

Cryptocurrencies: The Road Ahead May Not Be Cryptic Anymore

November 2, 2021

Executive Summary:



As cryptocurrency moves from a largely retail product at the edges of the market place to a product that engages a broad set of institutional investors across the financial markets, impediments to wider use will have to be solved. From the unknowns of the regulatory landscape facing the physical market to the challenges of adopting and fitting new technology into the existing tech stack and operational processes, financial institutions are looking to play a larger role in these markets and drive product innovation to surmount these issues.

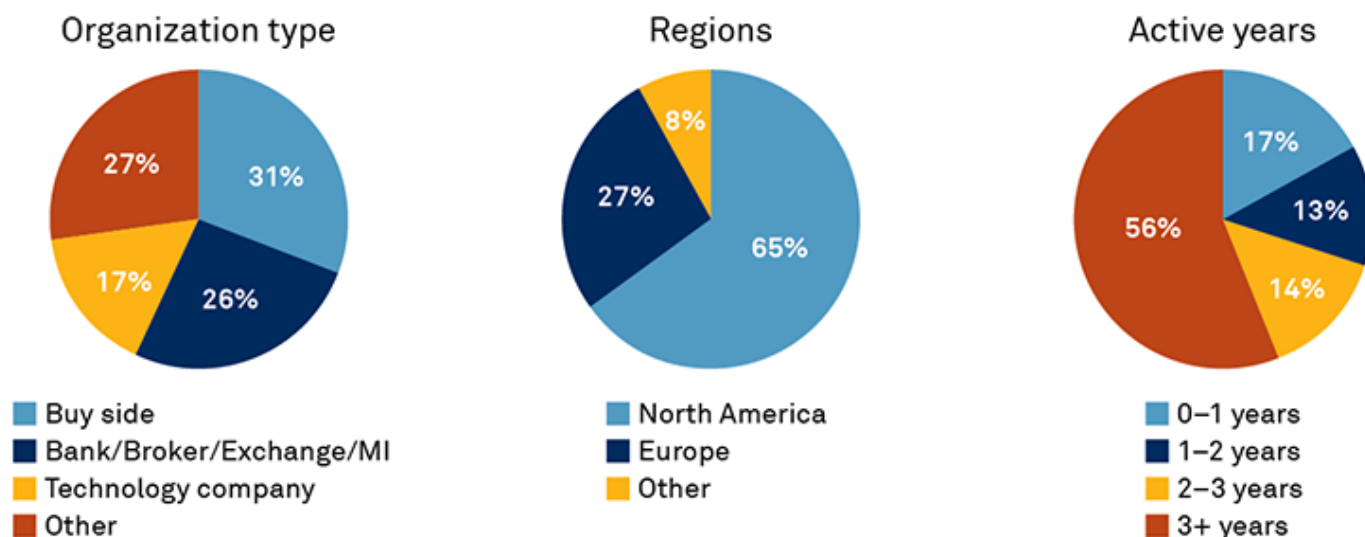
Derivative products, which have a long track record and are easy to understand and transact, were naturally the first to be utilized to get exposure to the crypto market—namely futures and exchange-traded products (ETPs). However, they come with their own unique challenges that prevent wide adoption in the short term. As a result, another tried and tested instrument is now being repurposed as a vehicle to support institutional buy-side interest in this asset class: non-deliverable forwards (NDFs) on cryptocurrencies.

In this paper, we will examine some of the challenges the physical market has faced in gaining acceptance from traditional financial market participants, and the evolution of derivative and synthetic instruments that can help ease the transition of cryptocurrencies into the mainstream of financial markets.

Methodology:

Between July and October 2021, Coalition Greenwich conducted 108 interviews across a spectrum of cryptocurrency users, augmented by targeted interviews of senior trading personnel at some of the largest cryptocurrency derivative market makers. We sought to understand the market's view on the transition cryptocurrencies are making from the physical context to the financial.

Respondents



Note: Based on 108 respondents. May not total 100% due to rounding.
Source: Coalition Greenwich 2021 Evolution of Cryptocurrency Derivatives Study



www.greenwich.com | ContactUs@greenwich.com

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and Singapore.

For more information, visit www.crisil.com

Disclaimer and Copyright

This Document is prepared by Coalition Greenwich, which is a part of CRISIL Ltd, an S&P Global company. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Coalition Greenwich as on the date of the Document and Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data in this Document may reflect the views reported to Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES COALITION GREENWICH BELIEVES TO BE RELIABLE. COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT.

Coalition Greenwich is a part of CRISIL Ltd, an S&P Global company. ©2024 CRISIL Ltd. All rights reserved.

greenwich.com

ContactUs@greenwich.com

Ph +1203.625.5038