

Taking Caution: Financial Consumers and the Cryptoasset Sector

Prepared for:

Investor Office

Ontario Securities Commission

20 Queen Street West, 22nd Floor

Toronto, ON M5H 3S8



ONTARIO
SECURITIES
COMMISSION

Research Approach

Overview

The Ontario Securities Commission (OSC), Investor Office, engaged Innovative Research Group (INNOVATIVE) to conduct quantitative research to better understand the public's knowledge of, as well as attitudes and practices relating to, cryptoassets in Ontario (referred to in this report as "cryptocurrencies"). A special focus is on current and past owners of cryptocurrencies. For the purpose of this survey, "cryptocurrencies" refer to digital tokens and mediums of exchange that exist online and use cryptography for security.

Methodology

This survey was conducted online among a sample of 2,667 Ontarians, aged 18 years or older, including an oversample of 1,506 males aged 18-34. We oversampled this group because of its higher propensity to own cryptocurrencies, compared to the rest of the public. This allows us to better understand the characteristics and motives of cryptocurrency owners. The survey was in field between March 14th and 22nd, 2018.

The sample has been weighted down to n=1,000 by age, gender and region using the latest Statistics Canada Census data to reflect the actual demographic composition of the adult population aged 18 years or older residing in Ontario. Unless otherwise noted, the n-sizes reported in this deck are the weighted n-sizes. For questions asked only of cryptocurrency owners, we also report the unweighted n-size.

Since the online survey was not a random probability based sample, a margin of error cannot be calculated. The Marketing Research and Intelligence Association prohibits statements about margins of sampling error or population estimates with regard to most online panels.

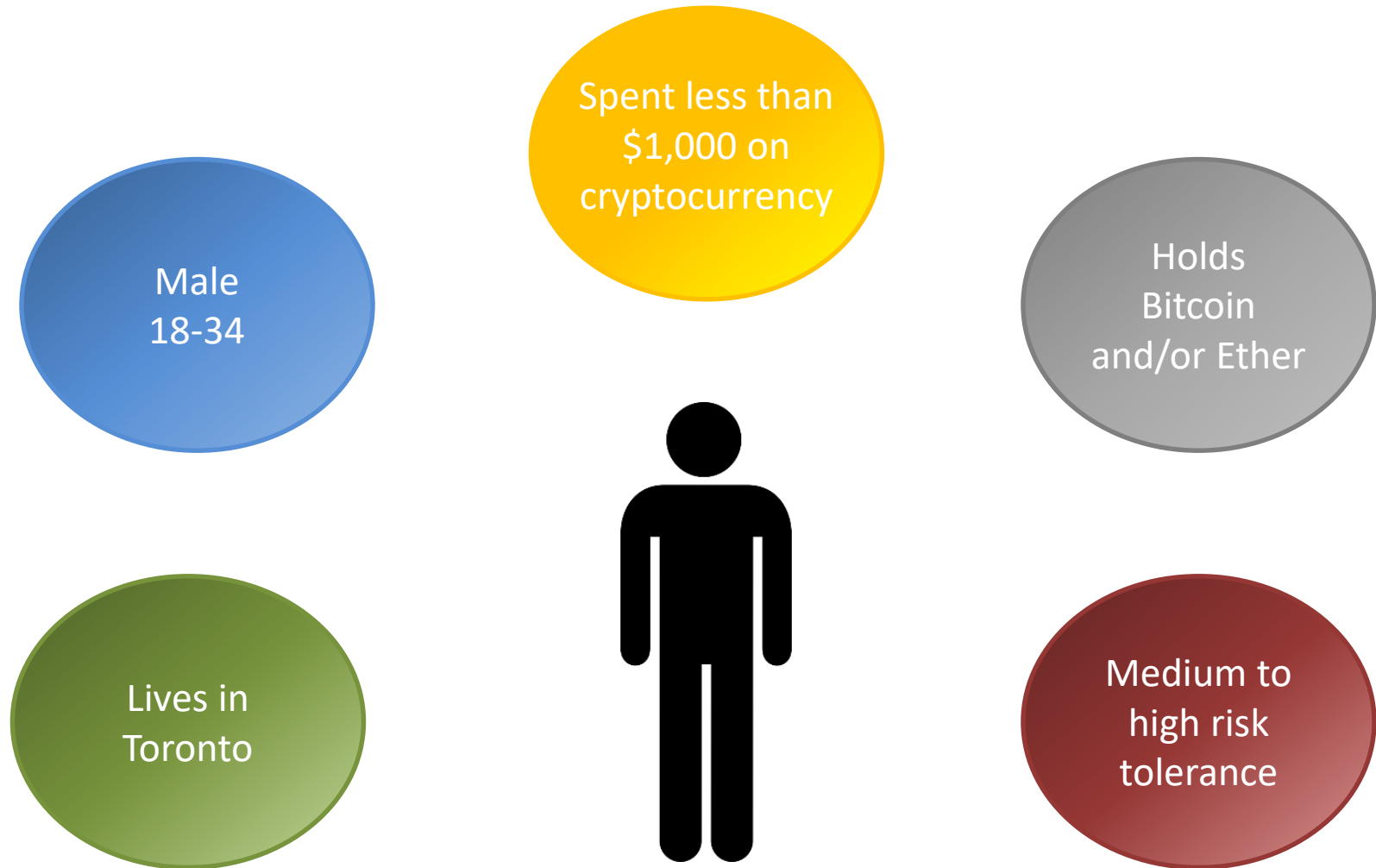
Note: Graphs may not always total 100% due to rounding values rather than any error in data. Sums are added before rounding numbers.



Key Findings

1. Cryptocurrency awareness is high, but knowledge is relatively low. A large majority (81%) of Ontarians have heard of Bitcoin. However, most are not very familiar with the concept of cryptocurrencies. 52% say they have heard of cryptocurrencies, but don't know much about them.
2. 5% of Ontarians currently own cryptocurrencies, and an additional 4% have done so in the past. The share of current cryptocurrency owners is highest among men between 18 and 34 (14%) and in Toronto (8%). Bitcoin and Ether are the most held cryptocurrencies.
3. Online cryptocurrency trading platforms are the most popular way to acquire cryptocurrencies (46%). Most current and past owners (66%) first acquired cryptocurrencies no more than a year ago.
4. Among current cryptocurrency owners, trading is a more frequent activity (80%) than making payments or transactions (55%).
5. Coinbase/GDAX and BitConnect are the two most popular cryptocurrency trading platforms. Owners mention halted trading and inability to withdraw money as the top issues they have experienced when using a cryptocurrency trading platform.
6. Just over one third of Ontarians believe that cryptocurrencies are unregulated, while one in five believe that Token Generation Events/ICOs/ITOs are unregulated.

Profile: The typical cryptocurrency owner

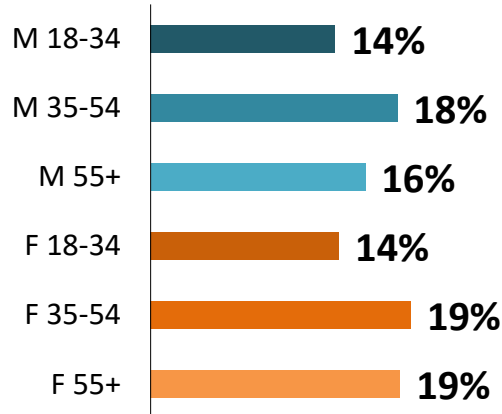
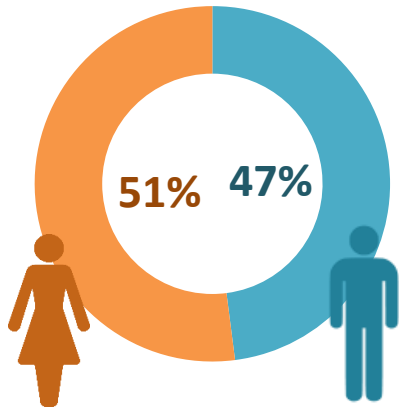


Demographics

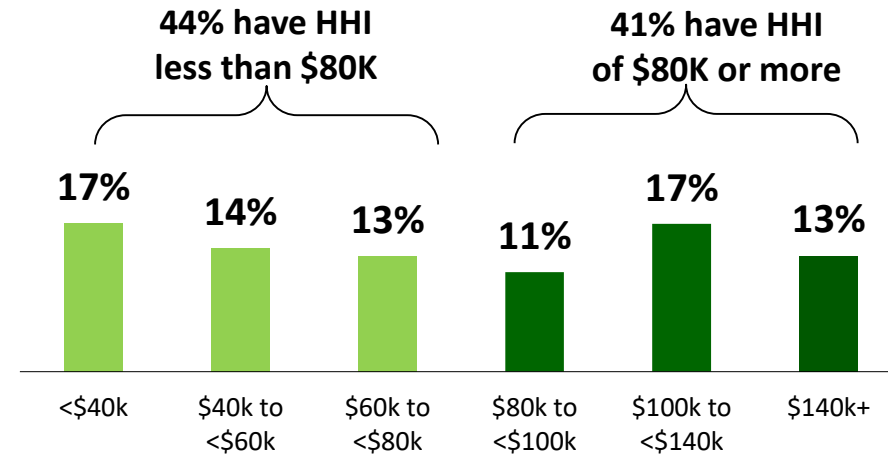


Demographics: Ontario Adult Respondent Profile

Gender and Age



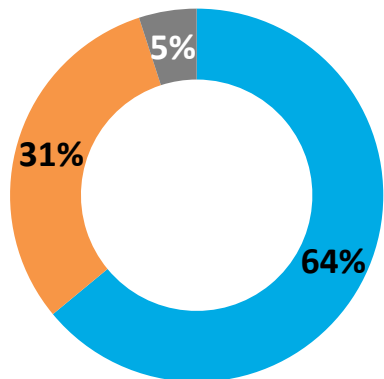
Household Income



Note: 'Prefer not to say' (15%) not shown

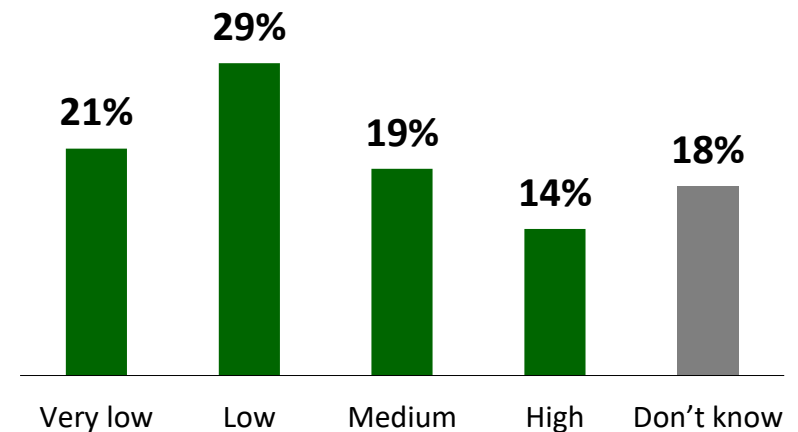
Note: 'Prefer to self-describe' (1%) and 'Prefer not to say' (1%) not shown

Investor/Non-investor

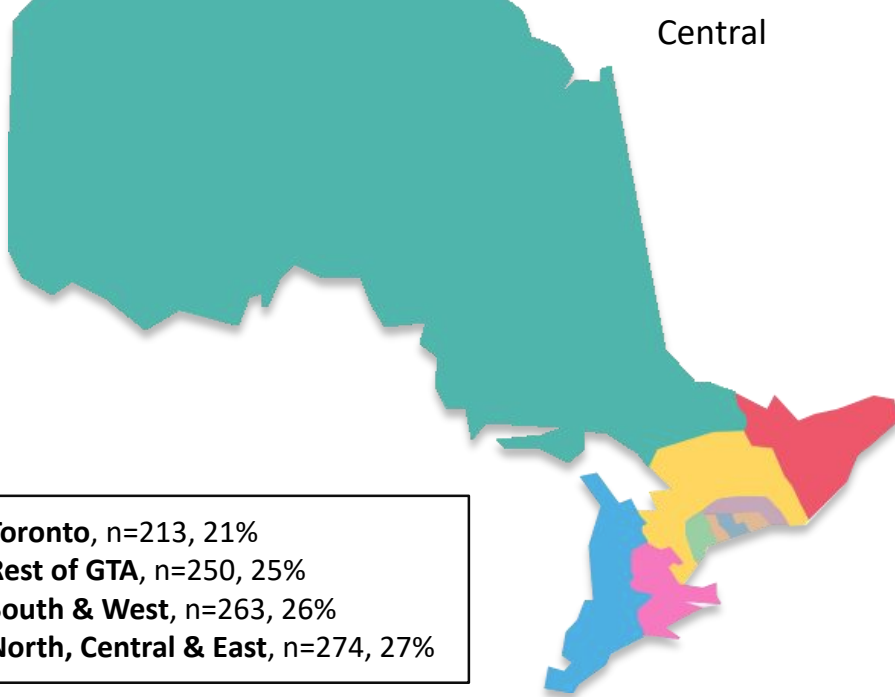
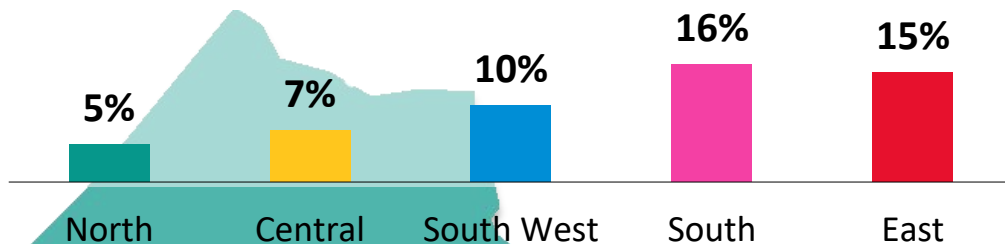


- Hold investments, such as stocks, bonds, mutual funds, or exchange-traded funds (ETFs)
- Do not hold investments
- Don't know

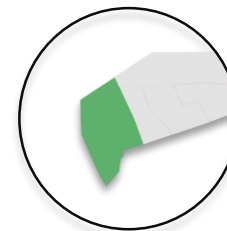
Risk Preference



Regional Segmentation



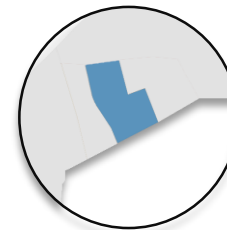
Toronto, n=213, 21%
Rest of GTA, n=250, 25%
South & West, n=263, 26%
North, Central & East, n=274, 27%



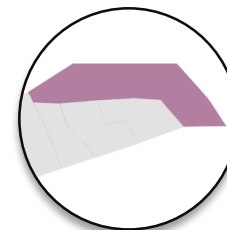
West GTA
 (Peel Region)
15%



Outer Toronto
 (Etobicoke, Scarborough)
10%



Centre Toronto
 (Central Toronto, North York)
12%



North/East GTA
 (York, Durham)
10%

Respondents are first categorized into 9 Ontario regions based on their postal codes. To have a more meaningful analysis, the 9 regions are further combined into 4 regions: Toronto (Outer Toronto + Centre Toronto), Rest of GTA (West GTA and North/East GTA), South/West (South West + South Central), and North/Central/East (East + Central + North).



Cryptocurrency Awareness and Knowledge

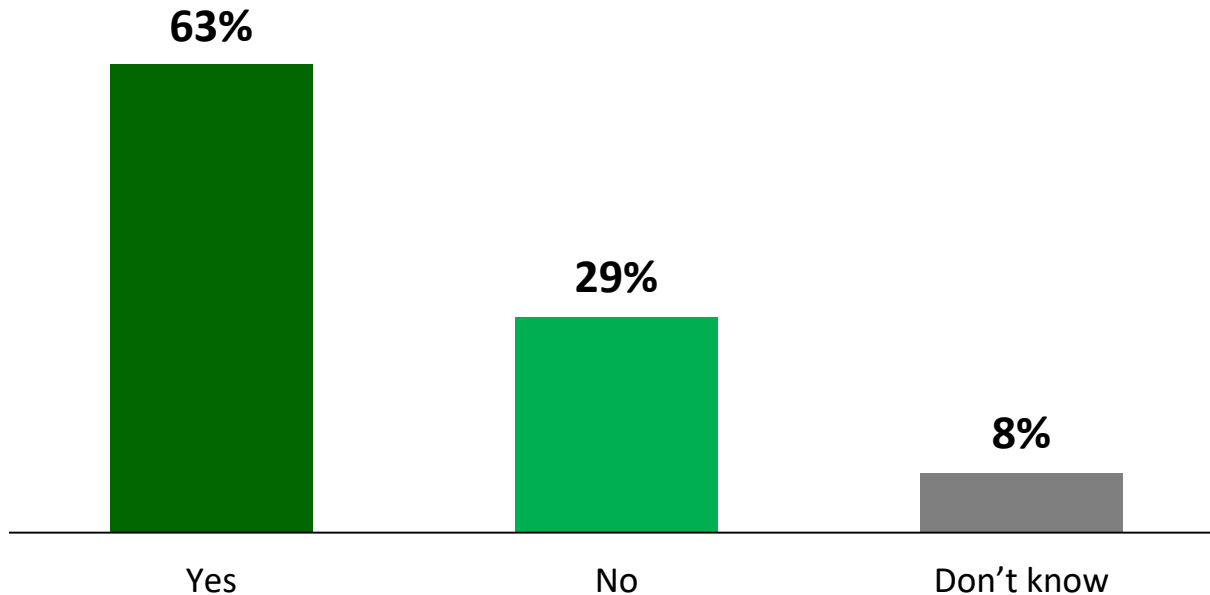
Recent Exposure: Almost two thirds (63%) have read, seen, or heard about cryptocurrencies in the past three months



The following questions are about cryptocurrencies and tokens, which we refer to in this survey as cryptocurrencies. This term is commonly used to refer to digital tokens and mediums of exchange that exist online and use cryptography for security. Cryptocurrencies are different from Canadian or U.S. dollars (\$), the Euro (€), or other currencies issued by a government.

In the past three months, have you read, seen or heard anything about **cryptocurrencies**?

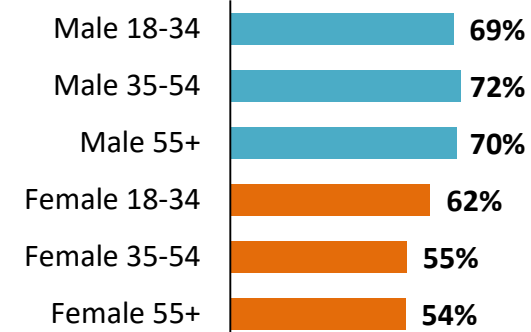
[asked of all respondents, n=1,000]



Segmentation

Respondents who say "yes"

Age/Gender



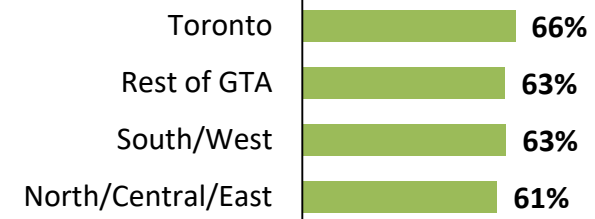
Investor Segmentation



Household Income



Region

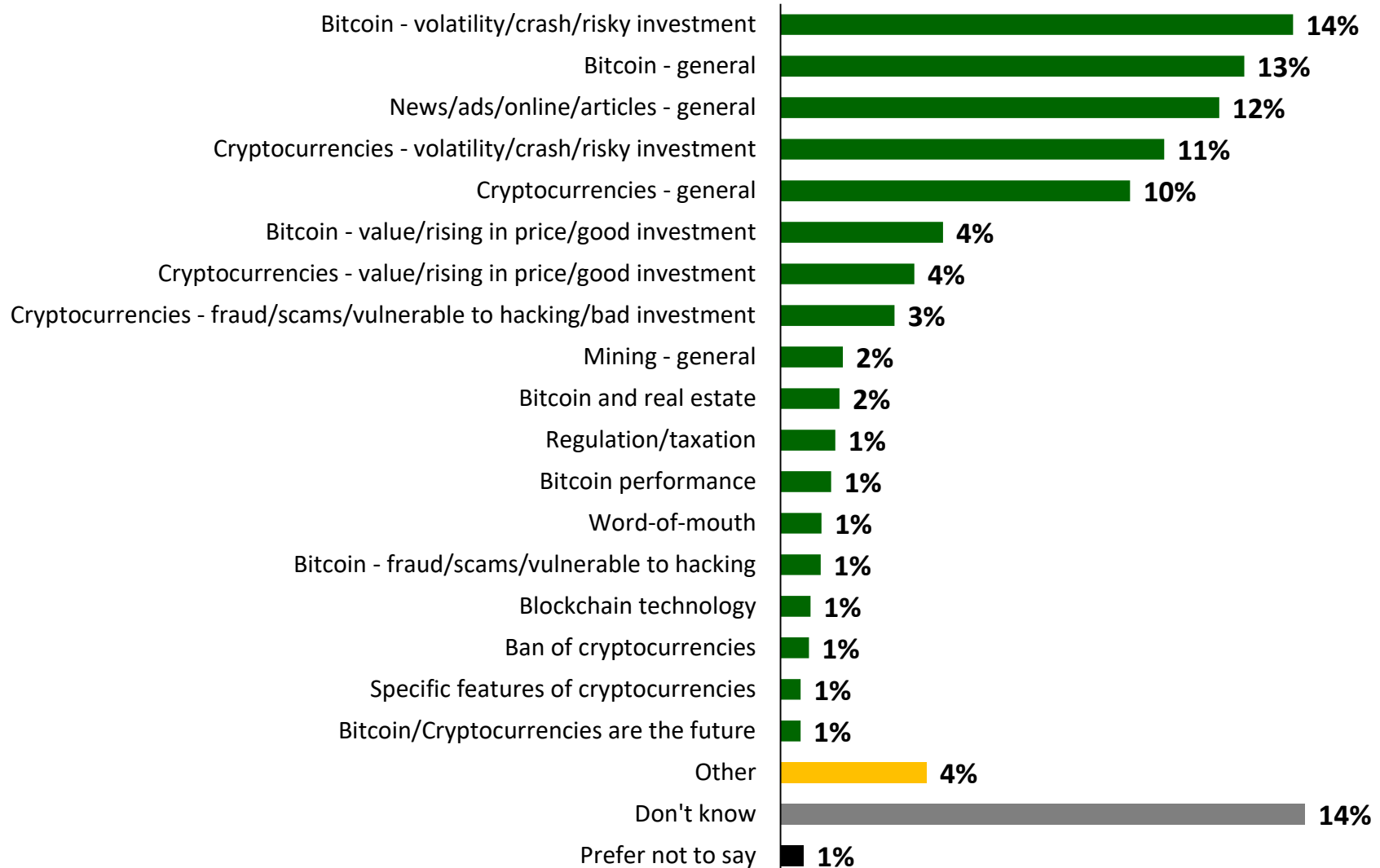


Read/Seen/Heard: Volatility of Bitcoin and general information about Bitcoin at the top of Ontarians' minds



Being as specific as possible, please describe what you have read, seen or heard about cryptocurrencies in the past three months?

[asked of those who have read/seen/heard about cryptocurrencies in the past three months, n=631]



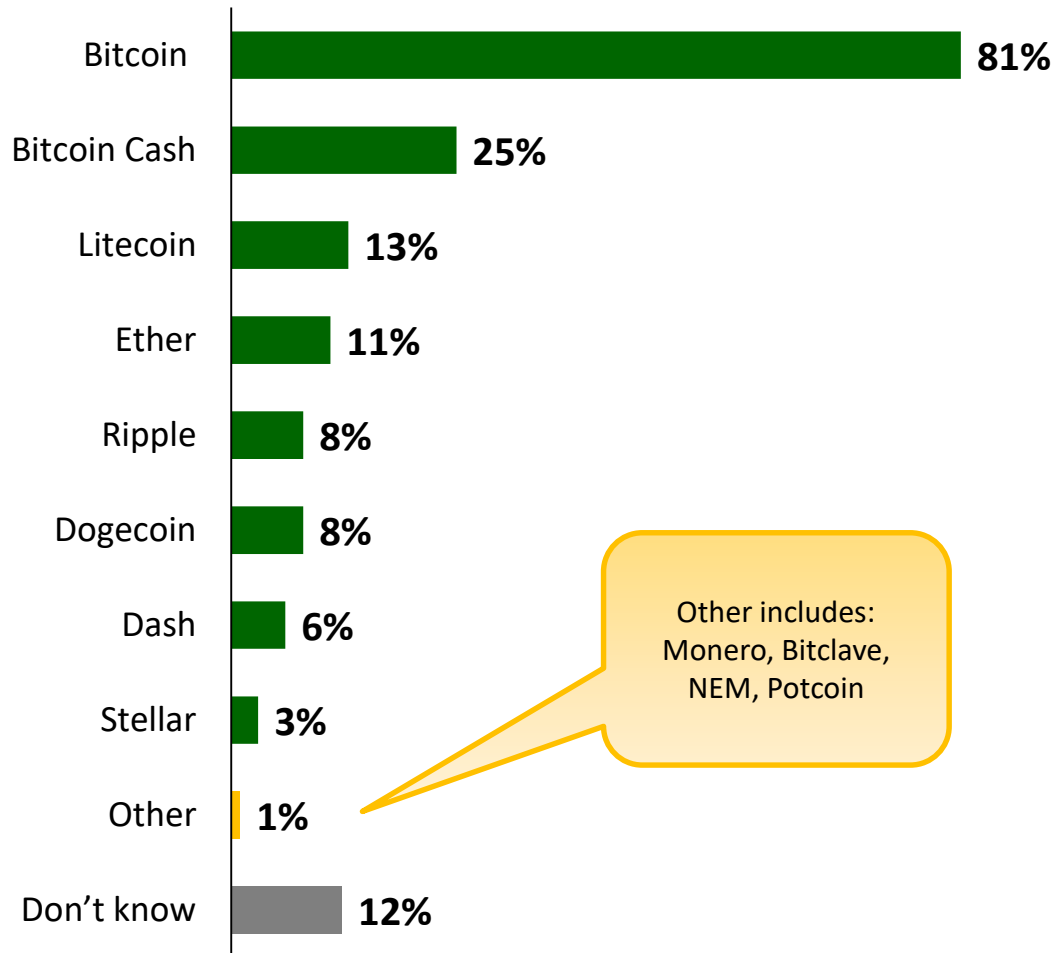
Awareness of Cryptocurrencies: A large majority (81%) has ¹¹ heard of Bitcoin; other cryptocurrencies are much less known



Have you heard of any of these cryptocurrencies?

Please select all that apply.

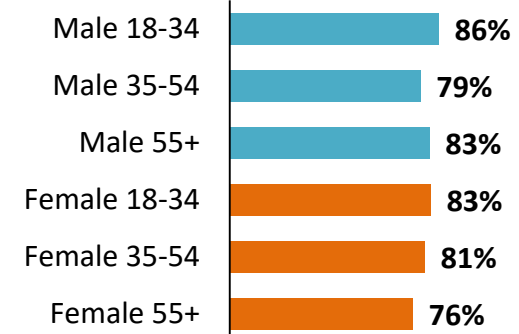
[asked of all respondents, n=1,000; multiple mention]



Segmentation

Respondents who choose "Bitcoin"

Age/Gender



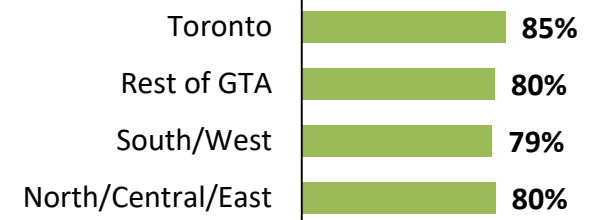
Investor Segmentation



Household Income



Region

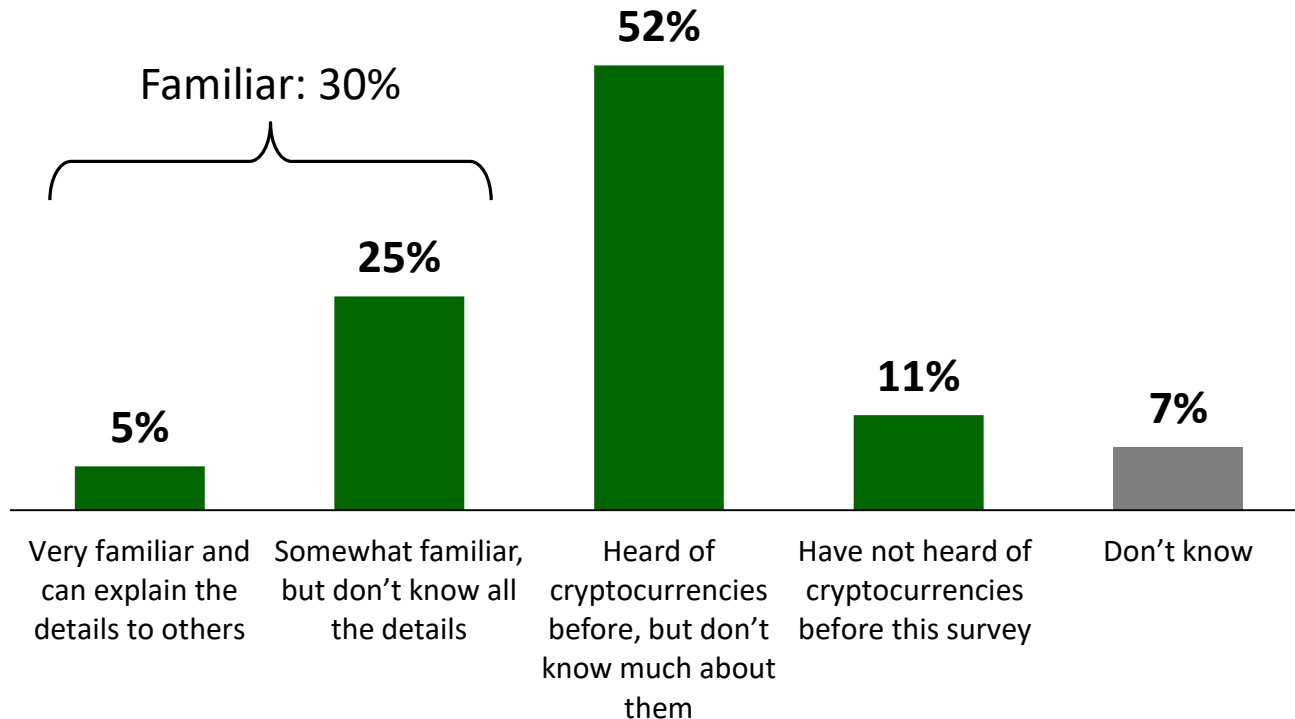


Cryptocurrency Familiarity: Most (52%) have heard of cryptocurrencies but don't know much about them



How familiar are you with the concept of cryptocurrencies?

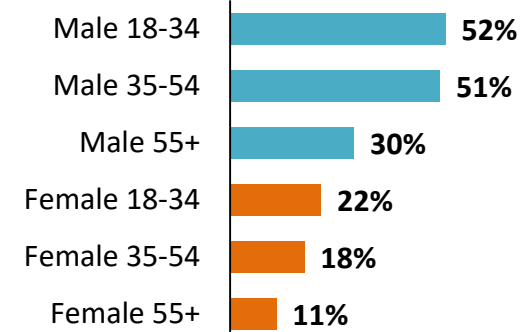
[asked of all respondents, n=1,000]



Segmentation

Respondents who say "familiar"

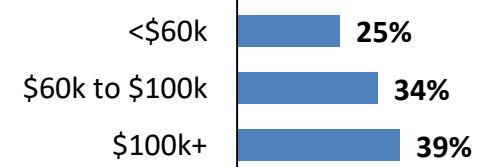
Age/Gender



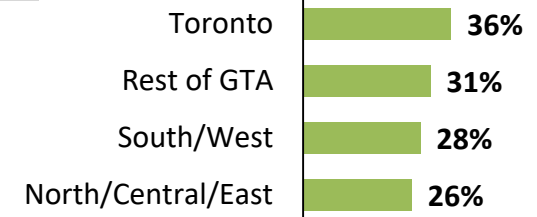
Investor Segmentation



Household Income



Region



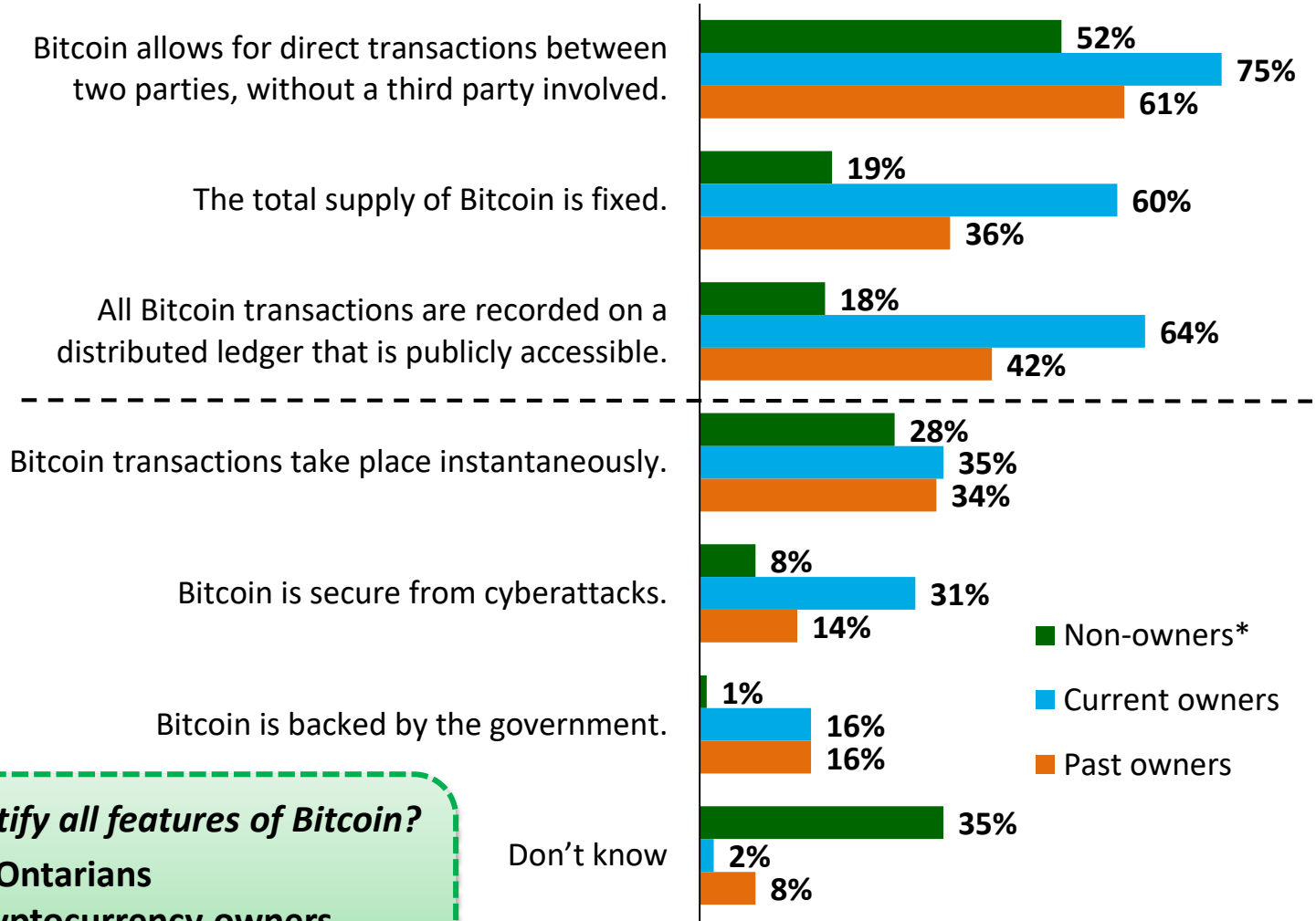
Features of Bitcoin: 3% of Ontarians, 15% of current and 7% of past cryptocurrency owners can identify all features



To the best of your knowledge, which of the following are features of Bitcoin? *Please select all that apply.*
 [asked of respondents who have heard of cryptocurrencies and Bitcoin before, n=767; multiple mention]

Correct

Incorrect



Who can correctly identify all features of Bitcoin?
 3% of Ontarians
 15% of current cryptocurrency owners
 7% of past cryptocurrency owners

* Who had heard of cryptocurrencies and Bitcoin before the survey



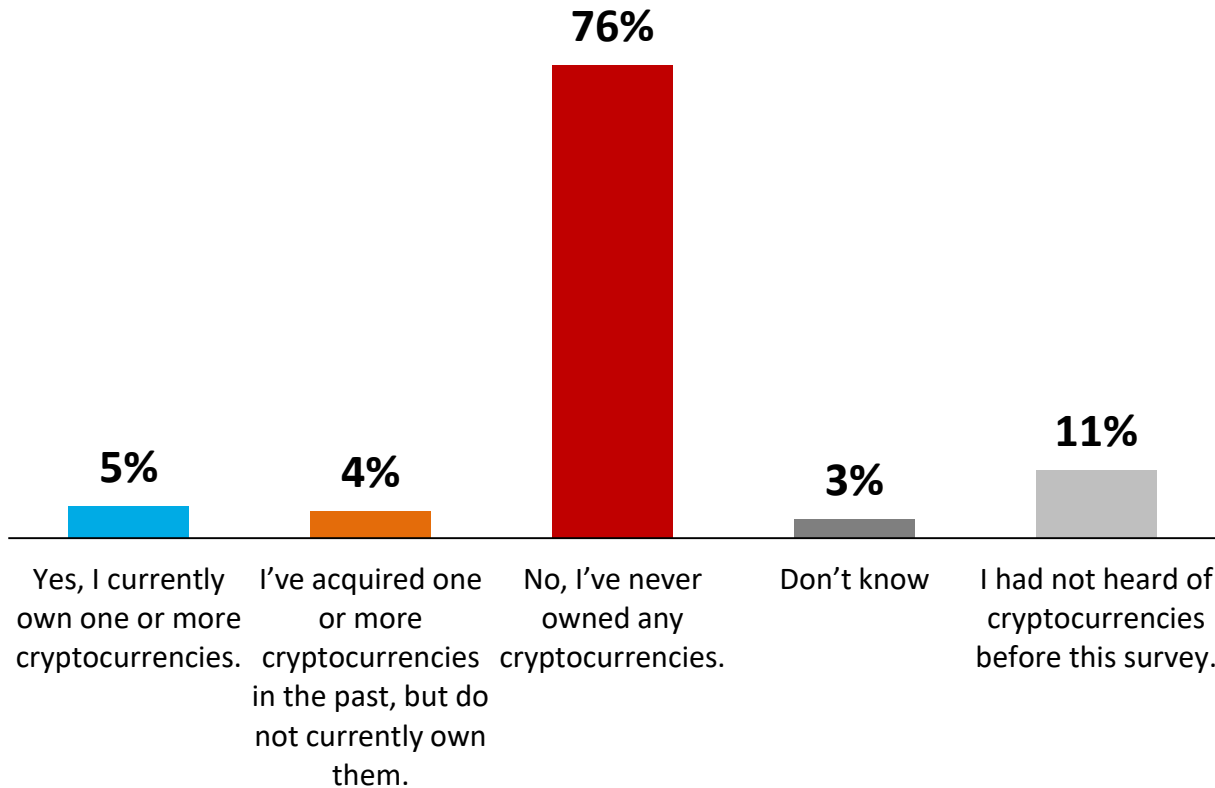
Cryptocurrency Ownership

Cryptocurrency Ownership: 5% of Ontarians currently own cryptocurrencies, men 18-34 almost three times as likely



Do you currently own any cryptocurrencies or have you owned any in the past?

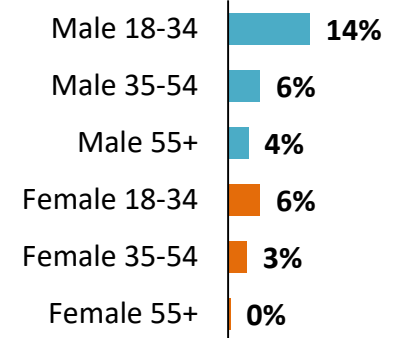
[asked of all respondents who have at least heard of cryptocurrencies, n=890]



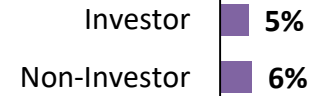
Segmentation

Current owners

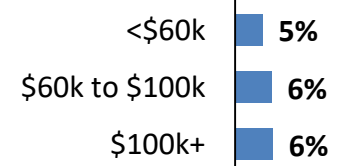
Age/Gender



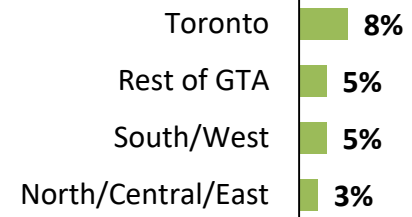
Investor Segmentation



Household Income



Region



Cryptocurrencies: Ownership Rates Among Different Demographics

| | Age-Gender | | | | | | | Household Income | | |
|-----------------------|------------|---------|---------|-------|---------|---------|-------|------------------|----------------|---------|
| | Total | M 18-34 | M 35-54 | M 55+ | F 18-34 | F 35-54 | F 55+ | <\$60K | \$60K - \$100K | \$100K+ |
| Current owners | 5% | 14% | 6% | 4% | 6% | 3% | 0% | 5% | 6% | 6% |
| Past owners | 4% | 11% | 8% | 1% | 4% | 3% | 1% | 4% | 5% | 6% |
| Non-owners | 87% | 72% | 83% | 92% | 89% | 90% | 96% | 88% | 87% | 86% |

Young males (18-34) are much more likely to own or have owned cryptocurrencies than others

Cryptocurrencies: Ownership Rates Among Different Demographics

| | | Region | | | | Investor Status | | Risk Tolerance | | | |
|-----------------------|-------|---------|-------------|------------|--------------------|-----------------|--------------|----------------|-----|--------|------|
| | Total | Toronto | Rest of GTA | South/west | North/Central/East | Investor | Non-investor | Very low | Low | Medium | High |
| Current owners | 5% | 8% | 5% | 5% | 3% | 5% | 5% | 5% | 5% | 8% | 6% |
| Past owners | 4% | 7% | 5% | 3% | 3% | 4% | 5% | 5% | 5% | 5% | 4% |
| Non-owners | 87% | 81% | 86% | 90% | 91% | 90% | 88% | 90% | 88% | 86% | 89% |

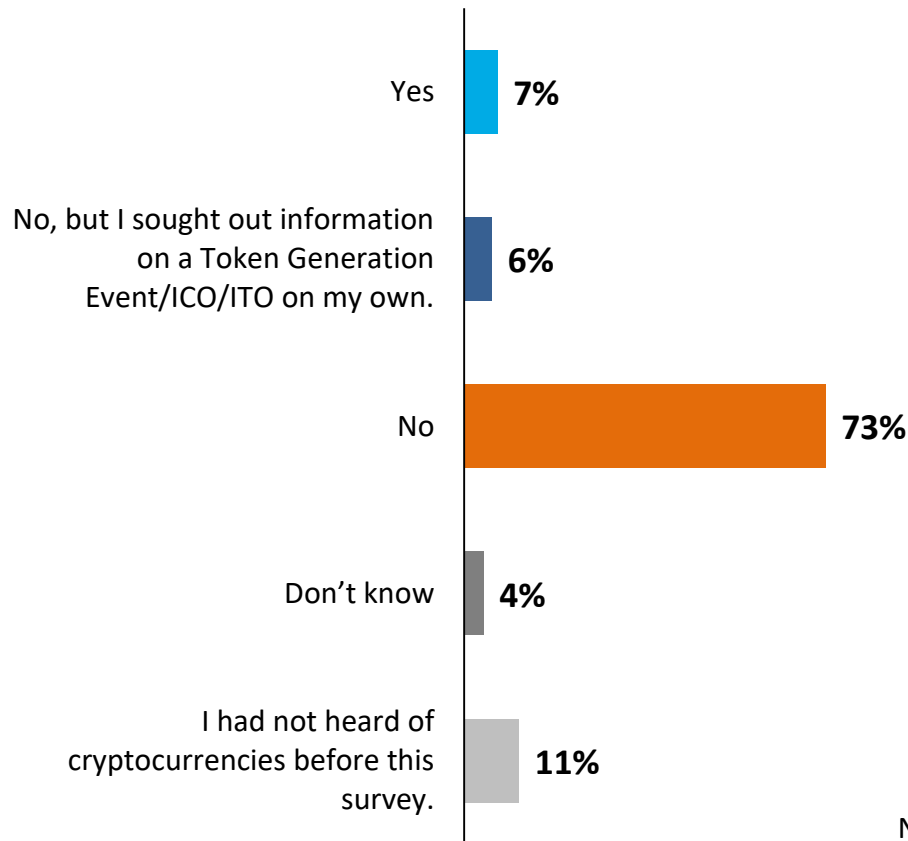
Current owners have a higher risk tolerance than non-owners

Token Generation Events/ICOs/ITOs: Very few Ontarians have been approached (7%) or sought out information (6%)

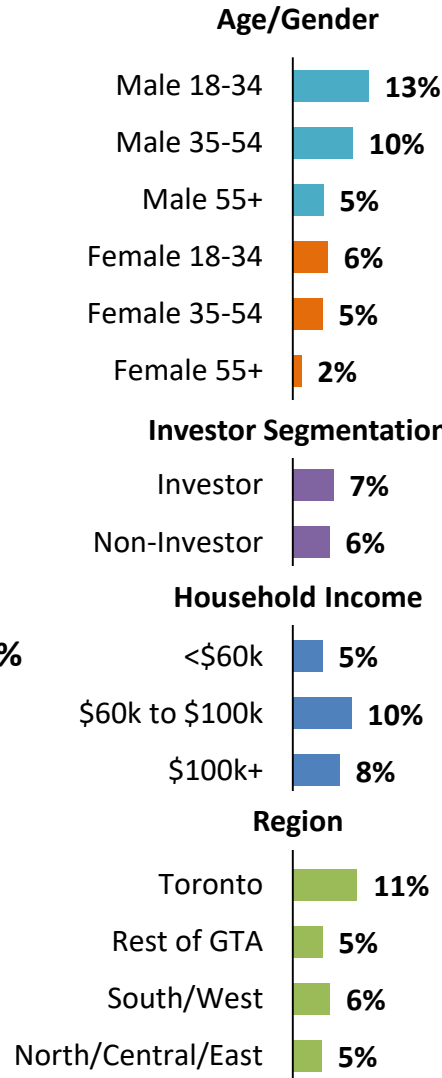


Have you ever been approached about or invited to participate in an offering of digital “coins” or “tokens”? These are often called “Token Generation Events,” “Initial Coin Offerings” (ICOs), or “Initial Token Offerings” (ITOs).

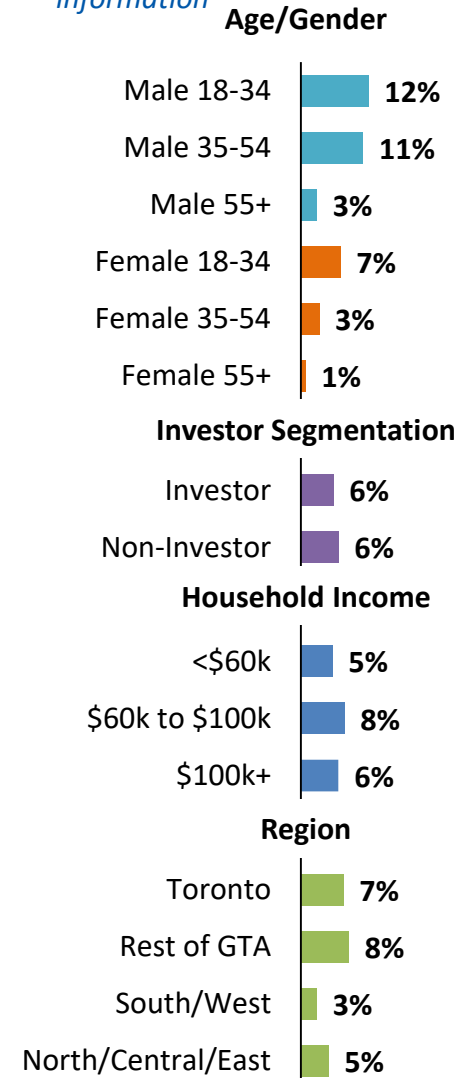
[asked of all respondents who have at least heard of cryptocurrencies, n=890]



Segmentation
Respondents who said “Yes”



Segmentation
Respondents who sought out information

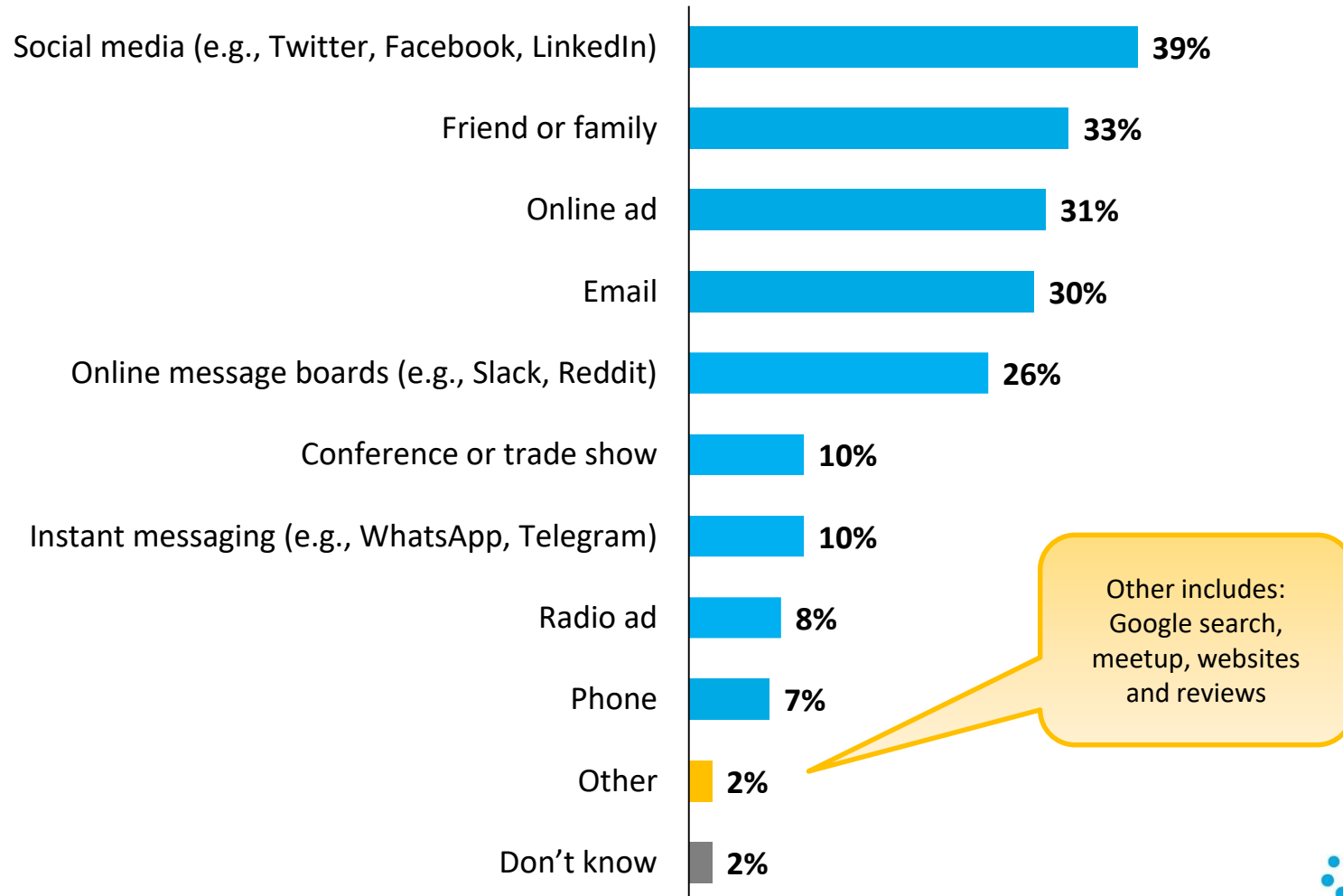


Token Generation Events/ICOs/ITOs: Approach via social media and friends or family are most common



How were you approached about the Token Generation Event/ICO/ITO? Or, if you sought out information on your own, which sources did you use? *Please select all that apply.*

[asked of all respondents who were approached or sought information about a Token Generation Event/ICO/ITO, n=123; unweighted n=538]



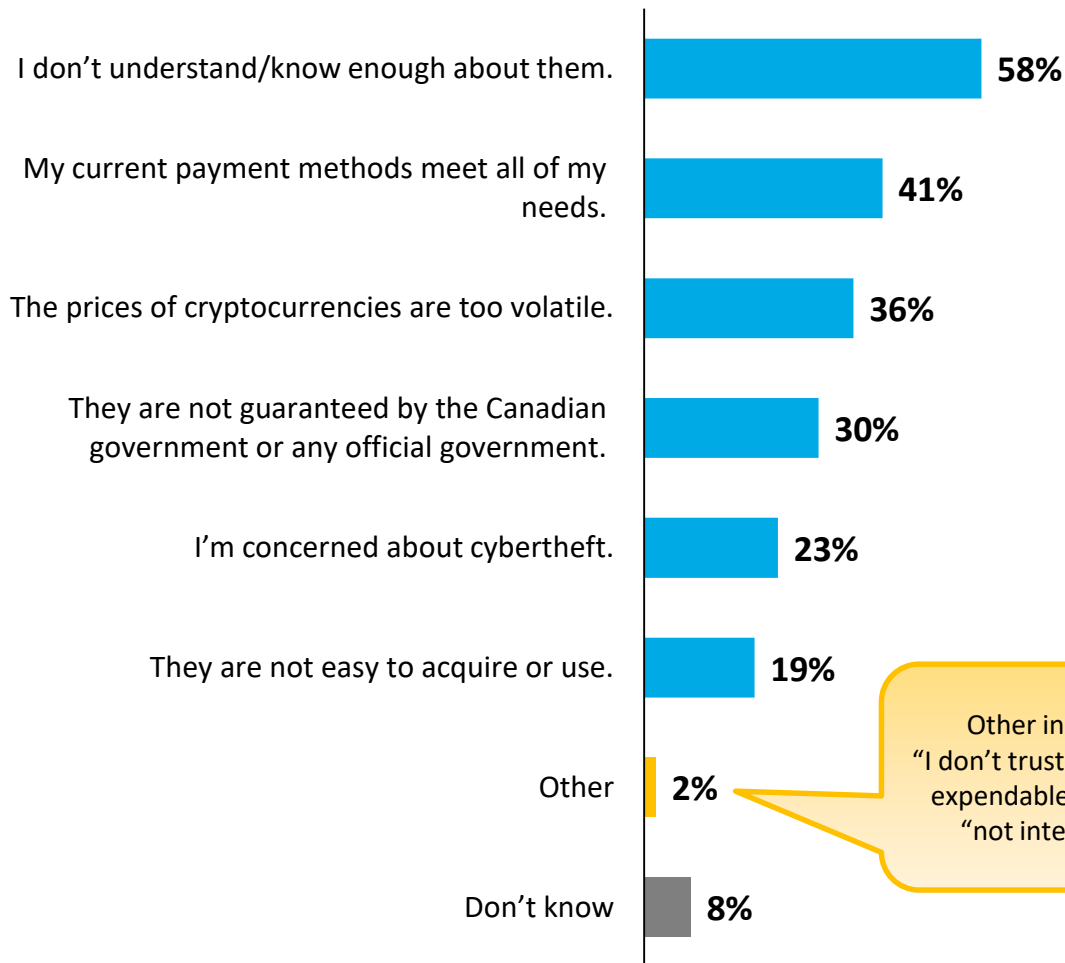
Non-owners: Main reason for not owning cryptocurrencies is lack of understanding or knowledge



Please indicate why you don't currently own cryptocurrencies.

Please select all that apply.

[asked of all respondents who have at least heard of cryptocurrencies but do not say they currently own any, n=839]

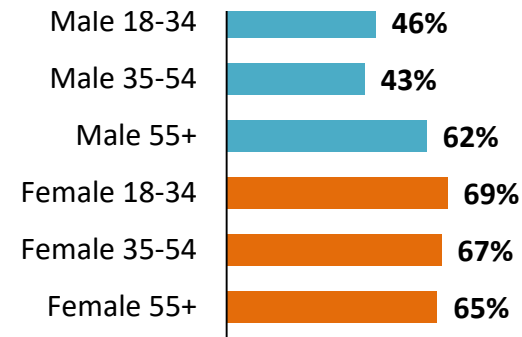


Other includes:
 "I don't trust them", "no expendable income",
 "not interested"

Segmentation

Those who say "I don't understand/know enough about them"

Age/Gender



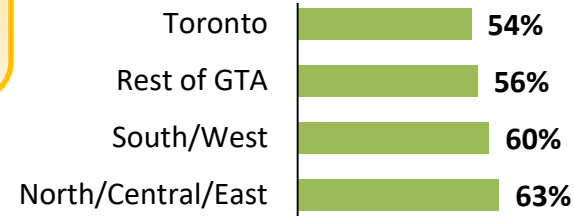
Investor Segmentation



Household Income



Region

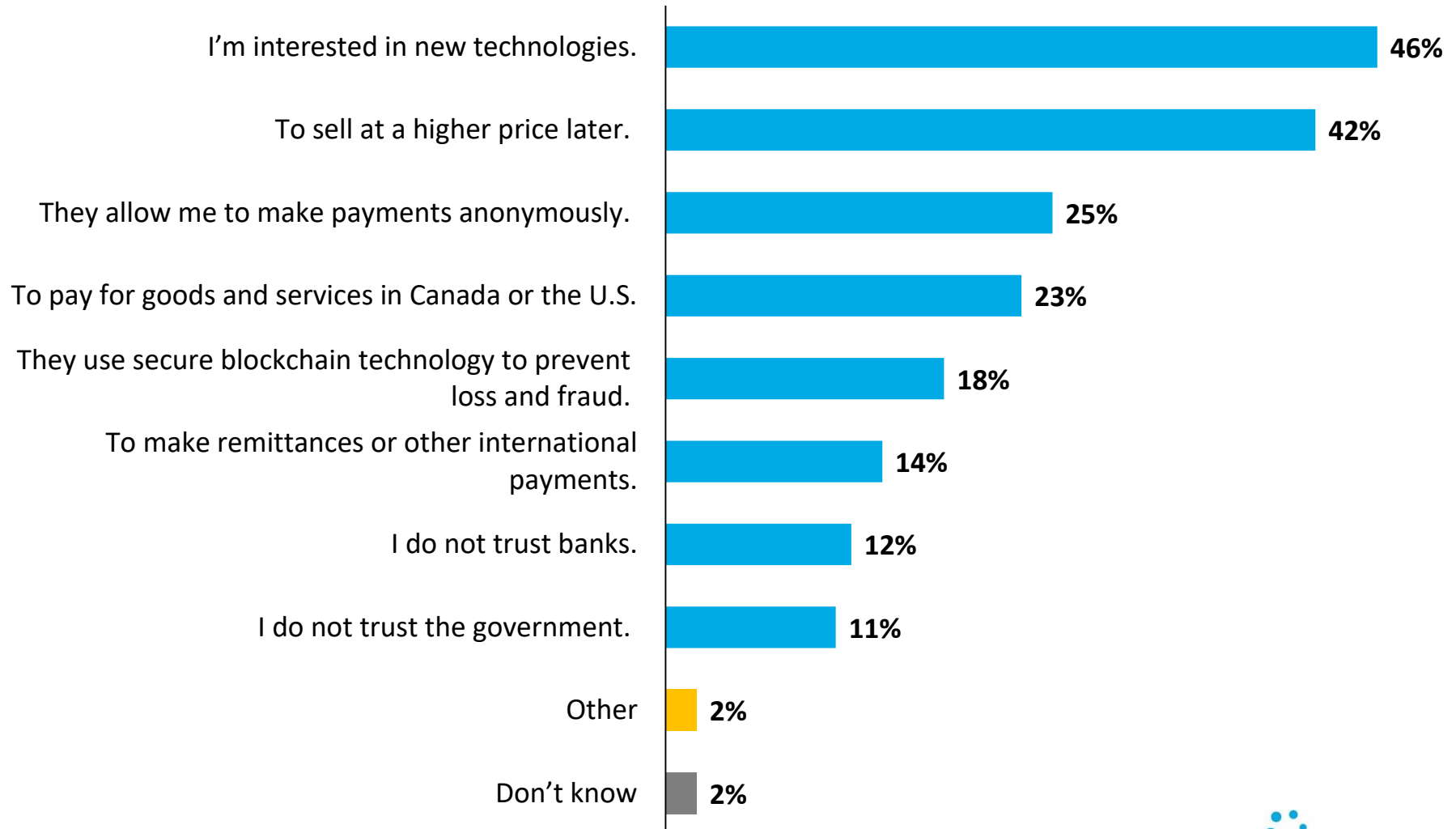


Reasons for Owning: Interest in new technologies is the primary motivation, followed by selling at a higher price



Why did you acquire cryptocurrencies? *Please select all that apply.*

[asked of current and past owners, n=94; unweighted n=498]

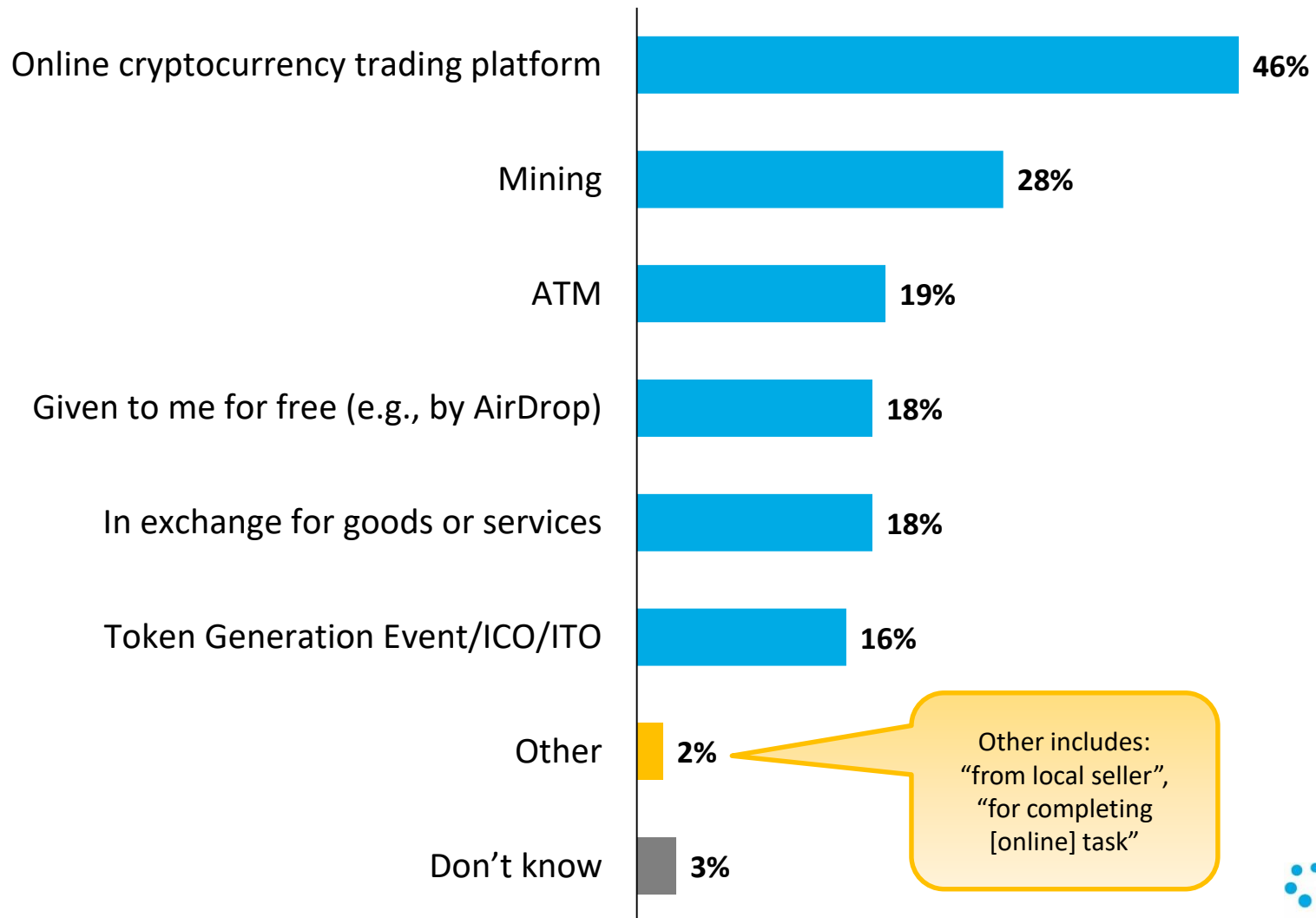


Acquisition: Online cryptocurrency trading platforms are the most popular way to acquire cryptocurrencies²²



Where did you acquire these cryptocurrencies? *Please select all that apply.*

[asked of current and past owners, n=94; unweighted n=498]

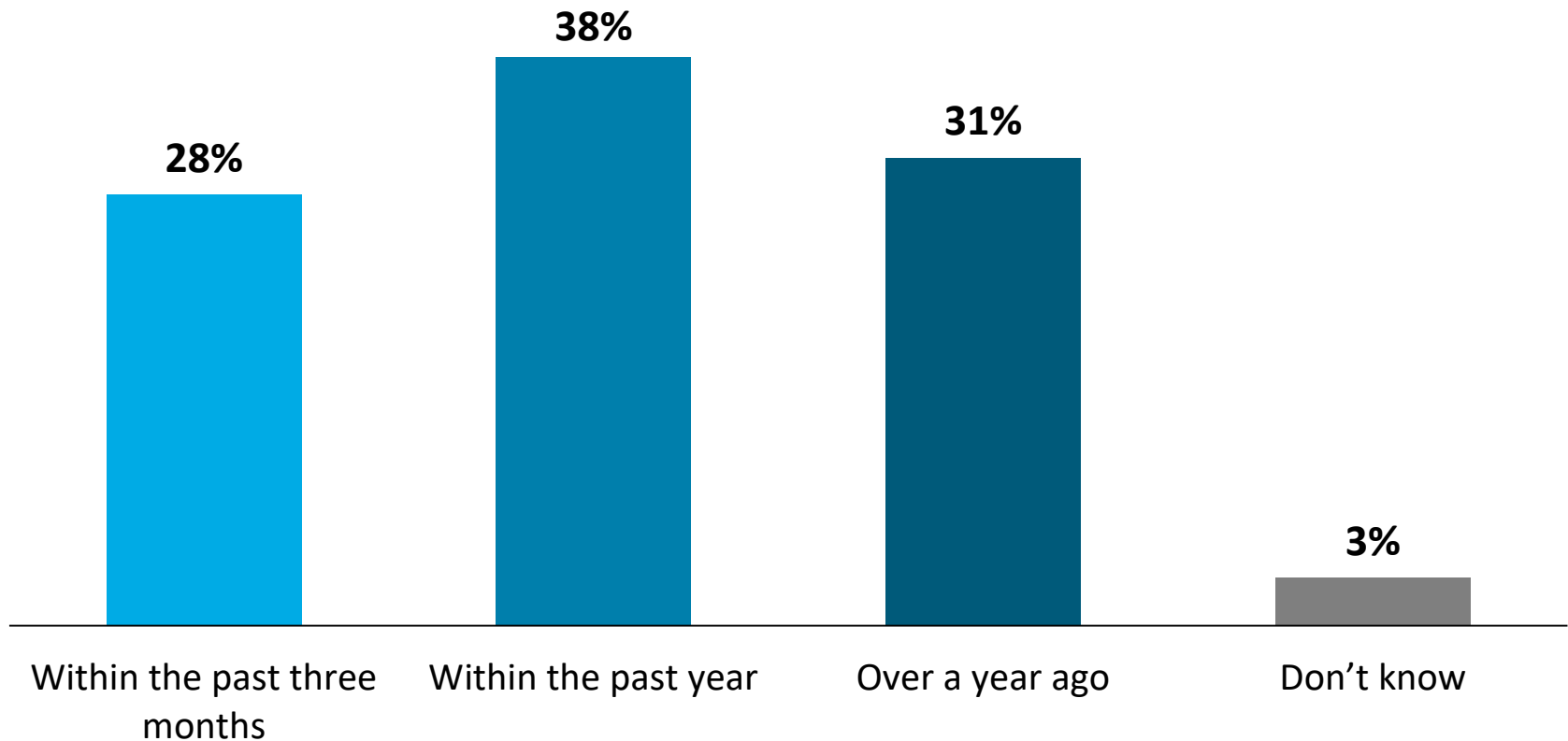


Timing of Acquisition: Most owners acquired cryptocurrencies no more than a year ago



When did you first acquire a cryptocurrency?

[asked of current and past owners, n=94; unweighted n=498]

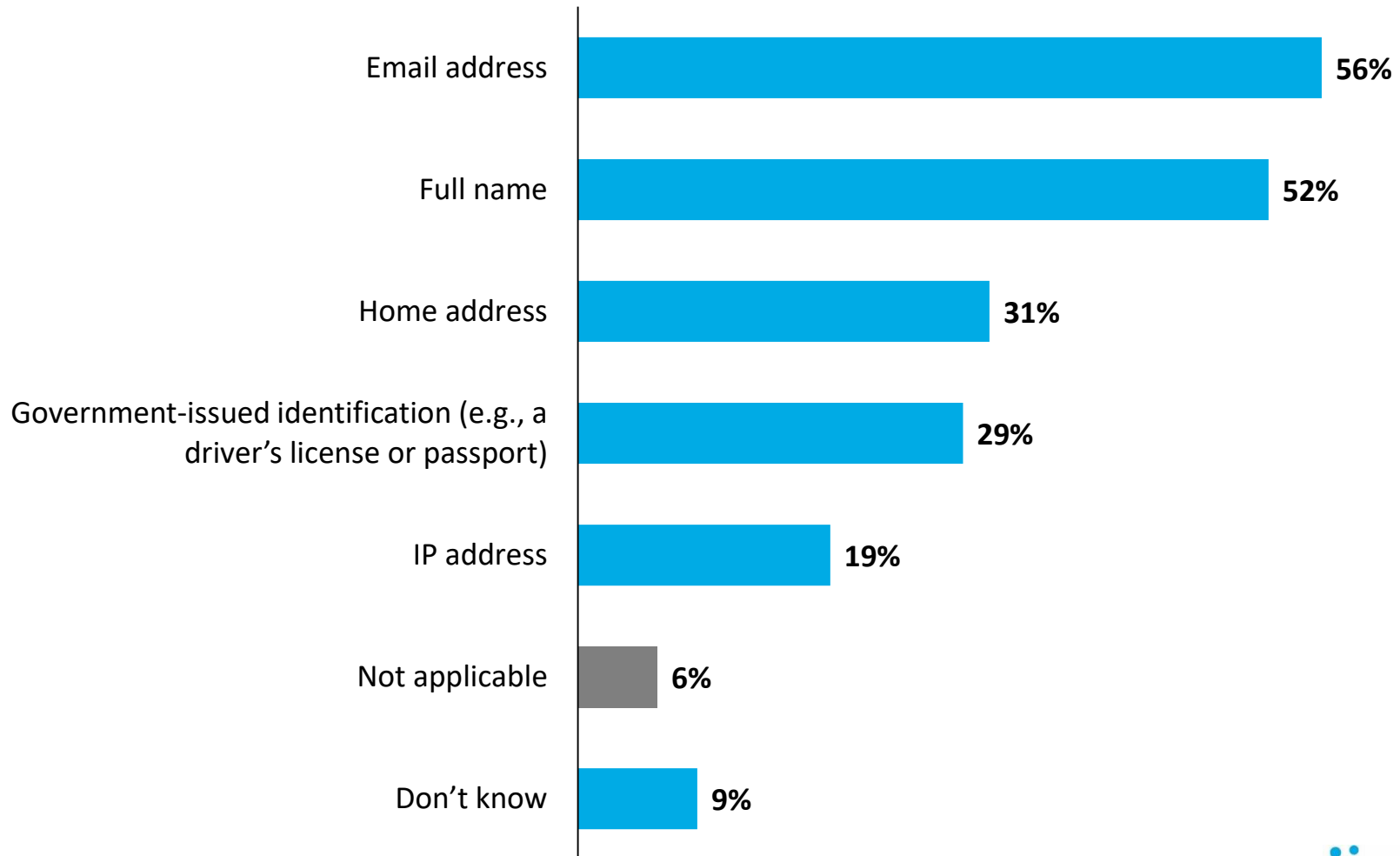


Information Required: Most owners were required to provide their email address and full name



What information were you required to provide to the cryptocurrency provider or online trading platform you used? *Please select all that apply.*

[asked of current and past owners, n=94; unweighted n=498]



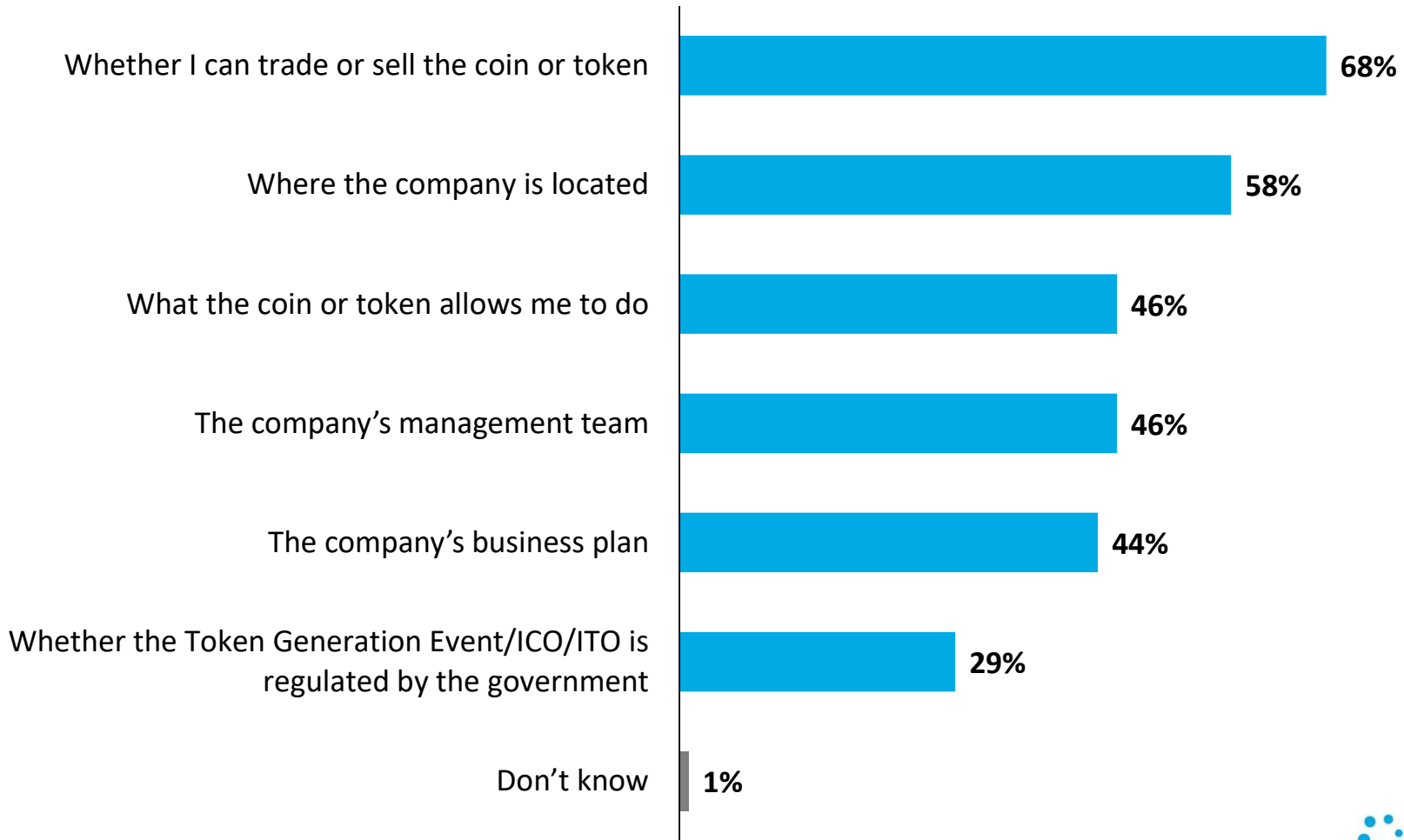
Note: Not applicable (6%) not shown.

Research: Most owners researched whether they can trade the coin or token and where the company is located



Before purchasing a coin or token in a Token Generation Event/ICO/ITO, did you look into any of the following?
Please select all that apply.

[asked of current and past owners who participated in a Token Generation Event/ICO/ITO, n=15; unweighted n=86]

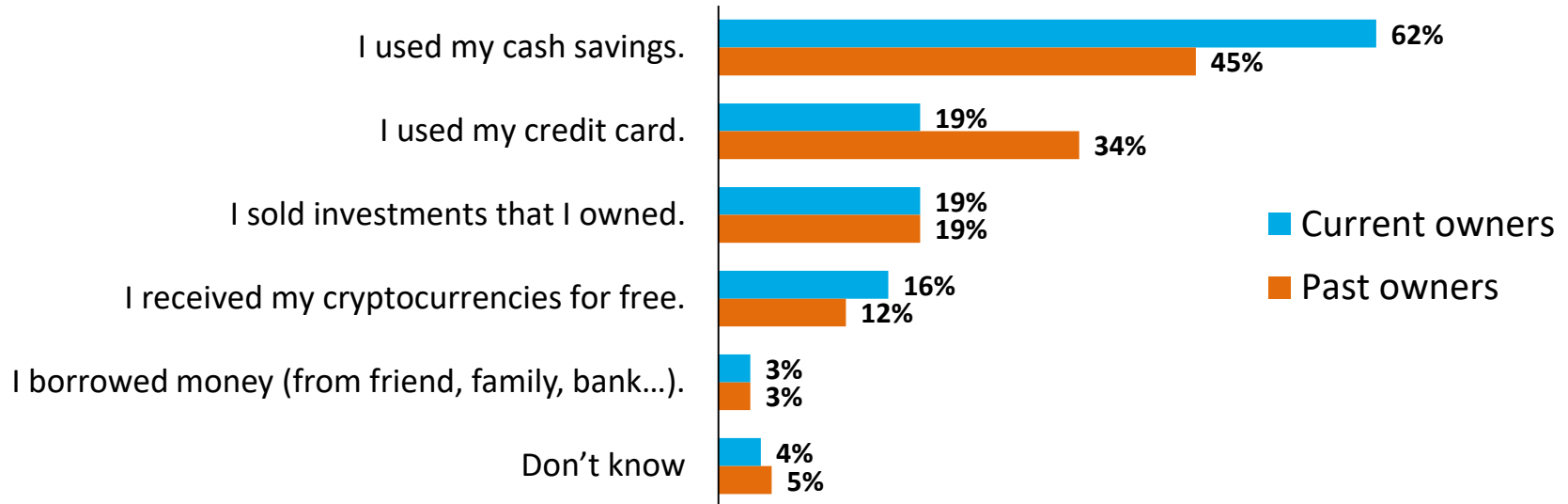


Paying for Cryptocurrencies: Majority used their cash savings; most paid borrowed money back

Q

How did you pay for the cryptocurrencies you own? *Please select all that apply.*

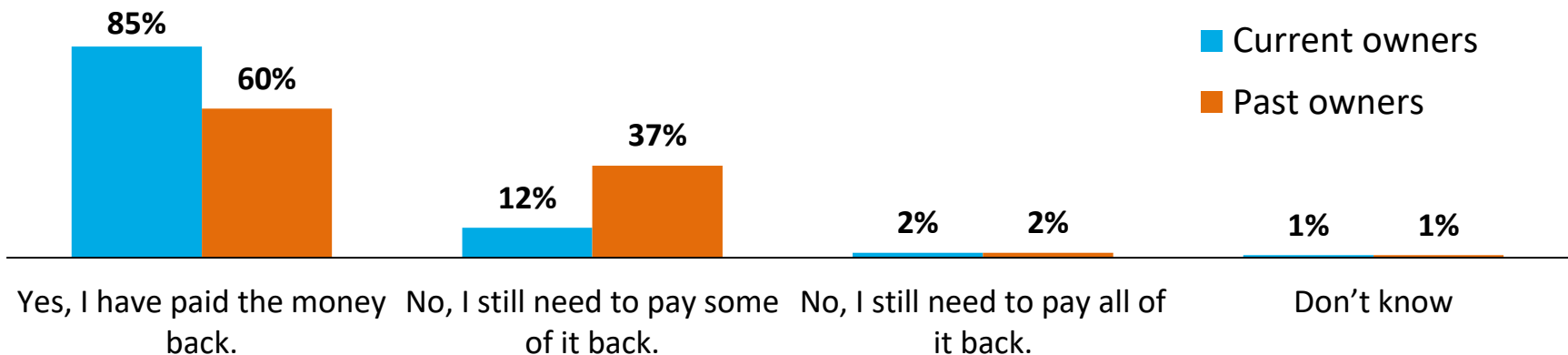
[asked of current and past owners, n=94; unweighted n=498]



Q

Have you paid the money back that you borrowed? For example, if you paid by credit card, have you paid off the credit card bill?

[asked of current and past owners who borrowed money, n=26; unweighted n=150]

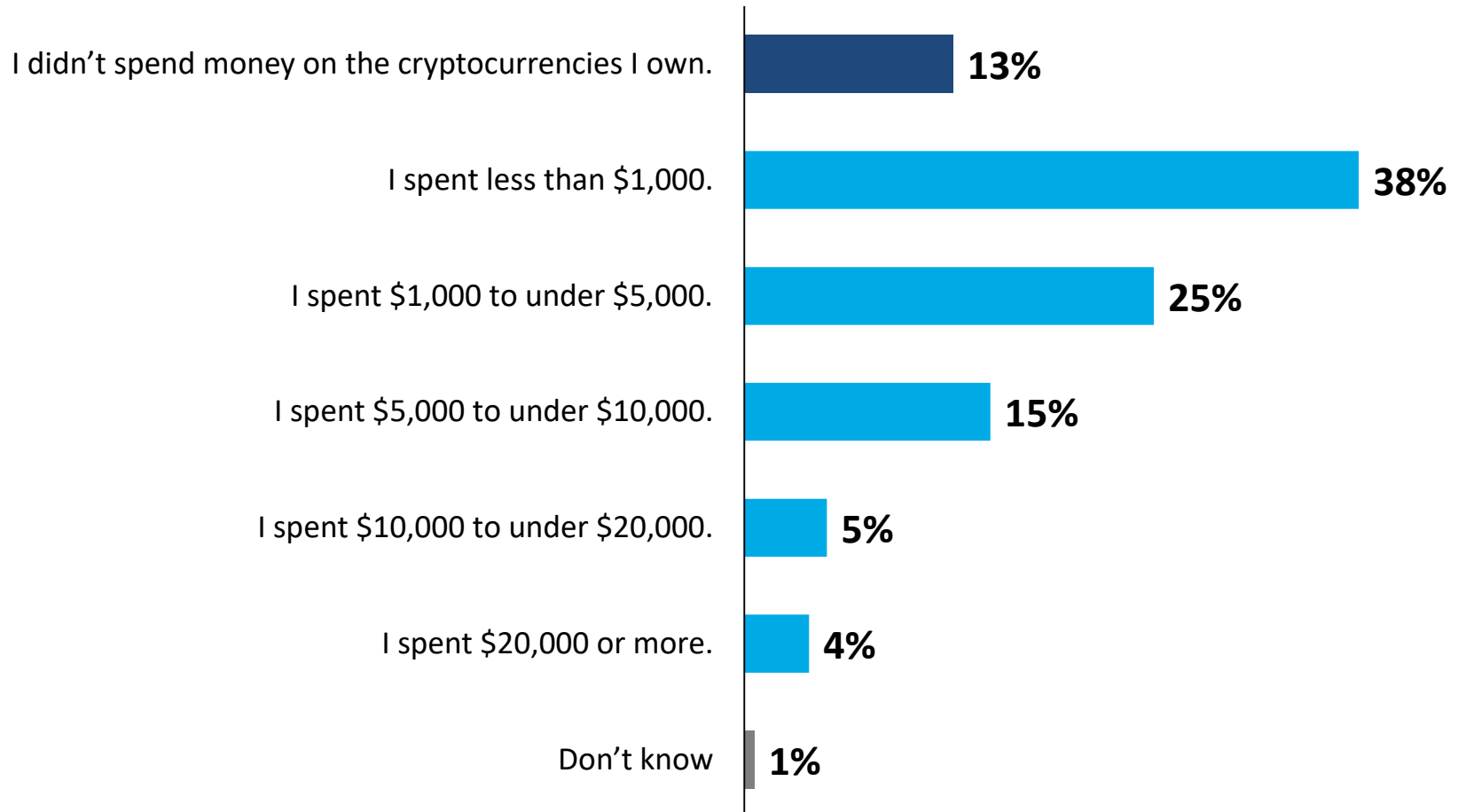


Spending: 50% of current owners spent less than \$1,000; only a small minority (4%) spent more than \$20,000



Please list the approximate dollar amount you originally spent to purchase the cryptocurrencies you own, including any money you borrowed to make your purchase (if applicable).

[asked of current owners, n=51; unweighted n=286]

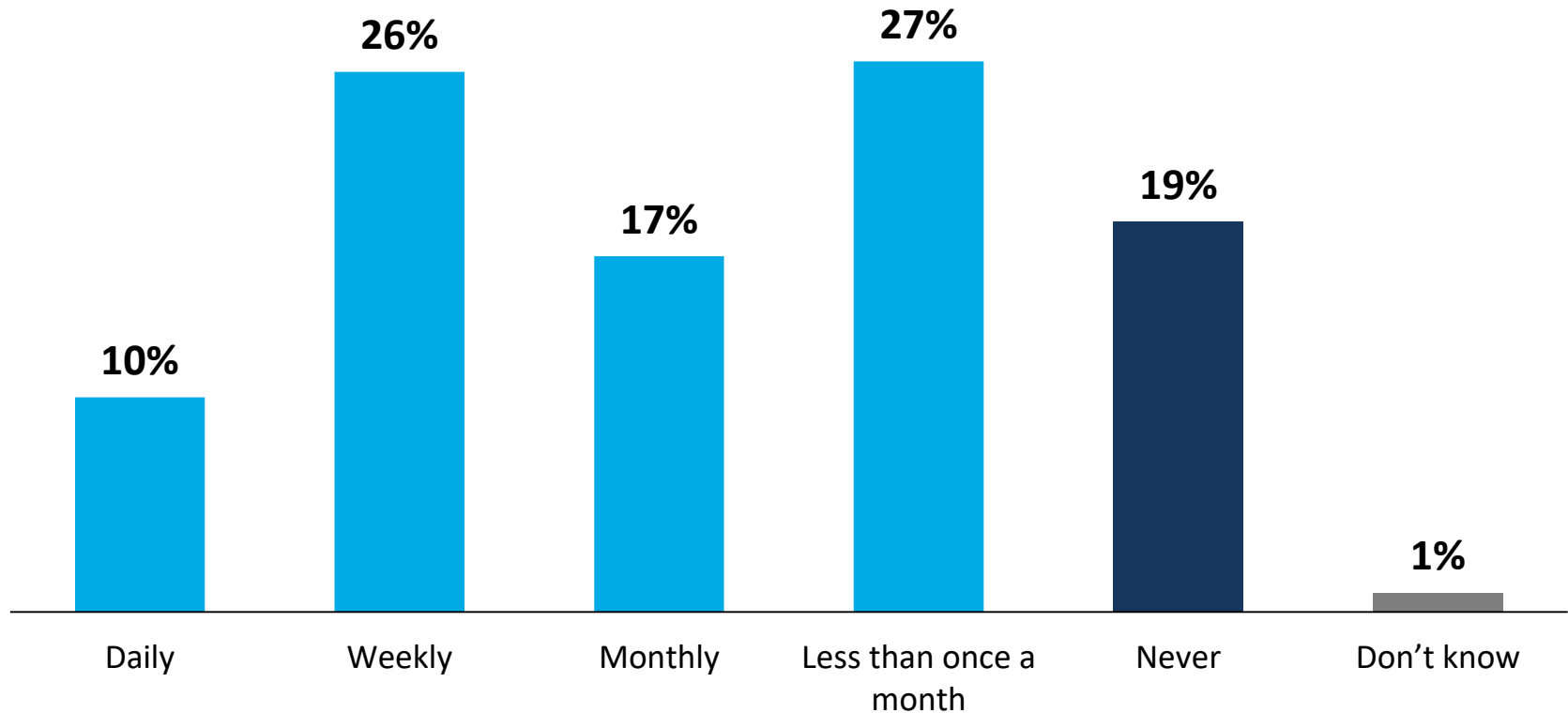


Trading Cryptocurrencies: 80% of current owners have traded cryptocurrencies in the past 12 months



In the past 12 months, how frequently have you traded cryptocurrencies?

[asked of current owners, n=51; unweighted n=286]

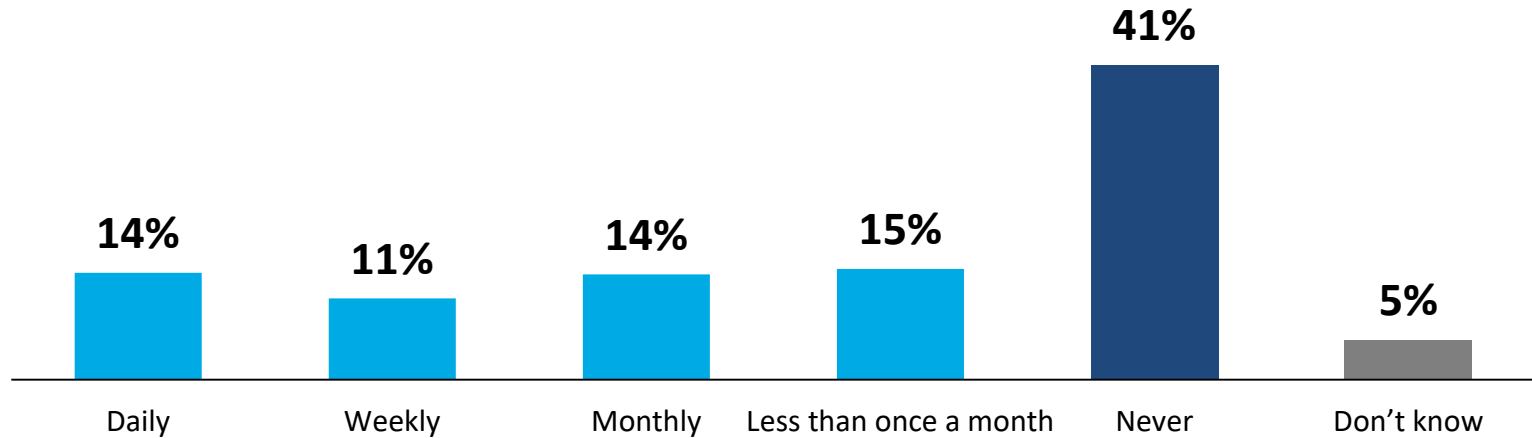


Payments and Transactions: 55% of owners report using cryptocurrencies to make a payment or transaction



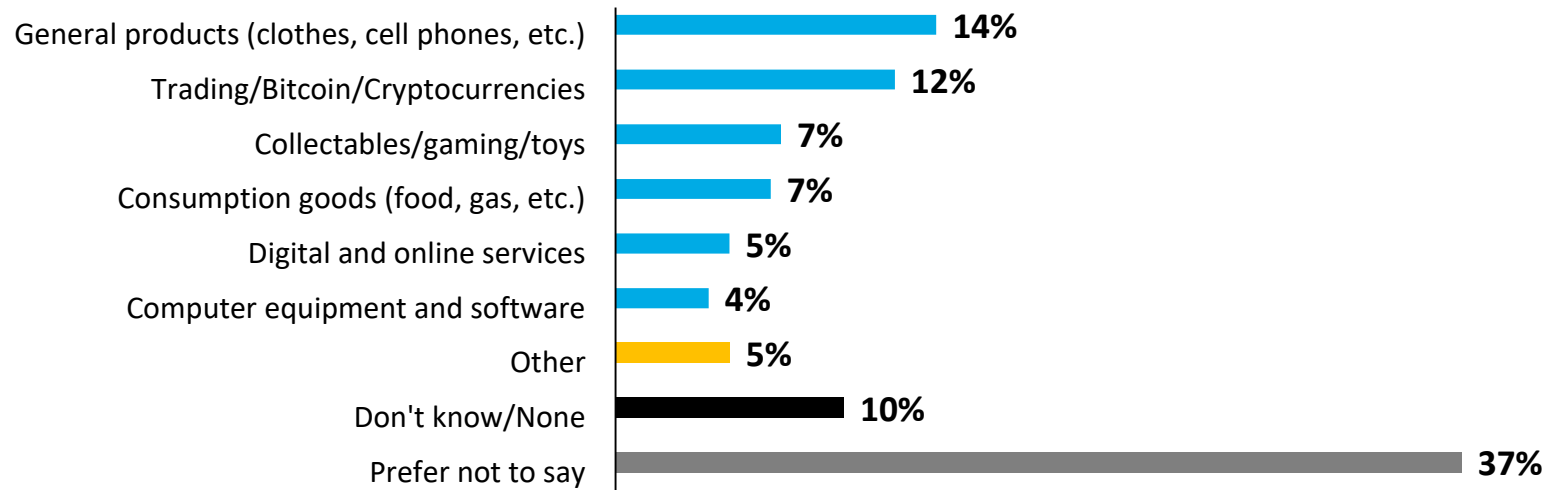
In the **past 12 months**, how frequently have you used cryptocurrencies to make a payment or transaction?

[asked of current owners, n=51; unweighted n=286]



What types of goods and services do you purchase using cryptocurrencies? [OPEN-ENDED]

[asked of current owners who report using cryptocurrencies to make a payment or transaction, unweighted n=221]

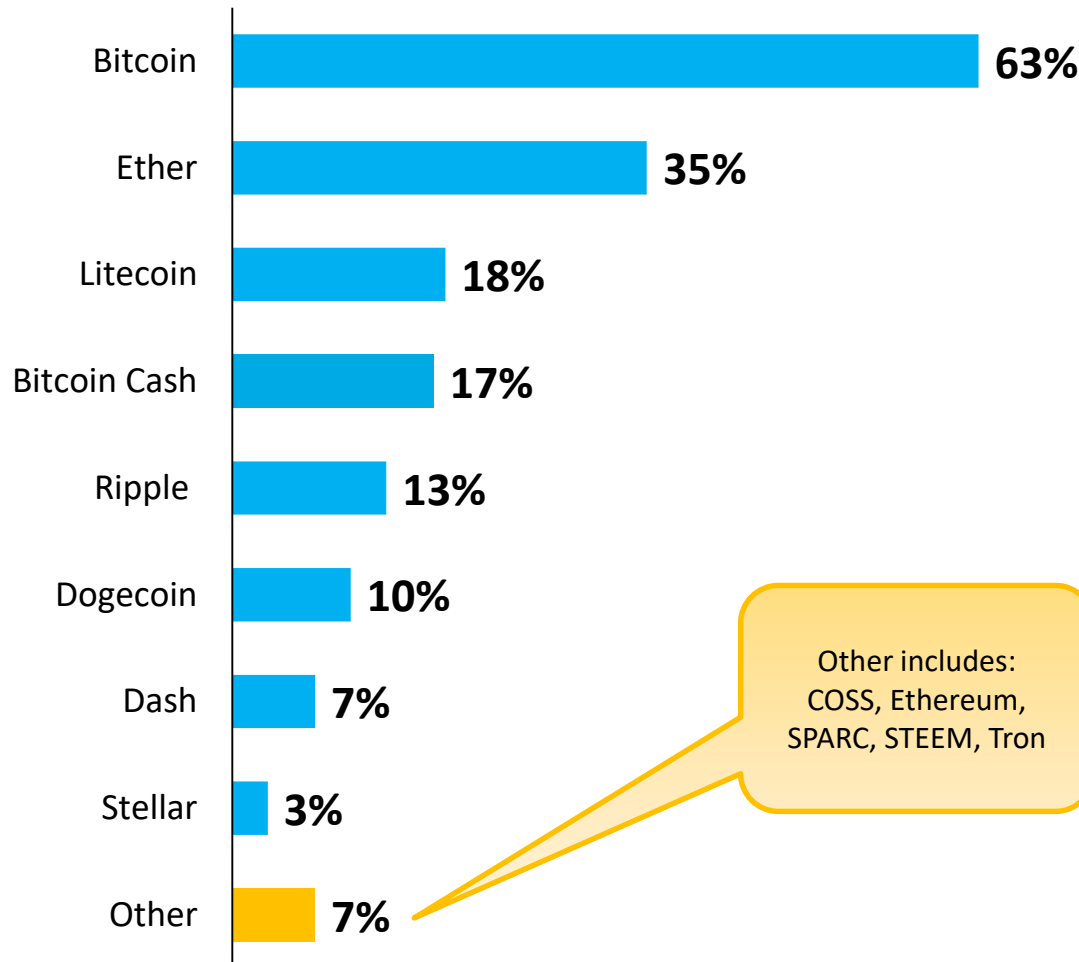


Cryptocurrency Ownership: Bitcoin is clearly the most held cryptocurrency among current owners 30



How much cryptocurrency do you own? For each of the following coins or tokens, please indicate if you currently own them. If you feel comfortable doing so, please also list approximately how many of the following cryptocurrencies you own.*

[asked of current owners, n=51; unweighted n=286]



*Note: Ownership levels given by respondents too unreliable to report.



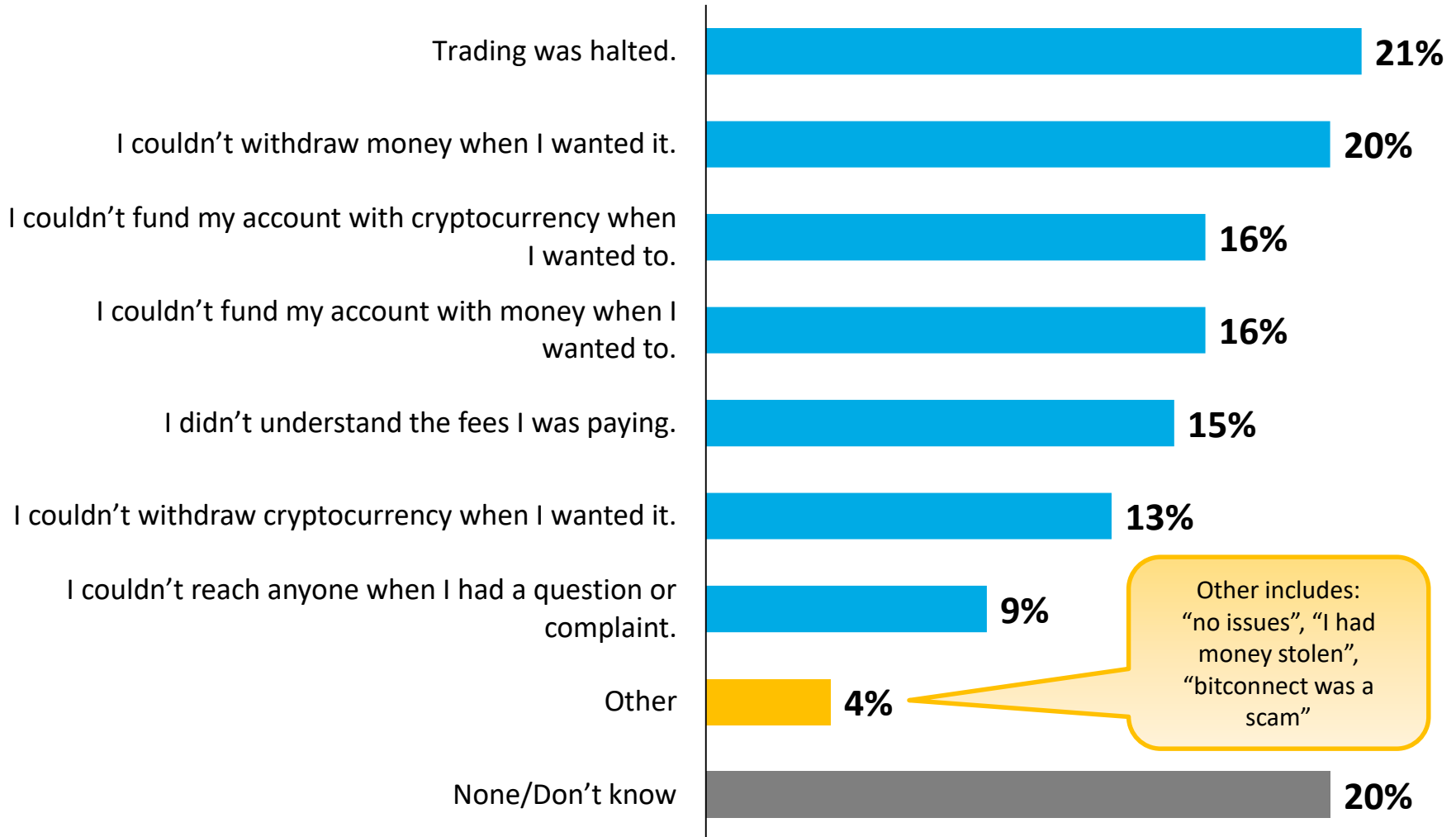
Cryptocurrency Trading Platforms

Issues with Cryptocurrency Trading Platforms: Halted trading and inability to withdraw money are top mentions



Have you experienced any of the following issues using a cryptocurrency trading platform, “cryptocurrency exchange” or “digital exchange”? *Please select all that apply.*

[asked of current and past owners who have used cryptocurrency trading platforms, n=81; unweighted n=435]



Complaints and Regulation

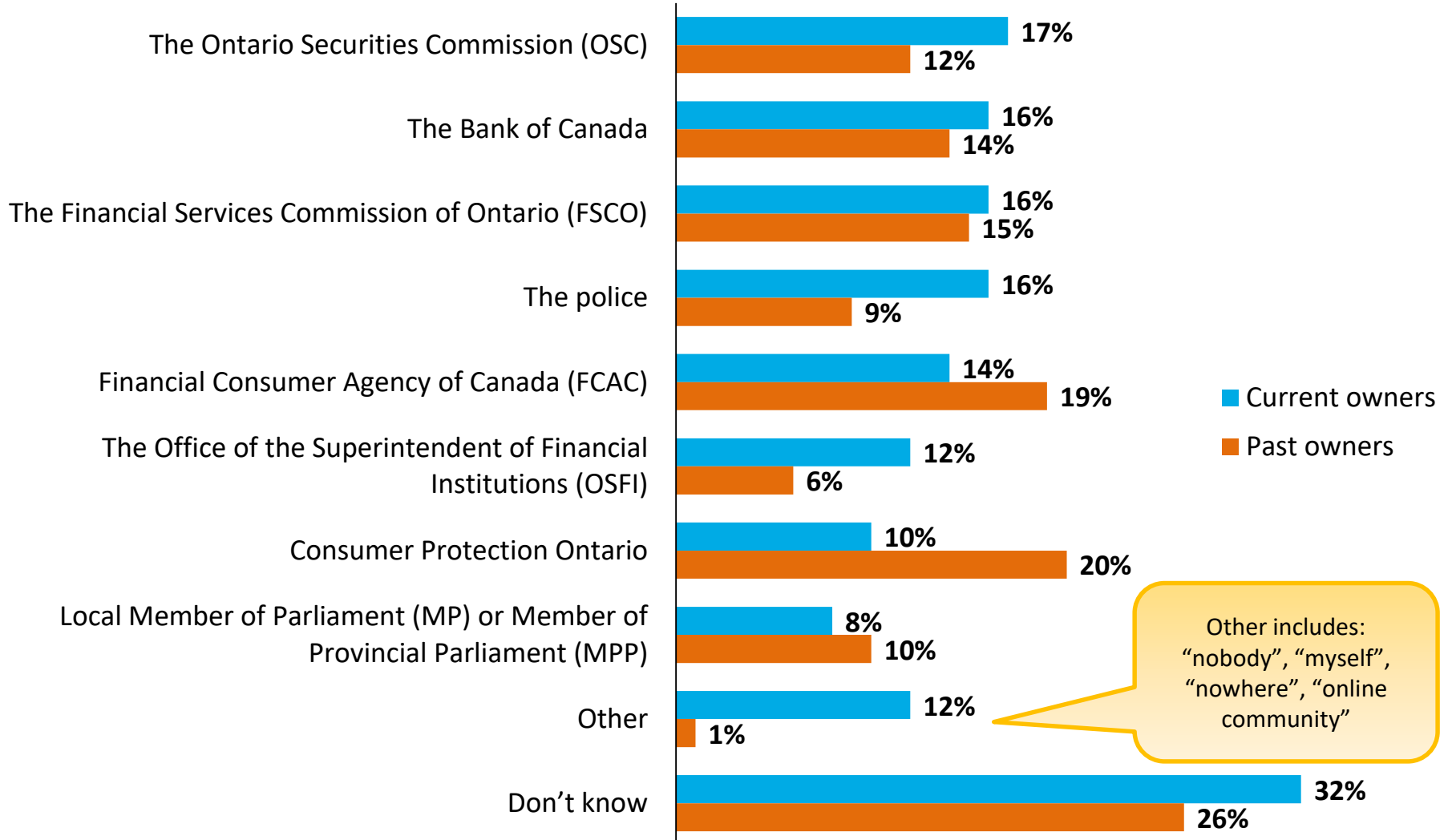


Cryptocurrency Complaints: About one in six cryptocurrency owners would go to the OSC for help if they had a problem



If you had a problem involving the cryptocurrencies you hold or used to hold, and you couldn't resolve it by talking to the cryptocurrency provider, where would you go to first for help?

[asked of current and past owners; multiple mention; n=94; unweighted n=498]

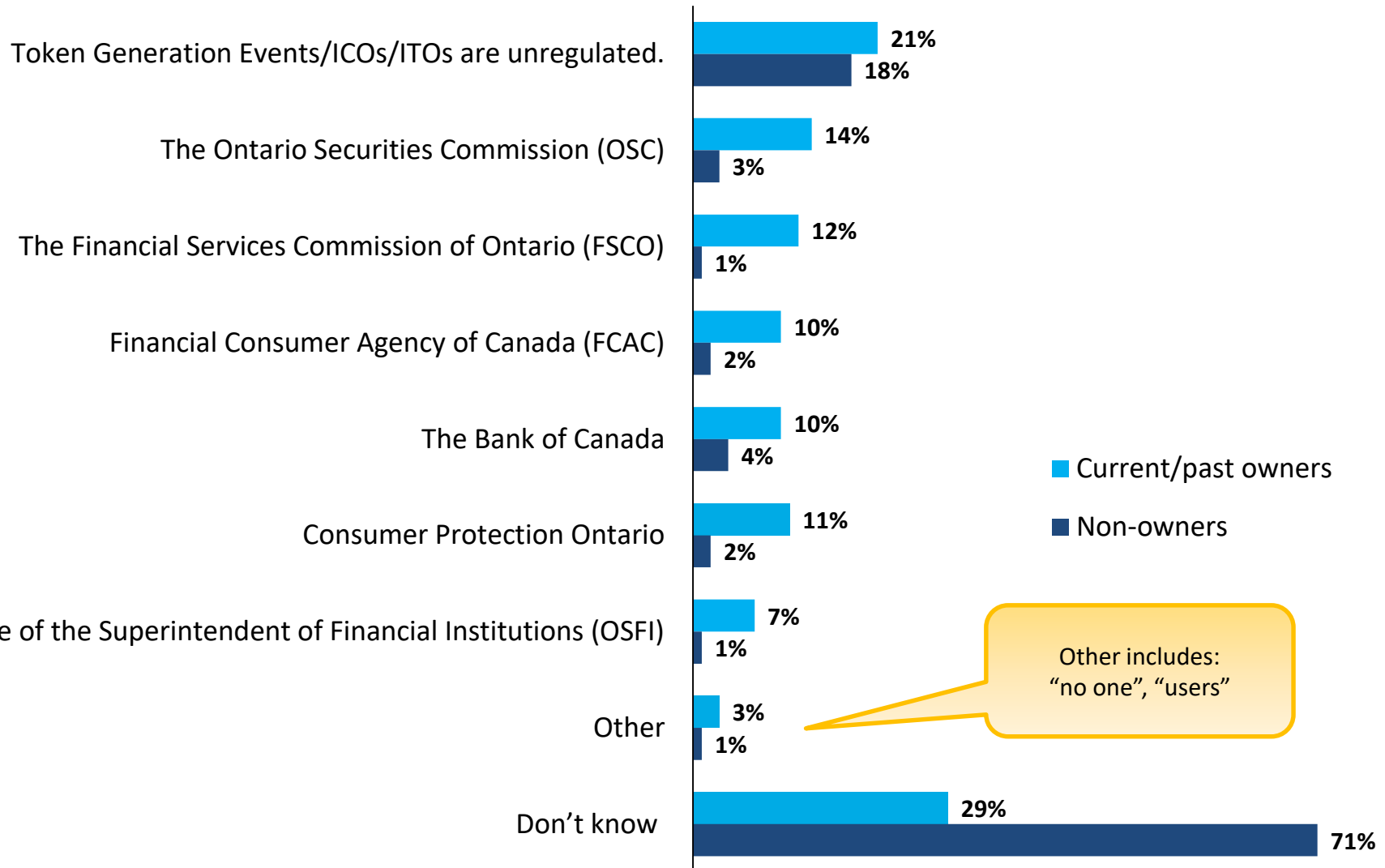


Regulation of Token Generation Event/ICOs/ITOs: About one in five respondents believe that they are unregulated



To your understanding, who is responsible for regulating **Token Generation Events/ICOs/ITOs**?
Please select all that apply.

[asked of all respondents who have at least heard of cryptocurrencies before, n=890]





Building Understanding.

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For more information, please contact:

Jason Lockhart

Vice President

416-642-7177

jlockhart@innovativeresearch.ca

Andrea Nuesser, PhD

Senior Consultant

416-640-4134

anuesser@innovativeresearch.ca

Innovative Research Group Inc.

www.innovativeresearch.ca