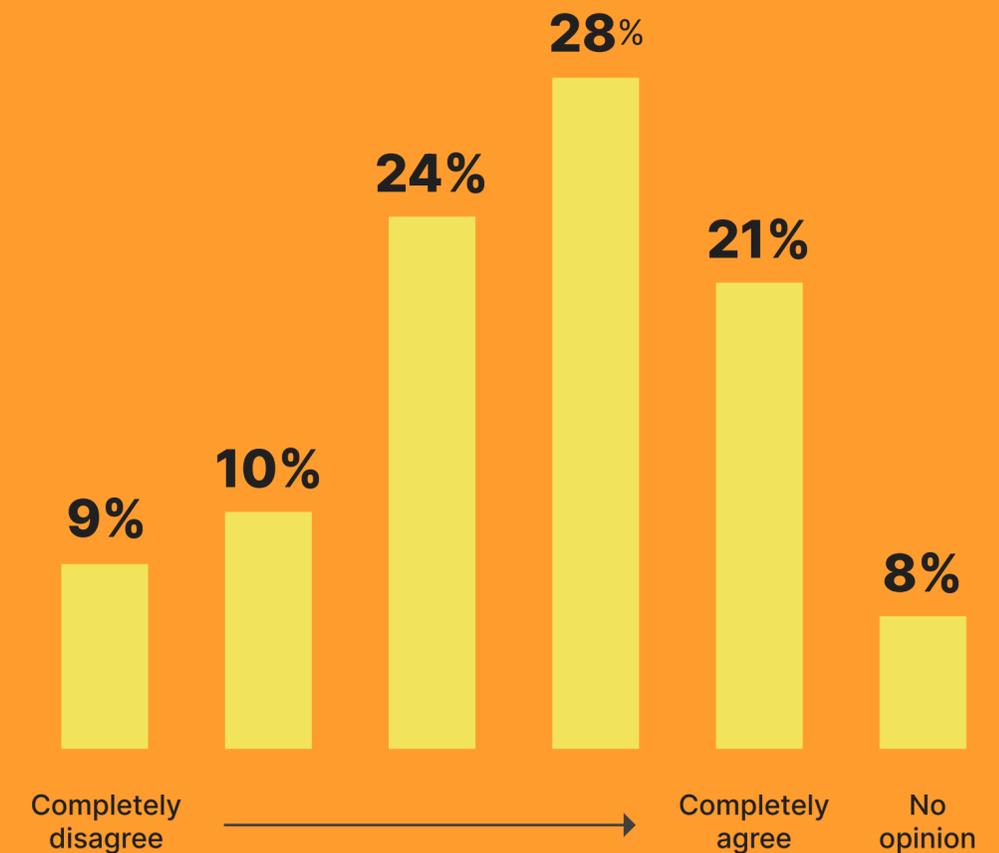


Developed countries are more positive than emerging countries regarding KYC

N. America is the most positive geography regarding KYC

Boomers are the most positive generation when it comes to KYC

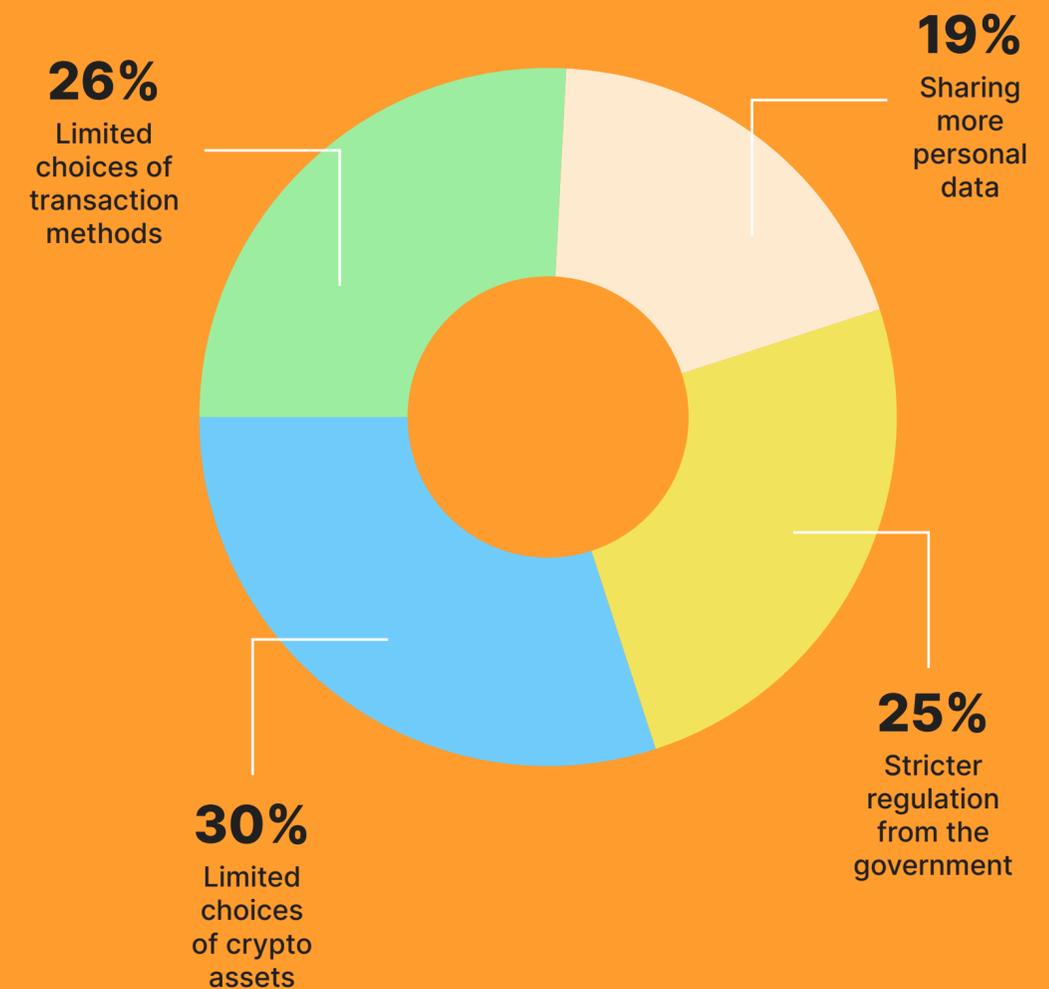
I prefer crypto exchanges that DO NOT use KYC verifications



1 in 4 investors are willing to accept CEXs regulation for greater safety over their investment

The crypto industry is a growing one where imperfections exist. As a result, we asked our correspondents which they would prefer trading off for greater safety over their crypto investments.

What tradeoffs are you willing to make in exchange for less risk when investing in crypto?



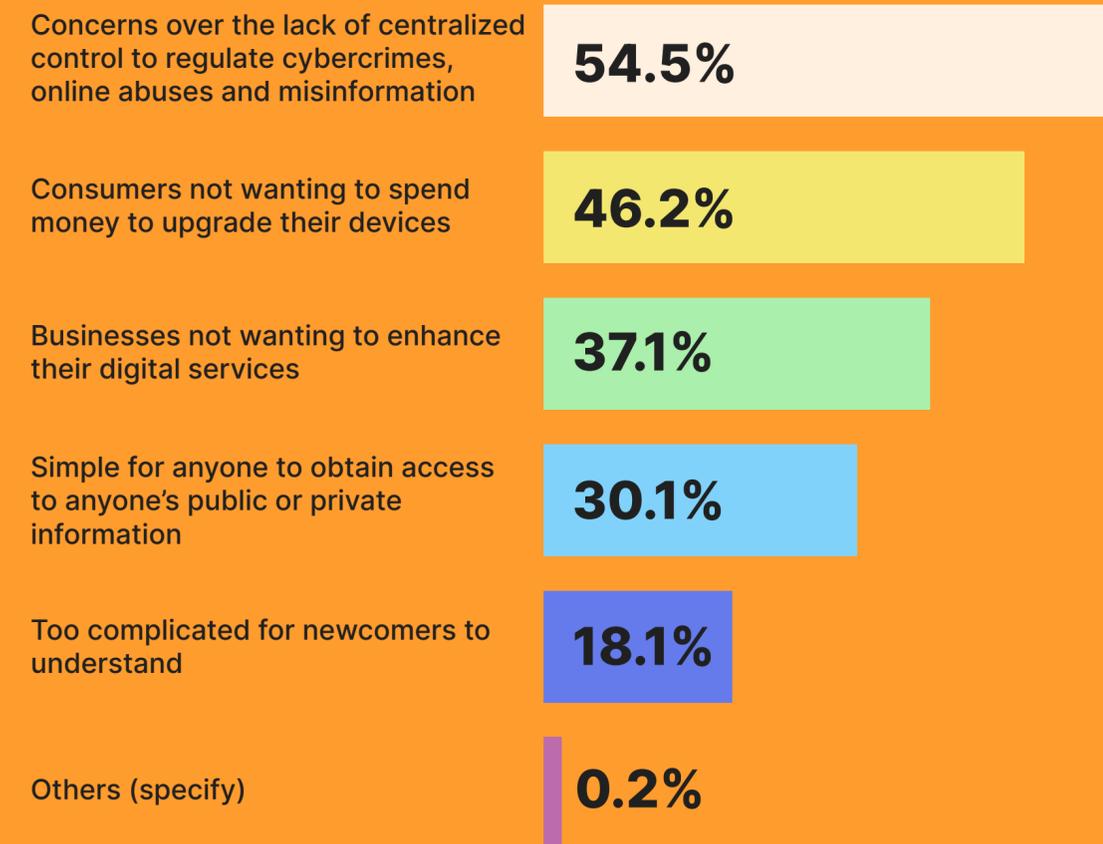
1 in 2 investors calls for more centralized control for wider Web3 adoption.

Our study suggested that concerns over the **lack of regulation to prevent cybercrimes, online abuses, and misinformation are the top barriers to Web3 adoption.**

KYC can serve as an effective tool to address these concerns.

In an ideal world, it is understandable why some might oppose KYC verifications. However, in reality, the abuse of the system by malicious individuals needs to be prevented. Thus giving rise to the need for such forms of protection, not just for the exchanges but for the users.

What do you think could be some barriers to the adoption or development of Web 3.0?

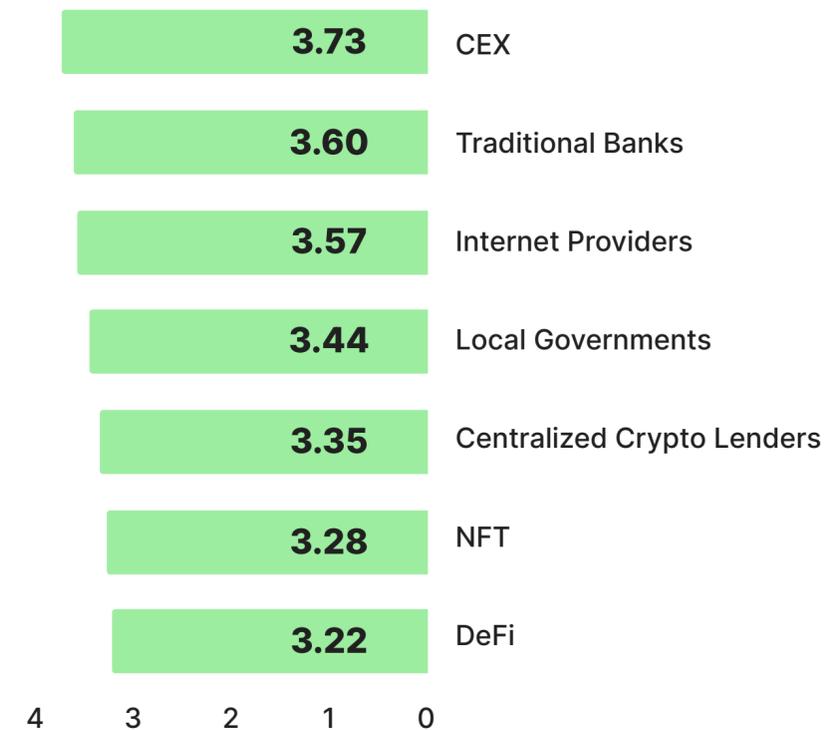


CEXes score the highest on trust, 15% higher, over NFTs and DeFi.

Crypto investors trust CEXes more than other web3 players, large institutions, and even governments.

As an increasing number of investors venture into the crypto market, a growing population of people seem to have more trust in Web3 than in Web2. However, crypto investors put lower scores on NFT and DeFi than most Web2 players, suggesting their safety concerns in a decentralized environment.

Trust scores
(1=completely distrust; 5=completely trust)



In fact, 3 in 5 DeFi believers diversify, placing their trust in CEXes too.

CEXes and DeFi are not mutually exclusive. Crypto investors' trust in one does not negate their trust in the other.

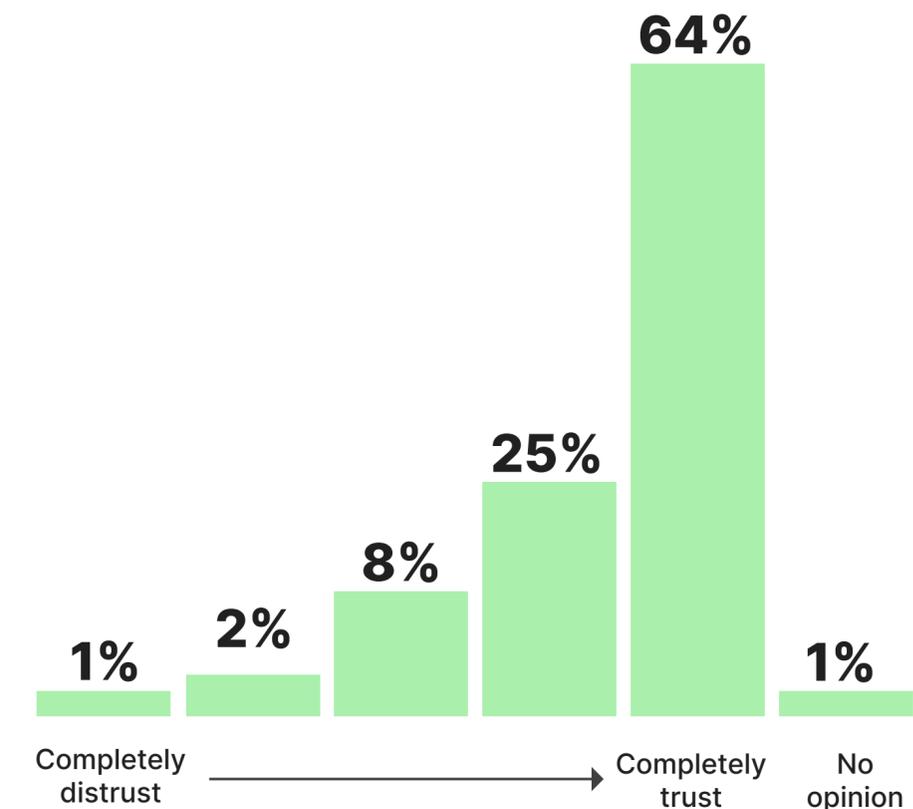
It is common to think that investors who completely trust DeFi will distrust CeFi.

Interestingly, our findings indicate the opposite. DeFi believers (those who “completely trust” DeFi) still put high trust scores on CEXes, with 89% of crypto investors putting at least 4 out of 5 trust scores, debunking the myth that centralization and decentralization cannot go hand in hand.

Maturing Crypto Investment Literacy

Retail crypto investors have become familiar with services from CEXes, thus placing high trust in CEXes. After all, CEXes is their first stop after entering the space. CEXes and DeFi are not mutually exclusive, and retail investors usually do not start exploring DeFi until they gain sufficient crypto knowledge. Their attitude towards CEXes and regulation reflects a maturing investment literacy.

Trust Scores on CEXes by DeFi Believers



Dimension 2

Due Diligence Behavior

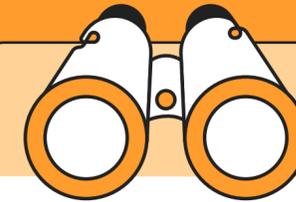


Global Score Card

Dimension 2

Due Diligence Behavior

After understanding investors' attitude towards CEXes, regulations and other industry players, we look into their due diligence behavior before depositing funds in CEXes and investing. This would give us further insights into current investors' crypto investment literacy.



Findings

34% of Boomers spend a few days on DYOR, 50% more than other generations.

64% of North American investors spend less than 2 hours or don't DYOR at all.

When choosing a token project, **30% more investors** prioritize reputational factors as compared to technical factors.

Boomers are generally **20% "savvier"** than other generations, as they focus more on technical factors.

Contrary to how token projects are chosen, factors regarding the **day-to-day business practices of CEXes are regarded 30% more** than reputational factors.

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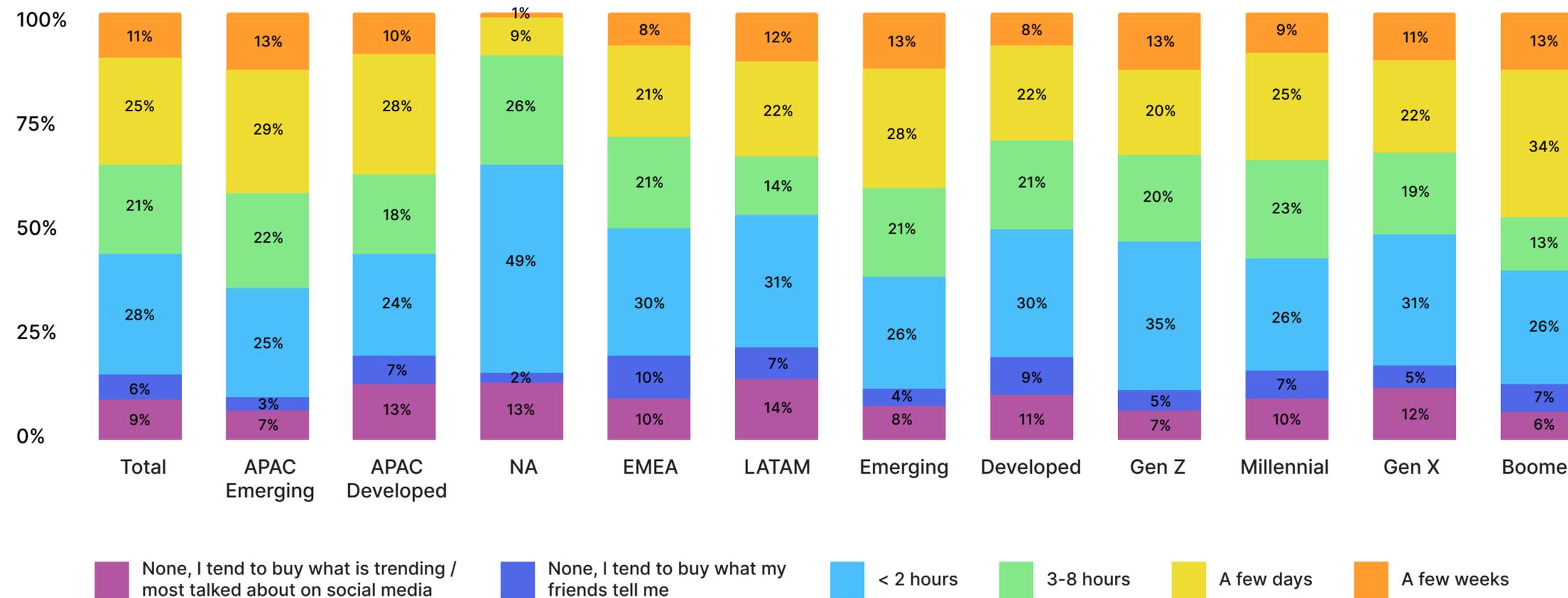
Fun Facts

Among all regions, APAC Emerging countries spend the longest time on their research.

Interestingly, in terms of generation, Boomers spend the longest time on due diligence.

Doing one's own due diligence is a crucial step before making investment decisions. However, **2 out of 5** crypto investors spend **less than 2 hours** in due diligence before making their investments.

How much time do you spend on due diligence before investing in a crypto project, or trading a new coin?

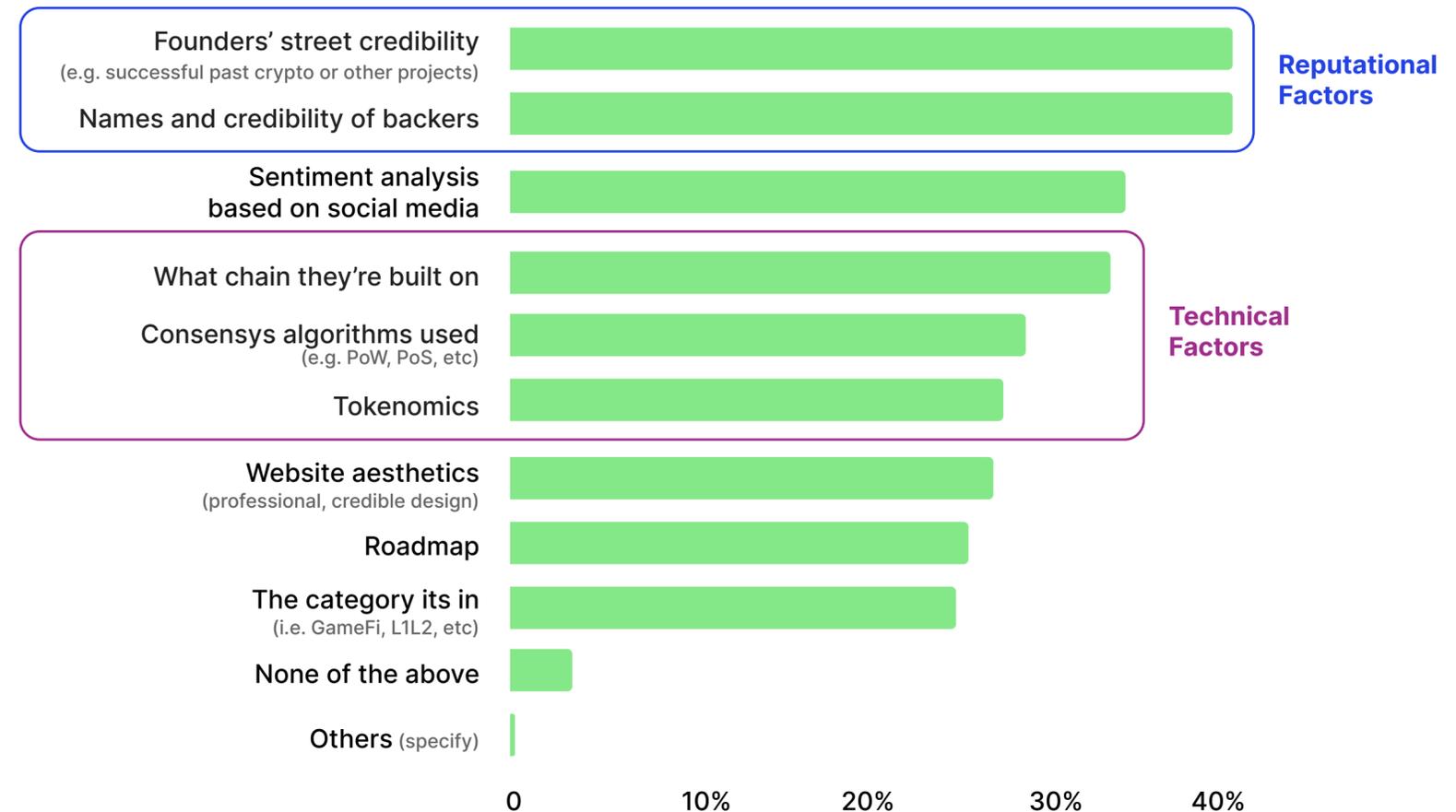


When choosing a token project, **30%** more investors prioritize **reputational factors** as compared to technical factors.

A comprehensive review of a token project entails consideration of technical factors, reputational factors, roadmap, categories, etc.

Our study indicates that investors have prioritized reputational factors over other more fundamental factors, suggesting that more education is needed for investors to understand that technical factors drive more value to token projects than reputational factors.

What are some things you look out for before making an investment in a crypto token or project?



Boomers are 20% “savvier” than other generations, as they focus more on technical factors.

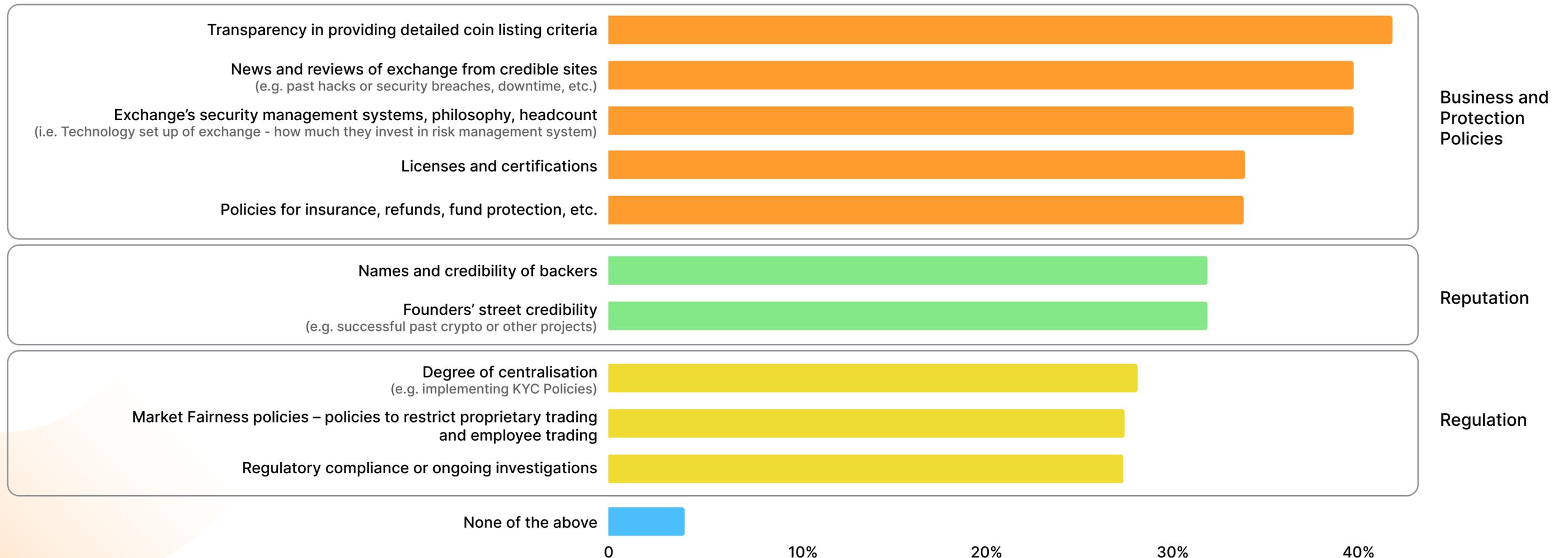
LATAM prioritizes the consensys algorithm as a key factor, while North America emphasizes the website aesthetics. Regarding generation differences, boomers seem more sophisticated in terms of prioritizing tokenomics more than other generations.

Key factors to look at before investments	Total	APAC Emerging	APAC Developed	NA	EMEA	LATAM	Emerging	Developed	Gen Z	Millennial	Gen X	Boomer
Founders' street credibility (e.g. successful past crypto or other projects)	42%	51%	32%	27%	42%	12%	45%	39%	39%	44%	44%	27%
Names and credibility of backers	42%	51%	35%	32%	32%	47%	50%	33%	38%	42%	38%	48%
Sentiment analysis based on social media	36%	44%	27%	21%	28%	39%	43%	27%	31%	33%	35%	55%
What chain they're built on	35%	40%	33%	40%	30%	26%	37%	31%	26%	35%	48%	24%
Consensys algorithms used (e.g. PoW, PoS, etc)	30%	35%	28%	9%	25%	29%	34%	25%	28%	30%	31%	29%
Tokenomics	28%	37%	16%	22%	26%	10%	33%	24%	23%	29%	26%	39%
Website aesthetics (professional, credible design)	28%	33%	18%	29%	24%	28%	32%	23%	32%	27%	25%	31%
Roadmap	26%	32%	22%	28%	23%	20%	30%	23%	30%	27%	25%	22%
The category its in (i.e. GameFi, L1L2, etc)	26%	29%	30%	17%	21%	24%	29%	23%	25%	26%	25%	24%
None of the above	4%	1%	8%	7%	4%	10%	2%	5%	2%	4%	5%	5%
Others (specify)	0%	0%	0%	0%	0%	3%	1%	0%	0%	0%	2%	0%

Note: The top 3 factors from each category are highlighted in red.

Contrary to how token projects are chosen, factors regarding the **day-to-day business practices of CEXes** are regarded **30% more than reputational factors.**

What are some things you look out for before putting funds in an exchange?



Dimension 3

Investment Ambition and Behavior



Global Score Card

Dimension 3

Investment Ambition and Behavior

After understanding investors' consideration towards crypto investments, we take a closer look at what investors try to achieve with crypto investments and their investment horizon.



Findings

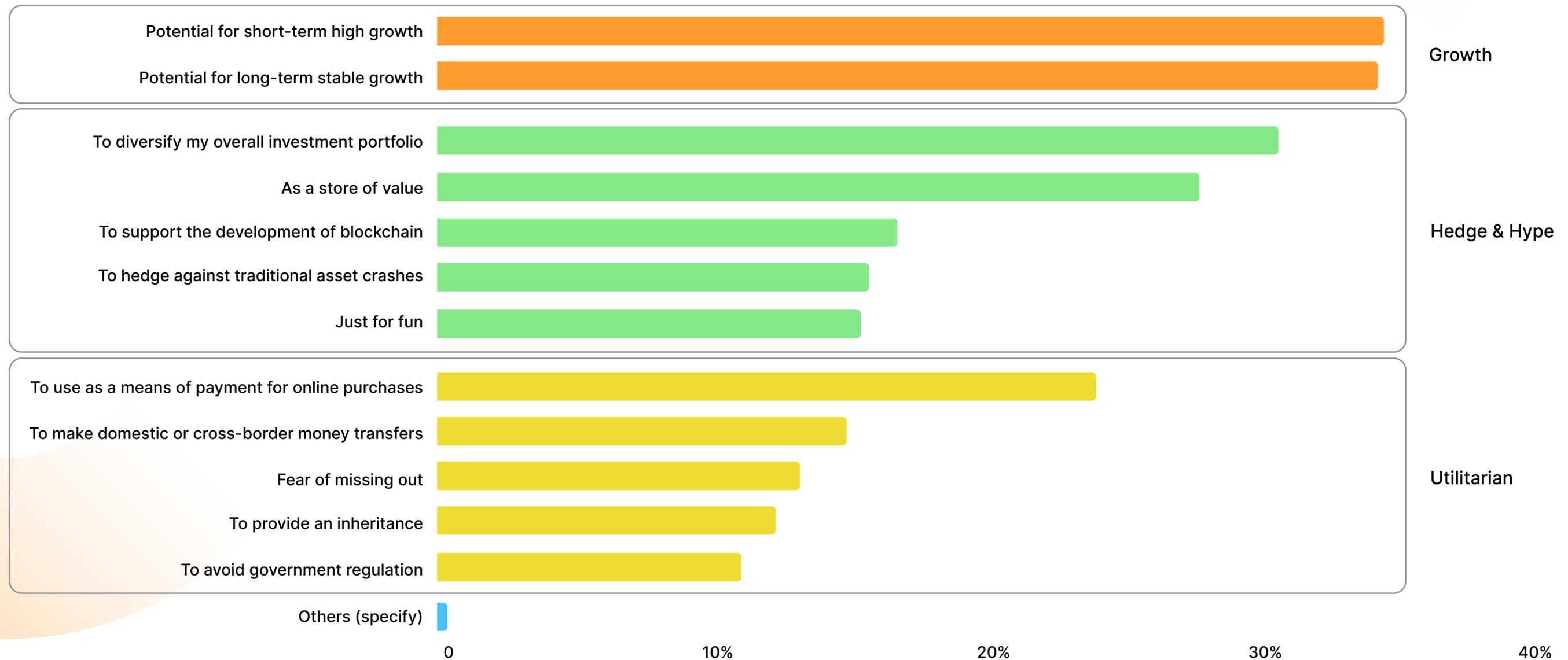
1 in 3 correspondents invest in crypto due to its growth and wealth accumulation potential.

46% of crypto investors are in it for the long run, with an investment horizon of 7 months to over 2 years.

Boomers, Gen X and those from developed countries are more likely to HODL for longer, by 6 months at most.

1 in 3 correspondents invest in crypto due to its growth and wealth accumulation potential.

What are the top 3 reasons you invested/want to invest in crypto?

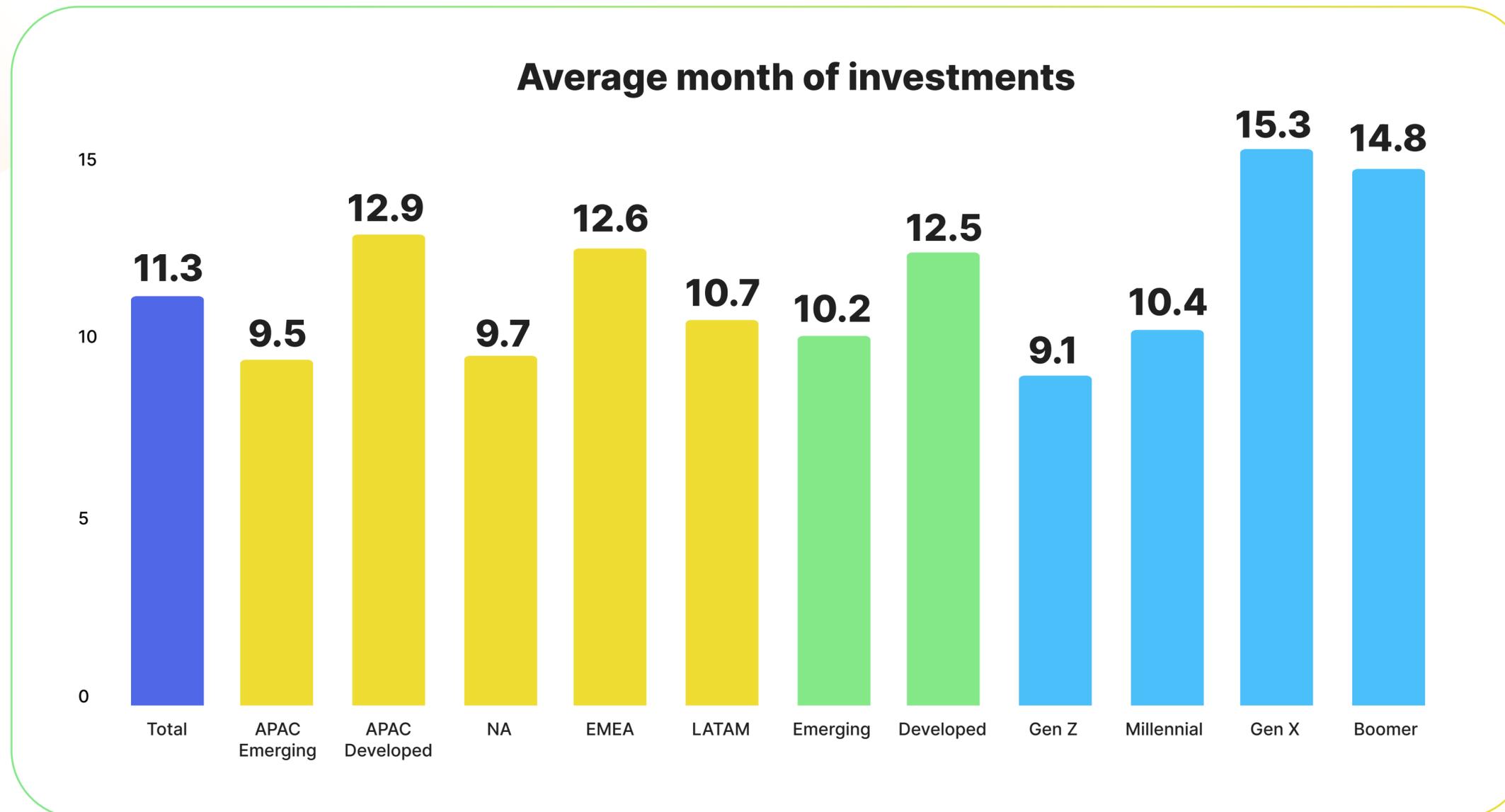


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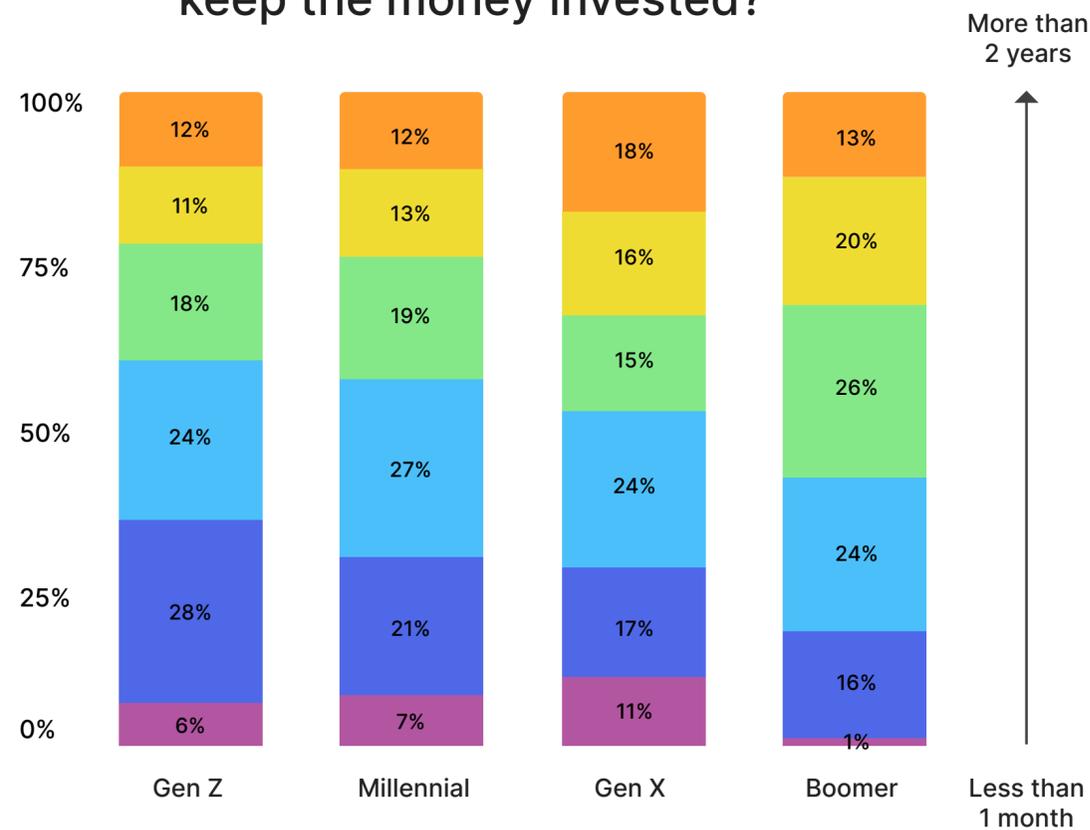
When making an investment in crypto, how long do you keep the money invested?



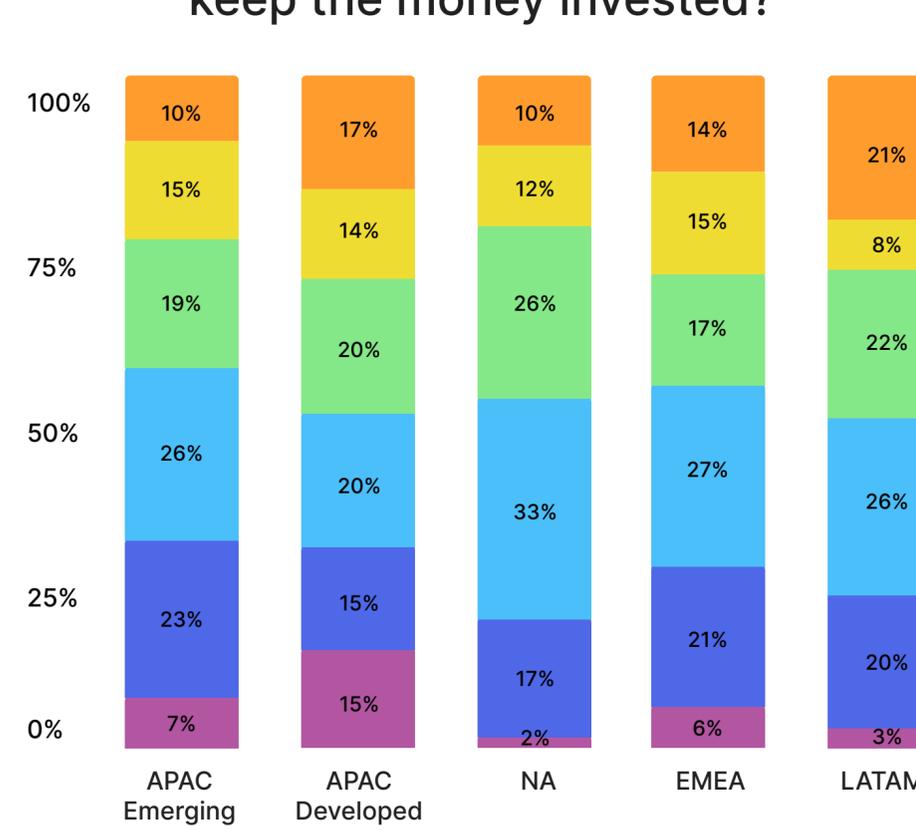
Boomers, Gen X and those from developed countries are more likely to HODL for longer, by 6 months at most.



By Generations - When making an investment in crypto, how long do you keep the money invested?



By Geography - When making an investment in crypto, how long do you keep the money invested?



Less than 1 month
 1-3 months
 4-6 months
 7-12 months
 1-2 years
 More than 2 years



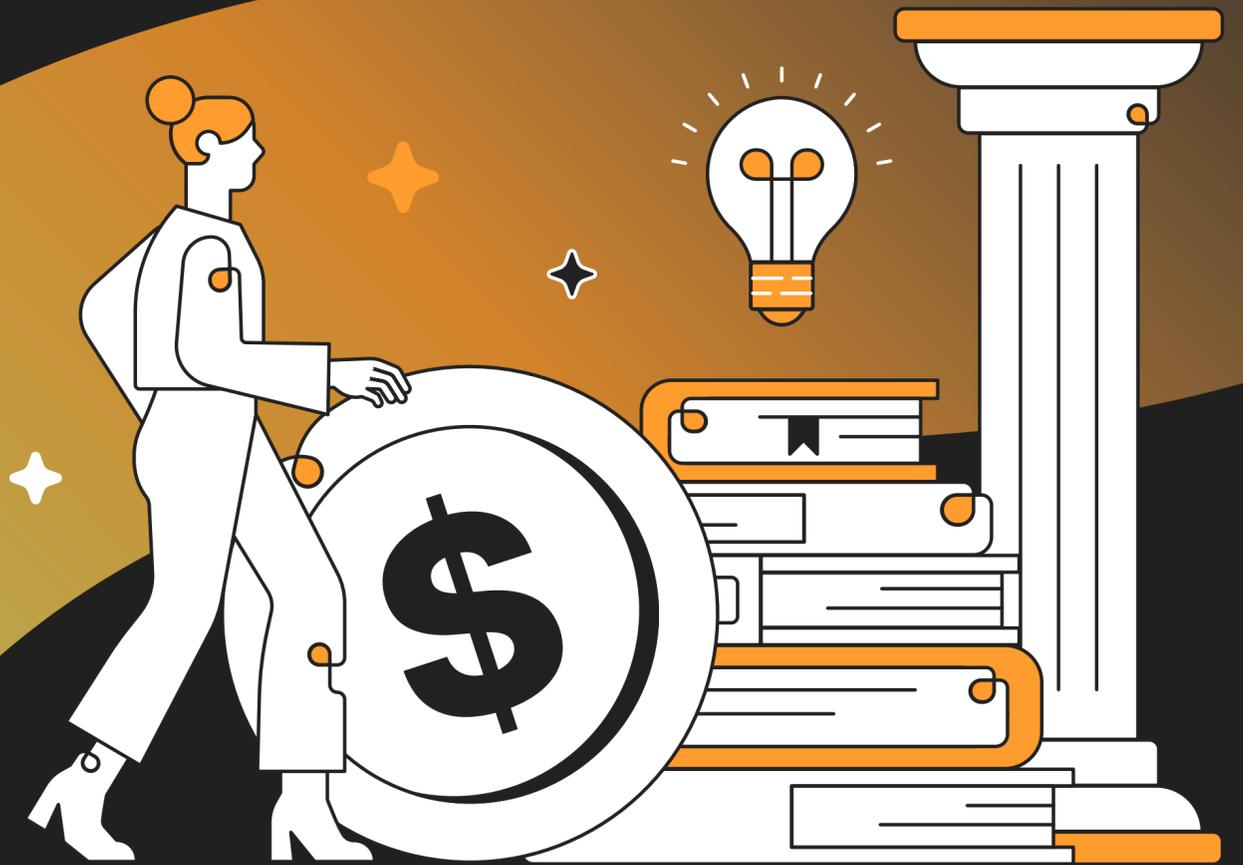
Fun Facts

When zooming in on the differences in trading behavior in terms of countries and generations, we made some interesting findings.

- Did you know that Boomers/ Gen X HODL more than Gen Z/Millennials? This suggests that youngsters perform more frequent and short-term trading compared to older generations.
- Investors in developed countries tend to HODL more than those in emerging countries.
- Developed countries in the APAC region HODL more than any other region.

Time for Action

How to Strengthen Your Crypto Investment Literacy



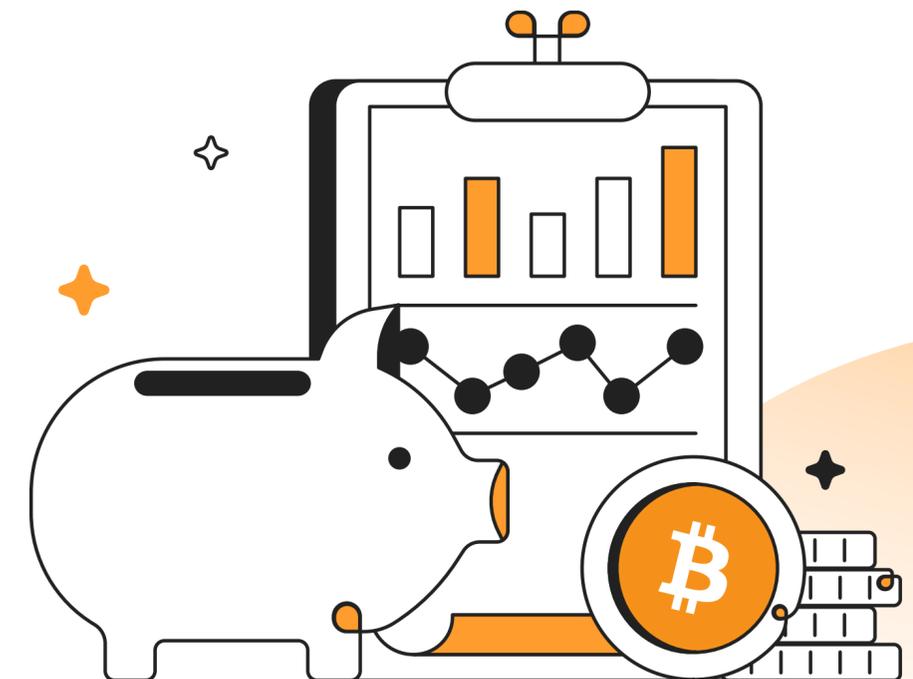
Summary

After gaining deeper insights into the user journey of crypto investors and analyzing their responses, we see that the investment literacy of crypto investors is advancing with more room to mature. The bifurcation of centralization and decentralization is not clear-cut, despite holding onto ideal views of a completely decentralised space, crypto investors have understood the necessity of regulation. In addition, CEXes have played a significant role in enhancing investment literacy for new crypto investors by creating informative and educational content for their users.

However, the findings on due diligence and investment behavior shed light on areas of investment literacy in which investors can make improvement on. When making investments, investors placed high emphasis on reputational factors, moreover the time spent on due diligence is far from sufficient.

Younger generations have also shown to be less informed when making investment decisions.

As a leading crypto exchange, Bybit is fully committed to enhancing crypto investors' investment literacy. As such, we have prepared an investment procedure checklist to strengthen your crypto investment literacy before your next investment.



How to Strengthen Your Crypto Investment Literacy

1. Find Your Objective

Crypto's potential for long-term growth and diversification from traditional assets are appropriate for most users. On the other hand, when deciding to engage in short-term investments, it is crucial to identify your investment constraints, including but not limited to the maximum drawdown you can tolerate, caps on a single token's concentration, or maximum leverage.

2. Find Your Investment Strategy

Develop your investment strategies based on your expertise, whether long, short, or market-neutral. New crypto investors, however, are advised not to short frequently in order to manage risk. Harness different instruments, spots, options, futures, and perpetual to hedge risks or enhance returns.

3. Set Aside Funds for Investment

Allocate an appropriate amount of investable assets to crypto investments based on your background, investment objectives, investment constraints, and investment horizon.

4. #DYOR

As the crypto space grows, there will be an abundance of projects. As such, it is important to perform more comprehensive due diligence before investments to sieve out unsustainable ones from those that are profitable. Retail investors should spend a few days on DYOR to fully understand a token project. Research from Bybit or other research agencies may facilitate understanding, investors should take note to distinguish facts from opinions while reading.

5. Deep Dive into Potential Projects

Once you've picked your project of interest, ensure that you review the projects' technology backup, tokenomics, performance, competitor analysis, valuation, etc., on top of founders' or backers' reputations. Take heed of venture capitalists' investment cost as an anchor of the token project's fair valuation.

6. Find Your Trading Platform

There are many ways one can trade crypto. However, when engaging with DeFi platforms, one might require more crypto knowledge as compared to trading on a centralized exchange. Most centralized exchanges have a variety of product offerings covering spot, derivatives, and structural products. Take note the chosen exchange's proof-of-reserve (POR) before depositing your funds. Check out Bybit's POR on [Nansen](#) and [DefiLlama](#).

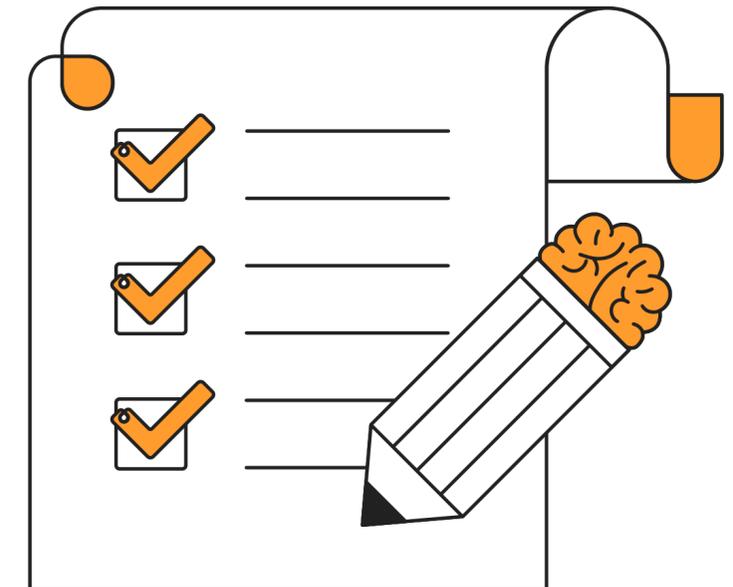


7. Read Crypto Twitter

Have ongoing monitoring with regular revisits of your crypto investments. Watch out for token-specific news, industry news, and macroeconomic updates. A common platform to update yourself would be Crypto Twitter. Alternatively, check out Bybit's Daily Bits.

Remember: No FOMO, No FUD.

Execute your trading according to the pre-set investment objectives, constraints, strategies, and horizon. Do not let emotions make decisions for you.



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