



Cryptos in the Netherlands: current state of affairs

Update of the market survey among Dutch consumers

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The Dutch Authority for the Financial Markets

The AFM is committed to promoting fair and transparent financial markets.

As an independent market conduct authority, we contribute to a sustainable financial system and prosperity in the Netherlands.

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1. Management summary

In 2017 the interest in cryptos increased and at its peak, at the beginning of 2018, a total of 580,000 Dutch people possessed cryptos. In the meantime, the prices have dropped and as of October 2018 480,000 Dutch people still possessed cryptos. At the beginning of 2018, the Dutch Authority for the Financial Markets (AFM) conducted a first survey of crypto possession among consumers and concluded, partly on the basis of this survey, that the market displays characteristics of a financial bubble. Since then, the AFM has been monitoring developments. In this context, in October 2018, the AFM conducted a follow-up survey into the state of affairs in the crypto market.

The warnings of the AFM are well known to crypto holders; 80% of crypto holders say they are familiar with them. Moreover, the percentage of crypto holders who indicate that they are going to do something with this warning has increased from 25% to 36%.

The interest in cryptos has diminished, since the beginning of 2018 the number of consumers who have invested in cryptos has decreased. Furthermore, the group of crypto holders is also less concerned with their portfolio; they trade less and look less often at the portfolio compared to the beginning of the year. The price falls are the main reason for the decreased interest. In addition, it seems that few crypto holders are still making a profit and that there is little interest in cryptos as a means of payment.

An important development among ICO participants is that risk awareness has increased. The risk of investment loss is estimated to be higher than it was at the beginning of the year. Furthermore, interest in ICOs has also declined. Price falls and fear of fraud and scams are the main reasons for this.

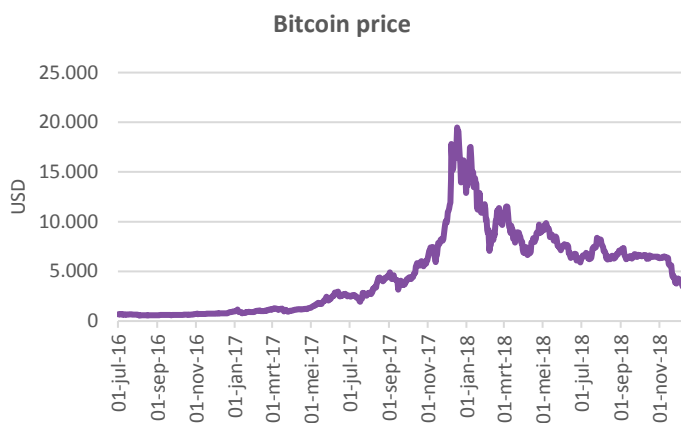
This seems to confirm the view from the previous survey that Dutch consumers have handled cryptos in a reasonably restrained manner. Despite the fall in interest, there are however still many consumers with cryptos. Consequently, the AFM continues to keep a close eye on the market. For example, the AFM remains critical of initiatives taken by institutions subject to supervision with regard to cryptos, among other things to prevent foreseeable disappointments among consumers.

The AFM and the Dutch Central Bank (DNB) are currently preparing a joint advice to the Minister of Finance regarding an appropriate response to the increase in the number of cryptos and ICOs. This advice is expected to be presented early in 2019. The findings from this survey are part of the advice.

2. Introduction

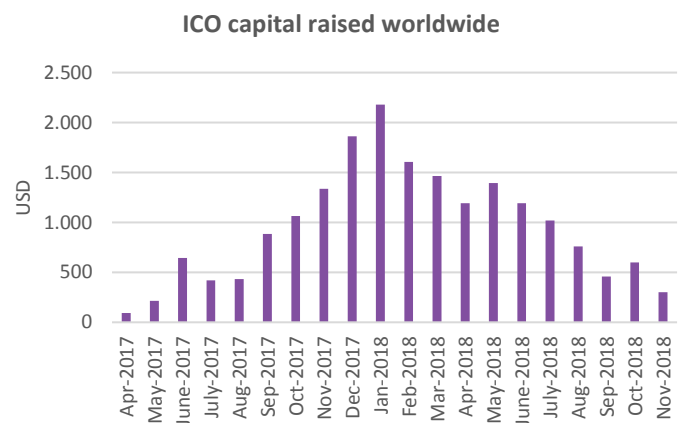
Cryptos have been experiencing a turbulent period. The price of Bitcoin, the first and largest crypto, rose in 2017 from less than USD 1,000 to almost USD 20,000. However, in 2018, the price fell again to below USD 4,000, a fall of more than 80% (Figure 1). The same pattern is visible in the capital raised with *Initial Coin Offerings* (ICOs; Figure 2)¹ After a peak of almost USD 2,500 mln of capital raised in January 2018, this has since fallen every month to less than USD 300 mln in November 2018.

Figure 1



Source: CoinMarketCap

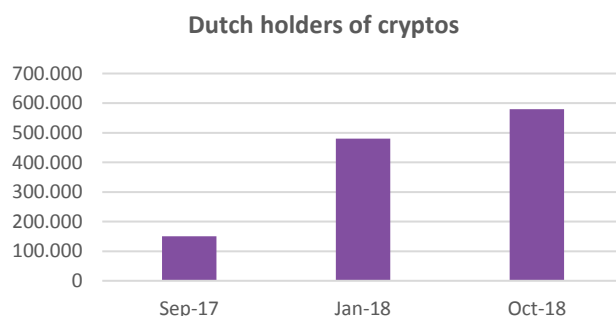
Figure 2



Source: Autonomous Research

This downward movement in the market is also visible in the Netherlands. After the spectacular rise in the number of Dutch people with cryptos from 150,000 in September 2017 to 580,000 in January 2018, it has since fallen to 480,000 in October 2018 (Figure 3). Since January 130,000 crypto holders have got out and 30,000 have entered the market, resulting in a net fall of 100,000 in the number of crypto holders.

Figure 3



Source: Kantar TNS

¹ Because of the unregulated nature of ICOs, no official figures are available. However, there are estimates from various parties. These estimates differ from one another but display a similar pattern.

Partly on the basis of earlier surveys, the AFM has concluded that the crypto market displayed the characteristics of a financial bubble. At that time, consumers invested with the expectation of earning money quickly and did so increasingly at the peak of the market on the advice of friends and acquaintances. At the same time, the AFM concluded that Dutch consumers have generally handled cryptos in a reasonably restrained manner. They invested small sums, did so with their own money and did not expect to get into trouble if the price should collapse.

Given the large number of crypto holders in the Netherlands and the volatile developments, the AFM monitors the crypto market. In this context, the AFM has conducted a follow-up survey of crypto possession among Dutch consumers. With this, the AFM contributes to the ongoing policy discussions.

2.1 Justification

This report is a follow-up to the report published by the AFM in July 2018² and is based on a market survey of Dutch crypto holders commissioned by the AFM and conducted by Kantar TNS. The survey was performed in October 2018 and follows on from an earlier *screeener* that was performed in August and uses a representative sample for Dutch society with approximately 35,000 respondents. In this monitor, one of the questions asked was whether the respondent has purchased cryptos. A supplementary questionnaire was sent to the respondents who stated that they have purchased cryptos and this report is based on this supplementary questionnaire.

The supplementary questionnaire was answered by 521 respondents, a number which means that it is possible to make representative statements for the Dutch crypto holders. In this sample, investors who have participated in an ICO (N=99) and investors who have invested more than 1000 euros (N=251) are overrepresented, in order to have sufficient respondents to be able to draw meaningful conclusions for these group relevant for the AFM. The findings from the supplementary survey have been reweighed based on the original *screeener*.

In addition, it is important that the survey only concerns consumers who have purchased cryptos. The survey does not provide any insight into the group who, for whatever reason, did not purchase cryptos. Thus, for example, no statements can be made about the possible reasons for not purchasing cryptos.

² [Investerings in crypto's in Nederland, AFM, 2018](#)

3. Warning from the AFM

The AFM warned about the risks with cryptos several times in 2017 and 2018.³ In the context of monitoring the market, it is important to know the extent to which consumers are aware of this warning. Just as earlier in the year, the warning is well known and about 80% of the crypto holders indicate that they were aware of it (Figure 4). Moreover, the warnings seem to be taken more seriously. The percentage of crypto holders who indicate that they are going to do something with these warnings has increased from 25% to 36% (Figure 5). In particular, the proportion of crypto holders who indicate that they have become more cautious as a result of the warning has risen, compared to January, from 6% to 16%.

Figure 4

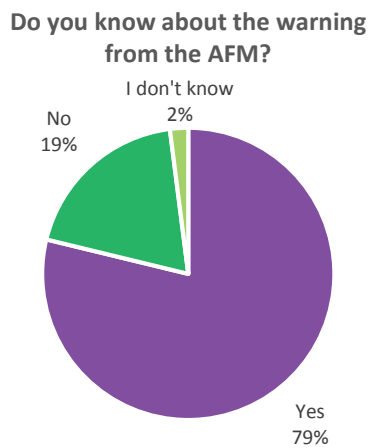
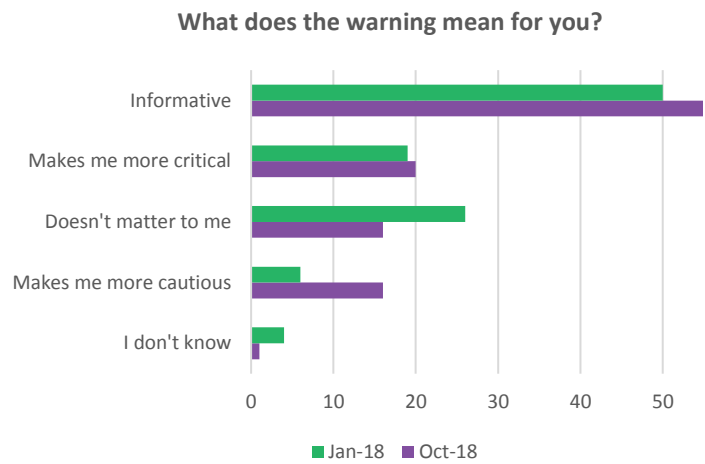


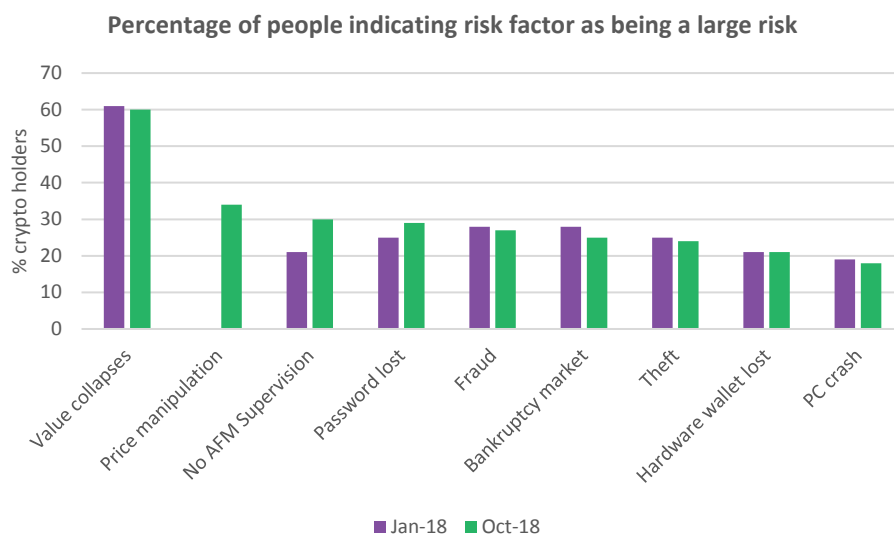
Figure 5



Furthermore, most crypto holders are still aware of the risks. For most risk factors, the percentage of crypto holders who indicate that it is a high risk remained more or less the same as in January (Figure 6). The risk of a price collapse remains by far the most acknowledged risk. Besides, it is striking that the lack of supervision has increased the most as a risk factor compared to January. In January, 21% of the crypto holders acknowledged this as a large risk, now this is 30%. This survey also asked about price manipulation as a risk factor. This is seen as a large risk by a large number of crypto holders and after a price collapse it is the most acknowledged risk.

³ For the first time in [June 2017](#). In addition, warnings were also issued at European level about the risks with cryptos, including those made by the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA).

Figure 6

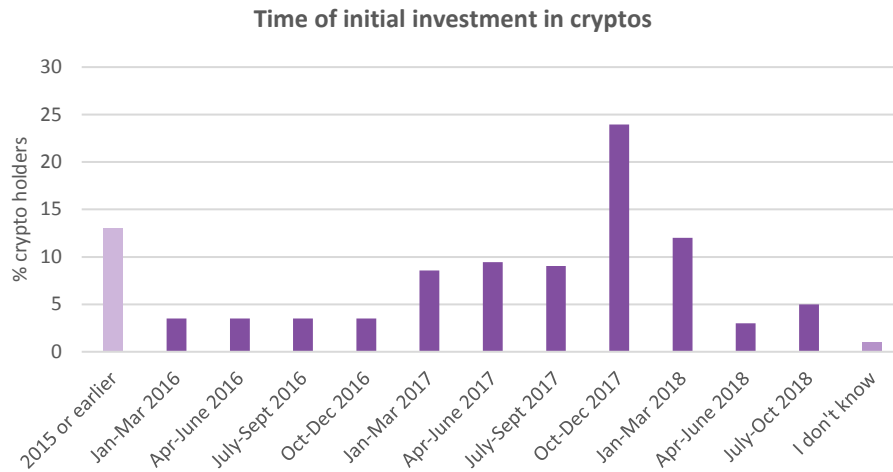


Finally, the sums invested by the crypto holders have not changed. Just as in January, two thirds of crypto holders have invested less than 1,000 euros. Only 3% have invested more than 10,000 euros. This is consistent with the fact that taking a gamble is the primary motive for purchasing cryptos, as indicated in the earlier survey. Thus, at the peak of the market, it does not seem that crypto holders have been prompted to invest ever larger sums.

4. Declining interest in cryptos

The lower prices of cryptos are an indication that the interest in cryptos has declined. In addition to the fall in prices, the decline in interest is also reflected in a number of other indicators.

Figure 7



Note: Percentages for 2016 are only available on an annual basis and for readability are assumed to be equally divided between quarters.

Most striking is that since the peak of the market at the beginning of 2018, few consumers have entered the market for cryptos (Figure 7). Furthermore, the consumers who have entered the market have invested less. The percentage who indicates that no changes have been made to their crypto portfolio after the initial purchase has increased from 30% in January to 41% now (Figure 8). A breakdown over time shows that both additional purchases and sales made by existing holders have fallen sharply since the first quarter of 2018 (Figure 9).

Figure 8

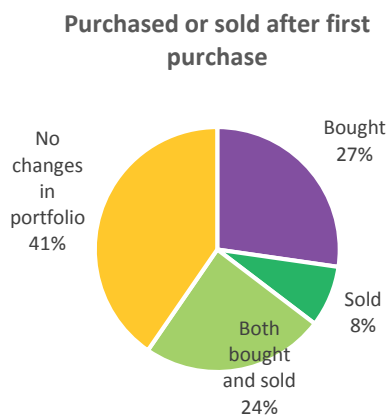
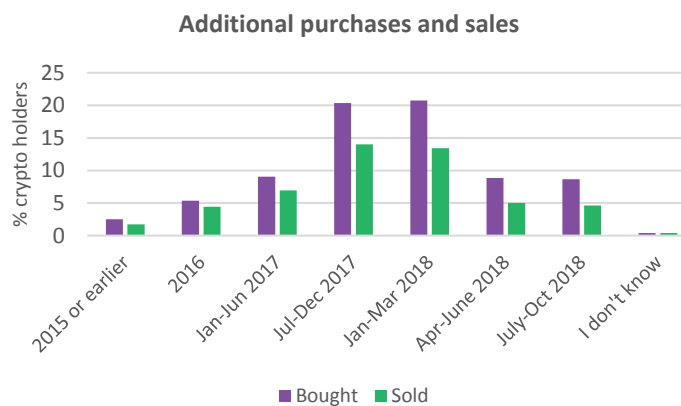
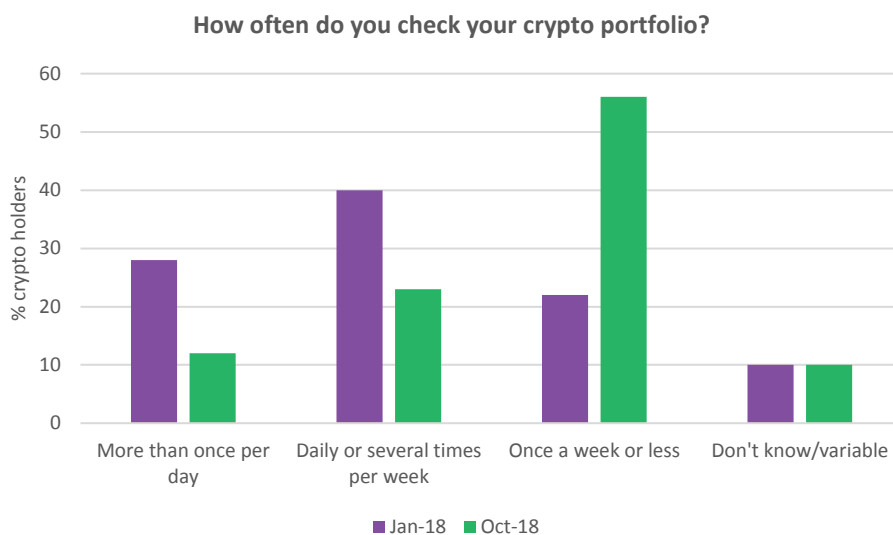


Figure 9



Another indicator for the decline in popularity is that people are less occupied with their crypto portfolios. At the peak, about two-thirds of crypto holders checked their crypto portfolio more often than once per week and 28% even checked it several times per day (Figure 10). In October, only one third checked their portfolio more frequently than once per week and 12% checked several times per day.

Figure 10



Although interest in cryptos has declined and few new consumers have entered the market for cryptos since January 2018, relatively few consumers have left the market altogether. There is no clear explanation for this. The generally small sums invested combined with the falling prices lead to a low valuation of the portfolio. Thus a possible explanation for the fact that few consumers have exited the market is that it is not really worth selling the cryptos they still have and that they forget about their portfolio. Another possible explanation is that investors are consciously holding onto the cryptos ('HODL') in the hope that the prices rise once again. Finally, the fact that crypto holders have little investment experience (more than half of them have no other investments) and have thus invested in cryptos without an entry and exit strategy, may also play a role.

4.1 The declining interest explained

A majority, 61%, indicates that the purchase of cryptos has become less attractive compared to the beginning of the year (Figure 11). The falling prices are the main reason for this (Figure 12). It is striking in this figure that there are groups who find cryptos too volatile (too risky) as well as groups who find cryptos not volatile enough. This is explained by a group of crypto holders who indicate that they use the high crypto volatility to speculate.

Figure 11

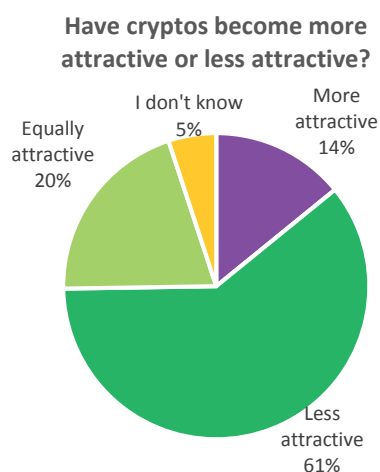
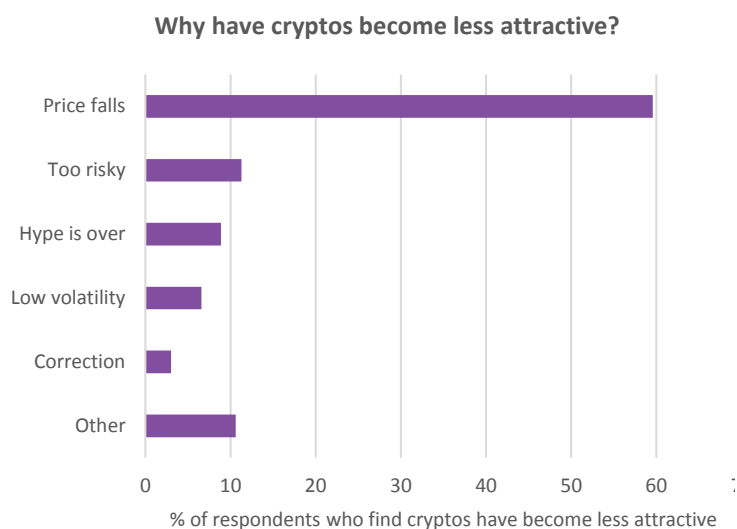


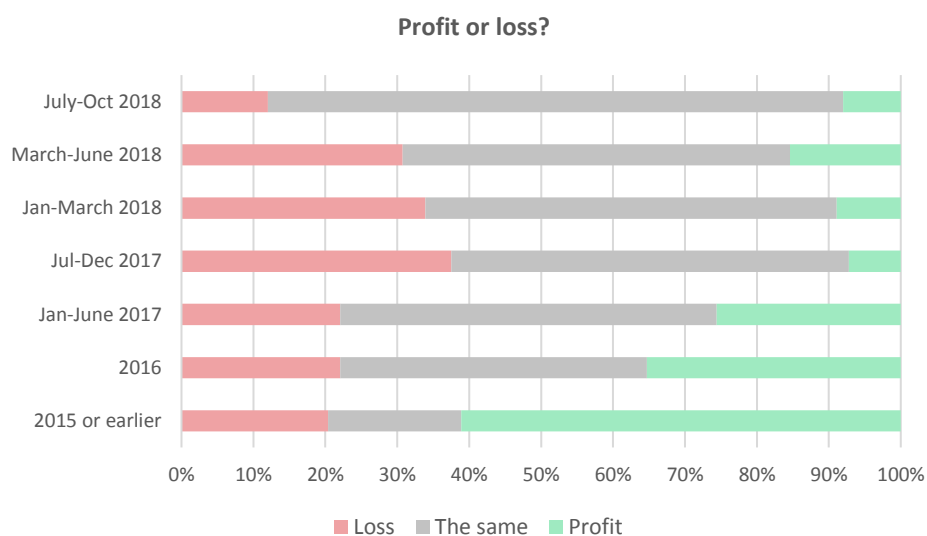
Figure 12



What probably plays a role in the declining interest in cryptos is that there is no longer much profit to be made. In the group who entered the market for the first time in 2015 or before that, more than half of the participants are in profit (Figure 13).⁴ However, the percentage of crypto holders who are in profit has decreased for each group who entered the market since then. In the groups who entered the market at the peak and after that, less than 10% of the crypto holders are in profit (with the exception of the group who joined in Q2 2018 who are 15% in profit). However, in the groups who entered the market after the peak, the percentage making a loss has also fallen compared to the peak, probably due to lower crypto volatility. In contrast, the percentage not making a profit or loss has increased.

⁴ Note that these questions have been answered by respondents in categories (1-500, 500-1000, etc), profits and losses within this category cannot be identified. Moreover, it is an estimate of the current market value of the crypto portfolio; it is not known whether the profit has also been redeemed.

Figure 13



Finally, there is still hardly any interest in cryptos as a means of payment, only 10% indicate that the possibility to pay with cryptos played a major role in the purchase. It is only in the group who entered the market before 2015 that this percentage is higher, namely 32%. The most important motives for purchasing cryptos are, just like earlier this year, to take a gamble and earn money quickly. Furthermore, for many crypto holders (75%) the fact that the interest rate on savings accounts is low also still plays a role. Cryptos are thus also an expression of the *search for yield*⁵

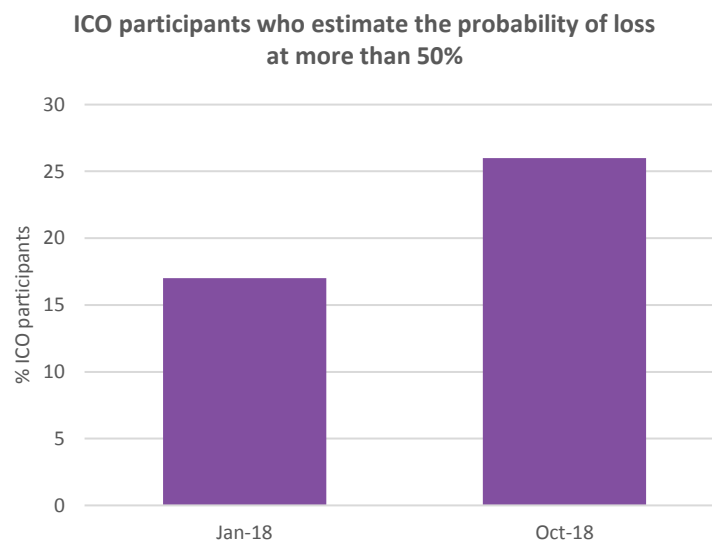
⁵ As already stated elsewhere including in [Trendzicht 2019](#).

5. ICOs

The number of ICO participants compared to the total group of crypto holders is comparable with that of January 2018 and still only amounts to a small group. Of the crypto holders, 10% have participated in an ICO, of which most (6%) have participated in one ICO.

The most important development is that risk awareness concerning ICOs seems to have increased compared to the beginning of the year. The percentage of ICO participants who estimate the risk of losing their investment at more than 50% has risen (Figure 14). In January, 17% of the ICO participants estimated their risk of loss at more than 50%. In October, it has risen to 26%. This may be related to the warning from the AFM; on average, ICO participants are more familiar with the warning than crypto holders in general. Concerns about fraud may also contribute to the increased risk awareness.

Figure 14



Just as for cryptos in general, interest in ICOs has decreased. Of the ICO participants, 43% consider ICOs to have become less attractive (Figure 15). This view is less pronounced than for cryptos in general. Although, just as with cryptos in general, a small minority find ICOs more attractive, a larger proportion of ICO participants find ICOs equally attractive compared to the beginning of the year (35% compared to 20% for cryptos in general).

Figure 15

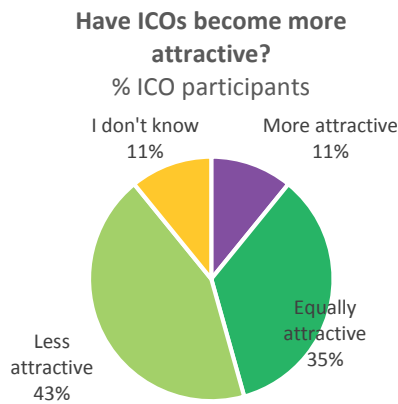
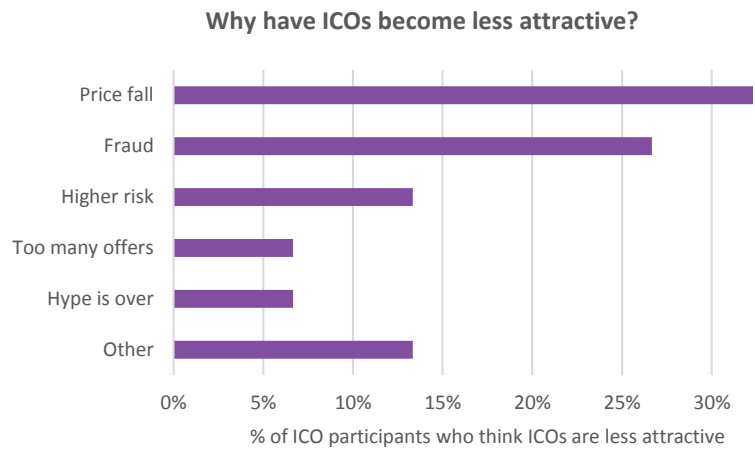


Figure 16



The main reason given for the reduced attractiveness of ICOs is the falling prices. Furthermore, many ICO participants are also concerned about fraud (Figure 16). It is also felt that in recent months too many ICOs have taken place and it is therefore difficult to distinguish the bona fide and promising ICOs from the rest. This has a discouraging effect, as a result of which there is no longer any desire to participate in ICOs at all.

As with crypto holders in general, over 40% of ICO participants have not made any changes to their portfolios after the initial purchase. The percentage of ICO participants who have sold cryptos is slightly higher than that for crypto holders in general (Figure 17). It is striking that the number of additional buyers until the end of 2017 is greater than the number of sellers, but that this has since reversed (Figure 18). The main reason that ICO participants sell is to take profits.

Figure 17

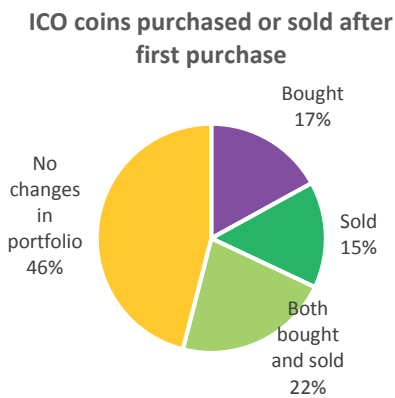
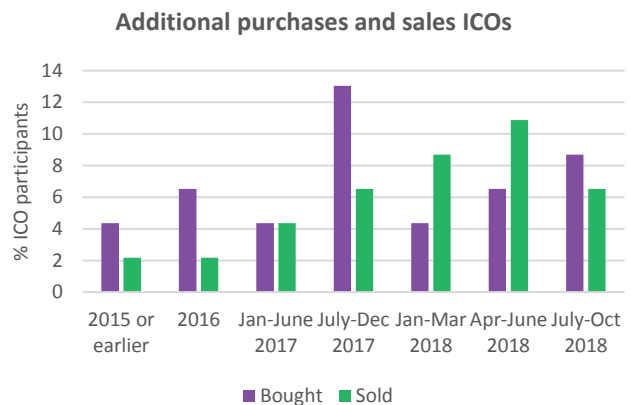


Figure 18



6. Conclusion

The interest in cryptos, for the time being, seems to have passed its peak. For a large proportion of consumers, cryptos were a way to take a gamble with a small sum of money. If this gamble does not pay off then the interest quickly disappears again. Although this is not the outcome most consumers would have hoped for, the damage caused by this encounter with a financial bubble seems to have remained limited for most consumers.

This seems to confirm the view from the previous AFM survey that consumers have handled cryptos in a reasonably restrained manner. Although many consumers have purchased cryptos, even at the peak of the market the sums invested have generally remained limited and consumers are aware of the risks. The warning from the AFM in combination with the strong movements in the market may have contributed further to the risk awareness. Moreover, consumers are increasingly aware of market abuses such as price manipulation and fraud.

Despite the fall in interest, a large number of consumers still persist with cryptos. This is reason for the AFM to continue to monitor developments. The AFM continues to keep a sharp eye on the offer of crypto-based financial services without the required licence and remains critical of the crypto-related activities of institutions subject to supervision.

The AFM and the DNB are currently preparing a joint advice to the Minister of Finance regarding an appropriate response to the increase in the number of cryptos. This advice is expected to be presented early in 2019. The findings from this survey are part of the advice.

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