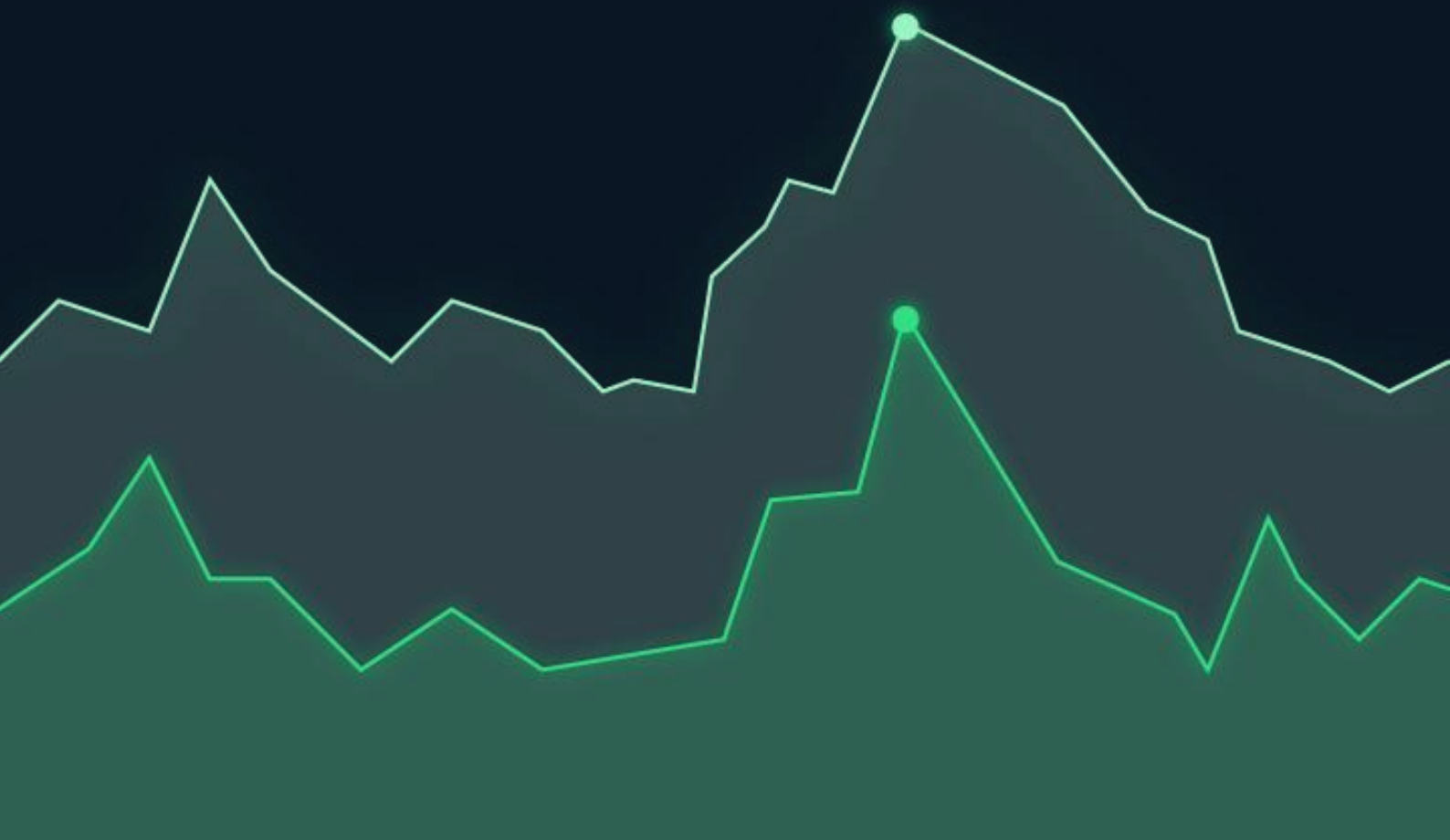




EXCHANGE REVIEW

September 2020



About

CryptoCompare's Exchange Review aims to capture the key developments within the cryptocurrency exchange market. Our review focuses on analyses that relate to exchange volumes, which include those related to crypto derivatives trading, market segmentation by exchange fee models, and crypto to crypto vs fiat to crypto volumes. We also conduct an analysis of bitcoin trading into various fiats and stablecoins, an additional overview of top crypto exchange rankings by spot trading volume, as well as a focus on how volumes have developed historically for the top trans-fee mining and decentralized exchanges.

CryptoCompare's Exchange Review is conducted on a monthly basis and caters to both the crypto-enthusiast interested in a broad overview of the crypto exchange market, as well as investors, analysts and regulators interested in more specific analyses.

For questions related to our research or any potential requests, feel free to contact our research department at research@cryptocompare.com.

Explore the data on the CryptoCompare API

For those interested in accessing CryptoCompare's data for their own purposes, including cryptocurrency trade data, order book data, blockchain data, social data or historical data across thousands of cryptocurrencies and 200+ exchanges, please take a look at CryptoCompare's API here: <https://min-api.cryptocompare.com>

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Key Market Insights

Binance takes the top spot to become the largest derivatives exchange in September

Binance became the largest derivatives exchange by volume, leading with \$164.8bn (down 10.7% since August). Huobi (down 25.8%), OKEx (down 18.5%) and BitMEX (down 30.7%) followed with \$156.3bn, \$155.7bn and \$56.4bn traded respectively for September.

Top-tier volumes set highest daily record for 2020

Although monthly Top-Tier exchange volume has seen a decrease since August, daily volumes reached a record for the year on the 3rd of September 2020 where \$27.6bn was traded. The previous high for the year was \$27.1bn on the 27th of July 2020

September shows volume decline across spot and derivatives markets

Derivatives volumes decreased 17.5% in September to \$634.9bn. Meanwhile, total spot volumes have also decreased by 17.5% to \$676.6bn.

CME BTC futures contract volumes remained steady while options trading increased 79%

In September, 201,893 Bitcoin futures contracts were traded on CME throughout the month. This represents a decrease of 1% since August where 203,867 contracts were traded.

CME options contract volumes experienced an increase of 79.4% in September to 4,872 contracts traded (vs 2715 in August).

September Exchange News

COMPANY	STORY	DATE
Binance	Binance Smart Chain Launches Today	September 1
BitMEX	Introducing BitMEX Mobile	September 1
Binance	Binance Launches an Automated Market Maker (AMM) Pool Product Called Binance BSwap	September 4
Binance	Binance Releases Launchpool	September 6
Kraken	Kraken Futures Cuts Taker Fees	September 14
BitMEX	New Account Registration Verification	September 15
Kraken	Kraken Wins Bank Charter Approval	September 16
Uniswap	Introducing UNI (And 400 UNI Airdrop)	September 16
OKEx	OKEx Ties up with Bitcopy to Bring Copy Trading Experience to Users	September 23
Gemini	Gemini Introduces Debit Card Support	September 24
FTX	Support for 2FA via YubiKey	September 26
Coinbase	Introducing Cosmos Staking Rewards on Coinbase	September 29
Gemini	Gemini Adds Support for Shielded Zcash (ZEC) Withdrawals	September 29

Exchange Survey

In this month's exchange review we surveyed 26 of the leading exchanges to get their thoughts on some of the pressing questions facing the exchange sector. Questions covered DeFi, regulation, institutional adoption, banking and market structure. We hope this survey will give you some extra insight into the direction the digital asset exchange sector is taking.

Key Findings

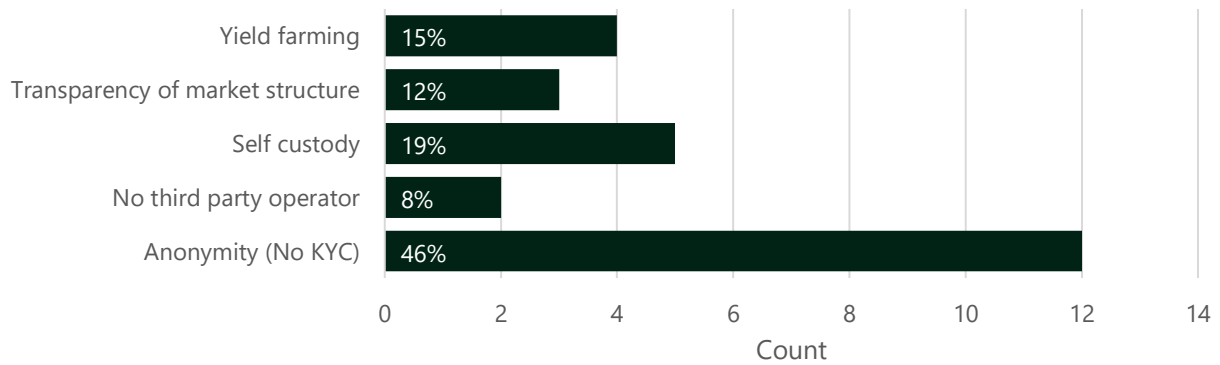
- Centralised exchanges believed that the anonymity afforded by DEXs was the primary reason (46%) users traded on DEXs. On the other hand, respondents thought users preferred CEXs for their liquidity (31%) and fiat compatibility (31%).
- Exchange operators felt their deeper liquidity would be an unassailable competitive advantage in the next 2 years. Over 70% of respondents thought it was unlikely DEX liquidity would surpass CEX liquidity in 2 years' time.
- 40% of exchanges said they are actively building or may build a DEX in the near future.
- 35% of exchanges surveyed said they are already compliant with the FATF travel rule. Over 60% expect to be compliant by December 2021.
- The majority of exchanges expect trading fees to decrease across the industry in the next 2 years. Only 11% expect fees to increase.
- 56% of exchange operators said it has gotten easier to maintain banking relationships in the last 2 years.

DEXs vs CEXs

The decentralised finance ecosystem has grown at a rapid pace in the last year with an explosion of innovation and TVL (total value locked) in DeFi applications. DEXs (decentralised exchanges) are gaining market share of traded volume. Uniswap’s monthly trade volume exceeded Coinbase’s in September. A fact that would have shocked exchange operators in 2019.

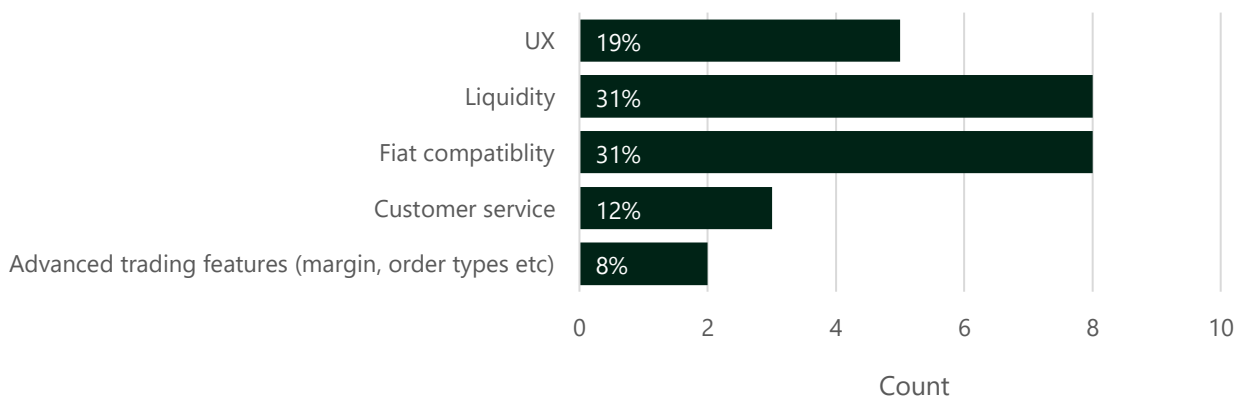
Centralised exchanges believed that the **anonymity** afforded by DEXs was the primary reason (46.2%) users traded on DEXs. **Self-custody** was the secondary driver with 19.2% of respondents saying this was a feature that attracted users to DEXs.

What is the most important feature that attracts users to DEXs over CEXs?



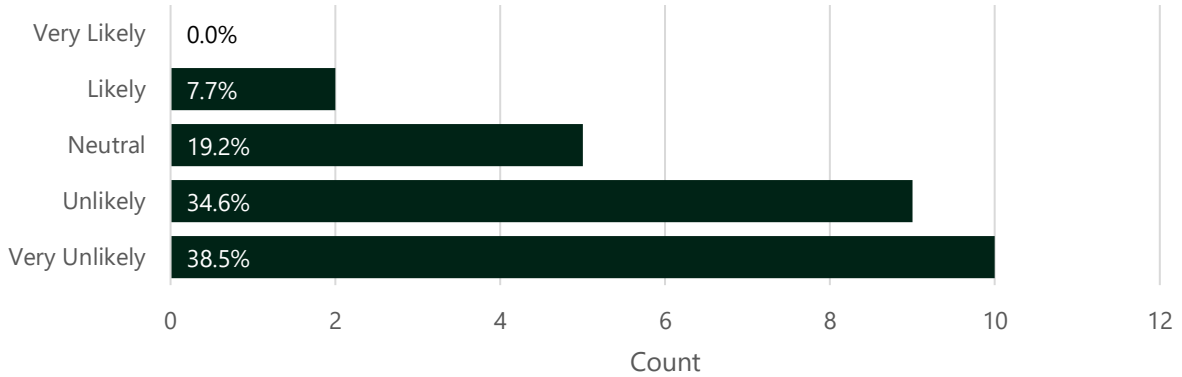
On the flipside exchanges thought that **liquidity** and **fiat compatibility** were the two main reasons why users preferred CEXs over DEXs.

What is the most important feature that attracts users to CEXs over DEXs?



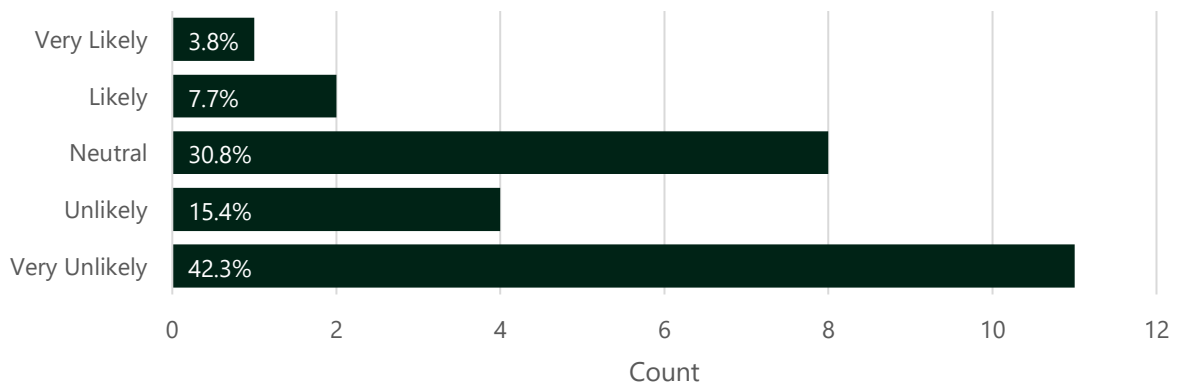
Exchange operators felt their **deeper liquidity** would be an unassailable competitive advantage in the next 2 years. Over 70% of respondents thought it was unlikely or very unlikely DEX liquidity would surpass CEX liquidity in 2 years' time.

Do you think it is likely that DEXs will have better liquidity than CEXs in 2 years time?



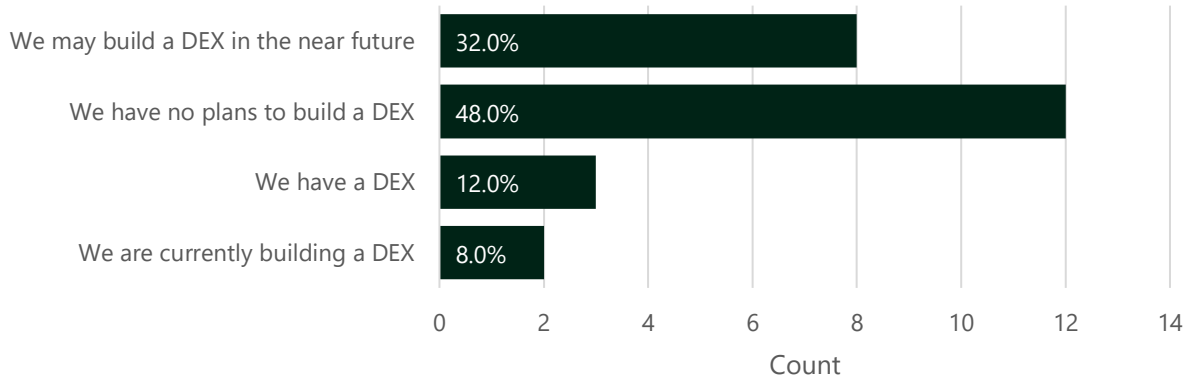
The battle for best UX was more open for debate with 57% of respondents believing it was unlikely or very unlikely that DEXs will have better UX in 2 years. Only 11% of respondents thought that DEXs will have better UX than CEXs in 2 years time.

Do you think it is likely that DEXs will have better UX than CEXs in 2 years time?



When asked if they have or are planning to build a DEX almost half of respondents said they didn't have a DEX and 40% said they are actively building or may build a DEX in the near future.

Are you planning on offering a DEX?

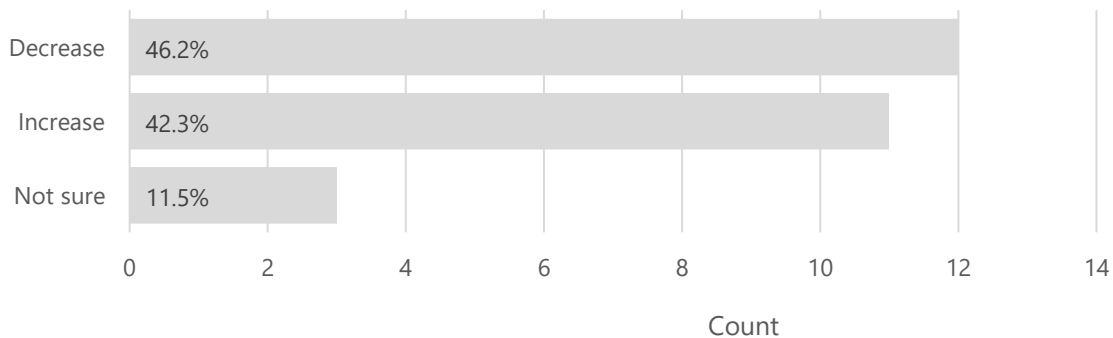


Competition, Fees & Institutional adoption

In the past few years, the number of digital asset exchanges has exploded with questions being raised around the legitimacy of the volume many of these upstarts have garnered. This has led some analysts to predict that there will be a decline of exchanges either through mergers and acquisitions or competition driving out weaker exchanges.

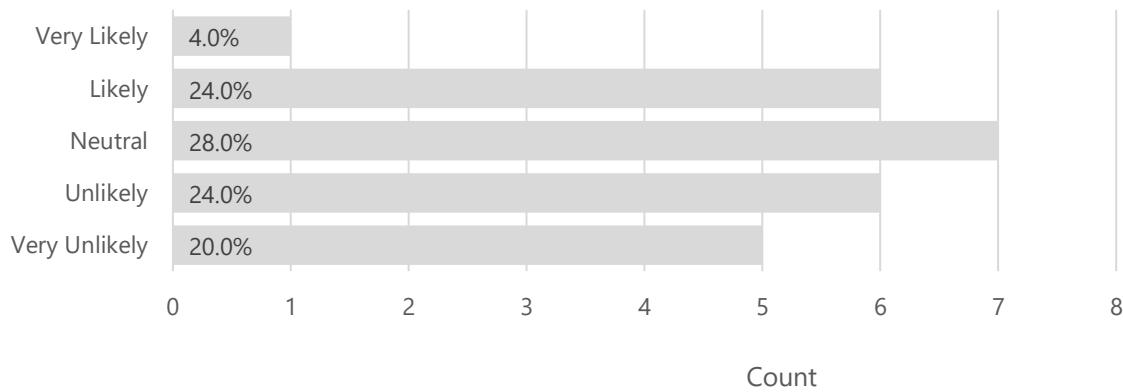
Opinion on this matter was divided with 42.3% of respondents expecting to see an increase in the next 2 years and 46.2% expecting to see the number decline. On the question of fees there was more alignment with 65% of exchanges expecting to see trading fees decrease and only 11.5% expecting fees to increase.

Do you expect the number of exchanges to increase or decrease in the next 2 years?



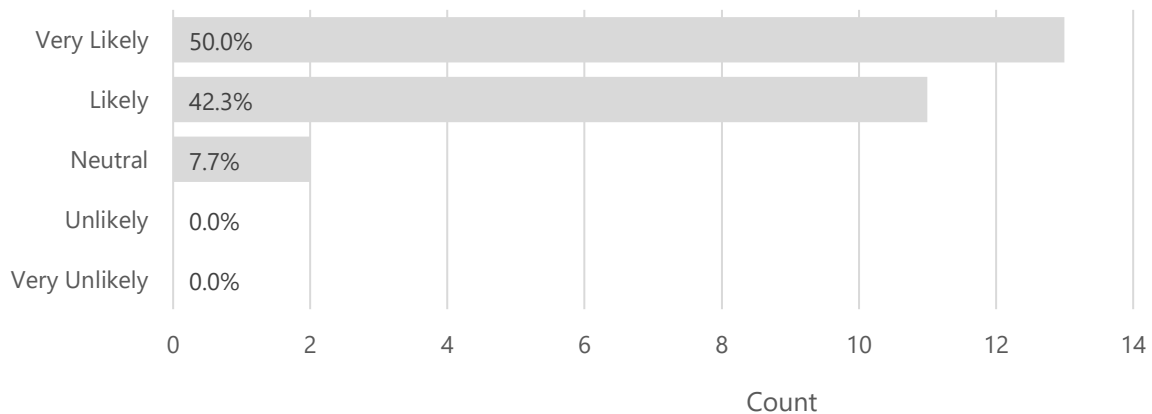
In traditional financial markets exchanges charge fees to access market data and this is a significant portion of their revenue stream. In the digital asset markets this is not the case and all exchanges provide market data for free. 28% of exchanges thought it was likely they will start charging for market data in the coming 2 years, 44% thought it was unlikely and 28% of exchanges were neutral.

Is it likely that that you will start charging for market data in the coming 2 years?



Somewhat unsurprisingly, 92% of exchanges were optimistic that there will be a rise in institutional investors entering the sector in the coming 2 years and none of the exchanges thought there would be a decline in institutional investors.

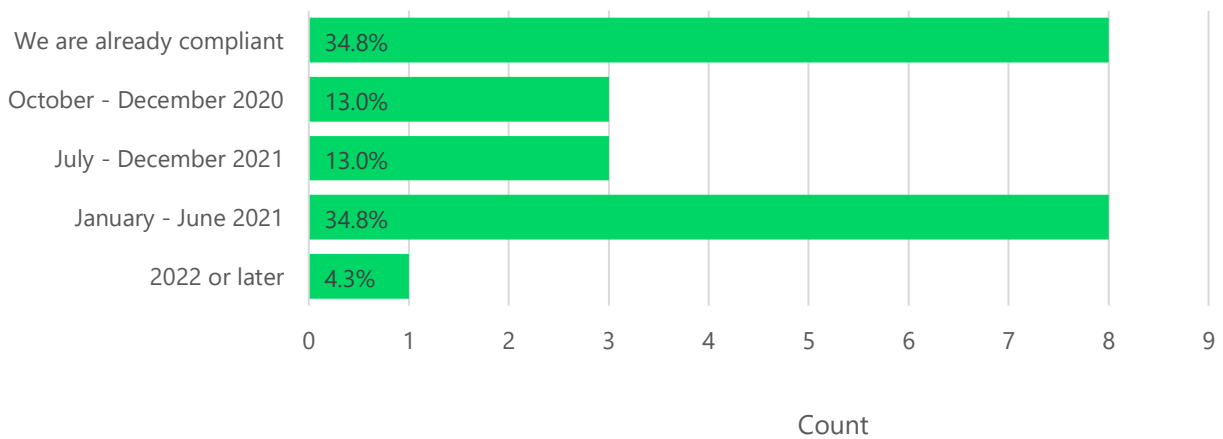
Do you think it is likely there will be a rise in institutional investors (pension funds, family offices, insurers etc) investing in digital assets in the next 2 years?



Regulation & Banking

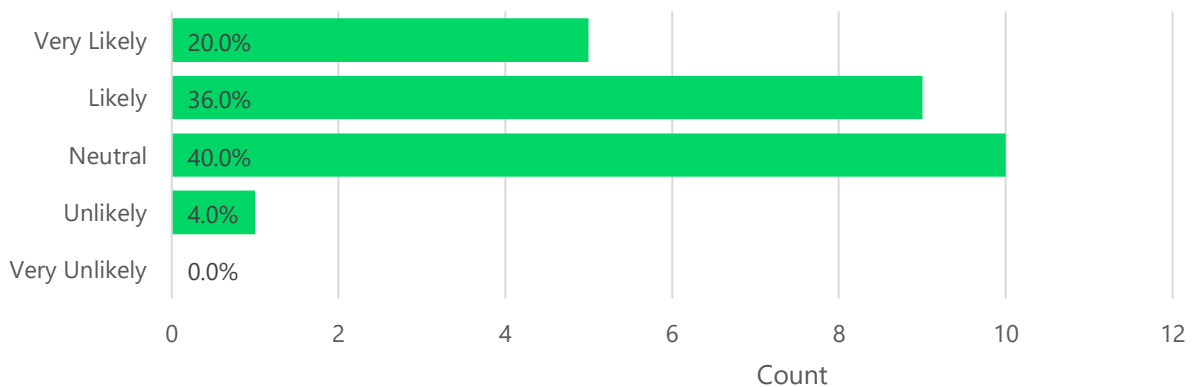
The FATF travel rule requires exchanges to disclose and transfer sender and receiver customer data between VASP (Virtual Asset Service Provider) counterparties for transactions above a certain threshold. Just over a third of exchanges surveyed said they are already compliant. Over 60% expect to be compliant by December 2021 and just 1 exchange of the 26 surveyed said they expect to be compliant by 2022 or later.

When do you expect to be fully compliant with the FATF travel rule?



JP Morgan hit crypto news headlines when it announced it was taking on Coinbase and Gemini as banking clients in May this year suggesting that banks were warming up to the idea of dealing with crypto clients. The exchanges we surveyed supported this, 56% of respondents said it has got easier to maintain banking relationships and only 1 exchange said they have found this more difficult.

In the past 2 years has it got easier to find and maintain banking relationships?

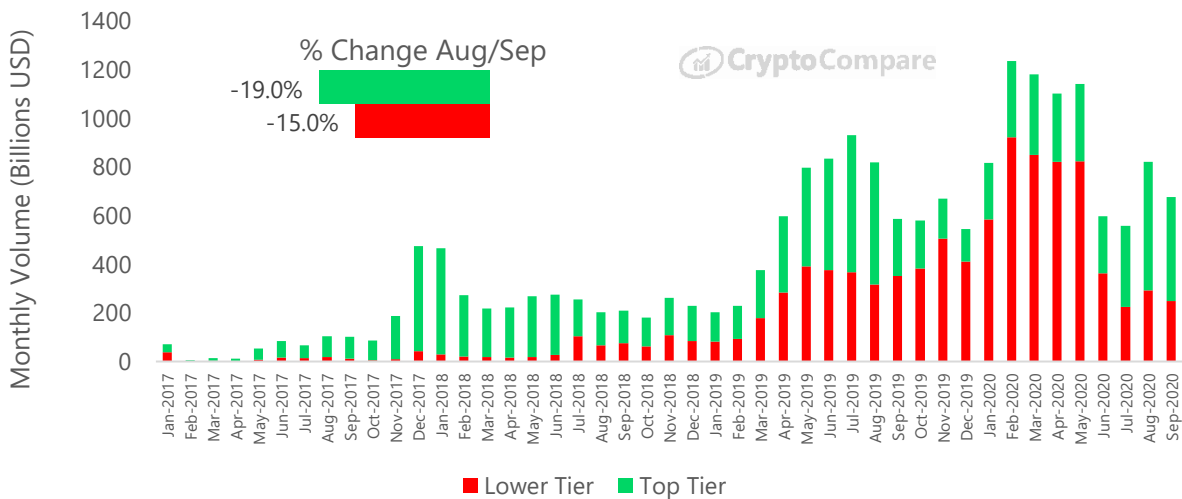


Exchange Benchmark Analysis

CryptoCompare’s Exchange Benchmark aims to serve investors, regulators and crypto enthusiasts by scoring exchanges in terms of transparency, operational quality, regulatory standing, data provision, management team, and their ability to monitor trades and illicit activity effectively. Rather than drawing attention specifically to bad actors, we instead highlight those that behave in a manner that is conducive to maintaining an efficient and fair market, ensuring greater safety of investors. We have hence introduced the notion of “Top-Tier” vs “Lower-tier” volumes.

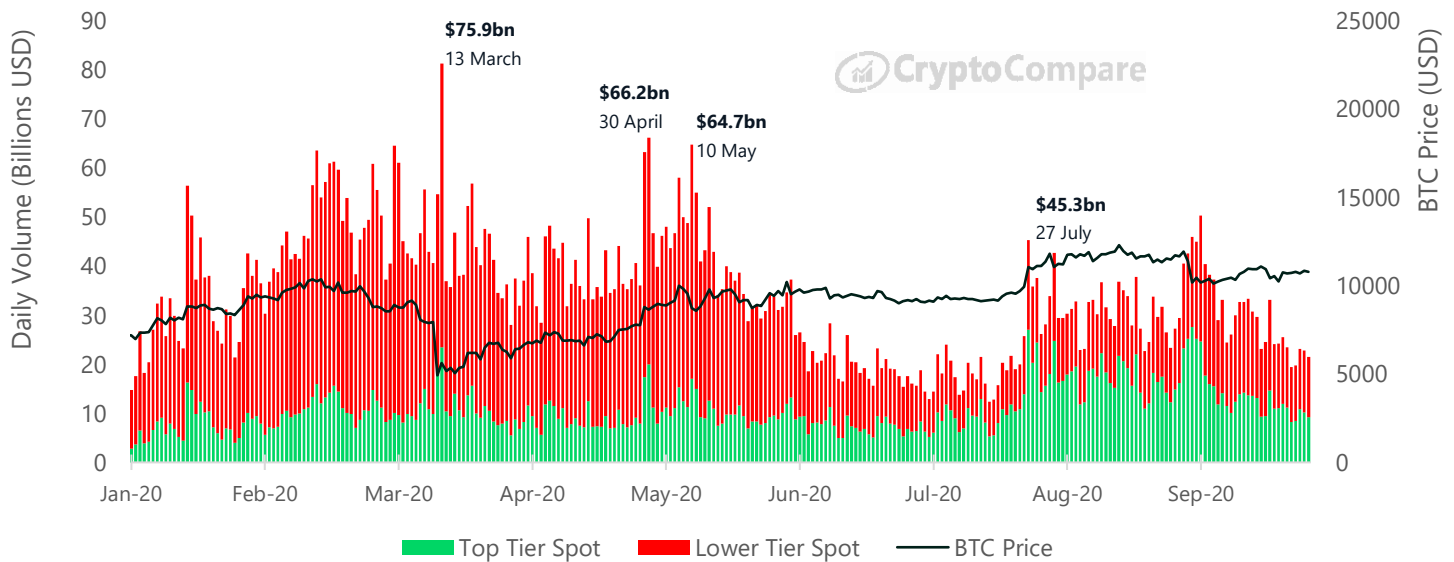
[Explore the Exchange Benchmark here](#)

Historical Monthly Top Tier vs Lower Tier Volume



In September, Top-Tier volumes decreased 19% to \$429bn while Lower-Tier volumes decreased 15% to \$248bn. Top-Tier exchanges now represent 63.3% of total volume (vs 64.4% in August).

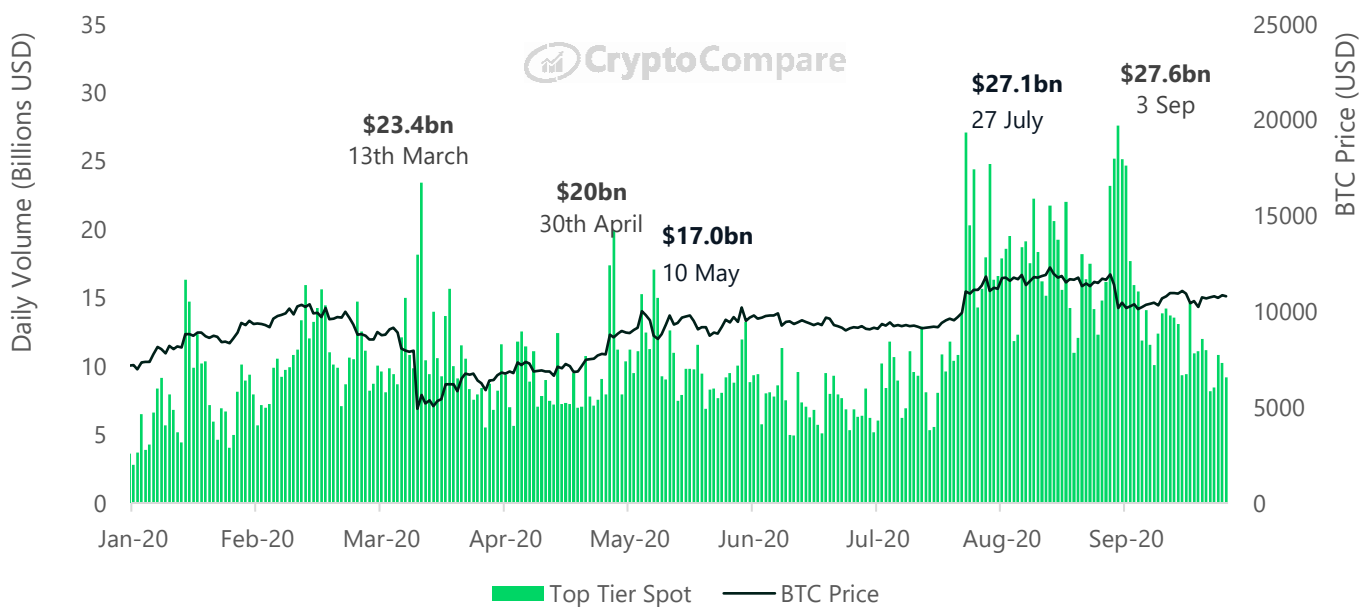
Total Spot Volume - Lower Tier vs Top Tier Exchanges



Trading activity across all spot markets throughout September has started to dwindle compared to August, as the price of BTC dipped below the \$11k mark. CryptoCompare’s Exchange Benchmark Ranking shows that higher risk exchanges have generally lost market share in the last few months, as users begin shifting to lower risk (Top-Tier) exchanges.

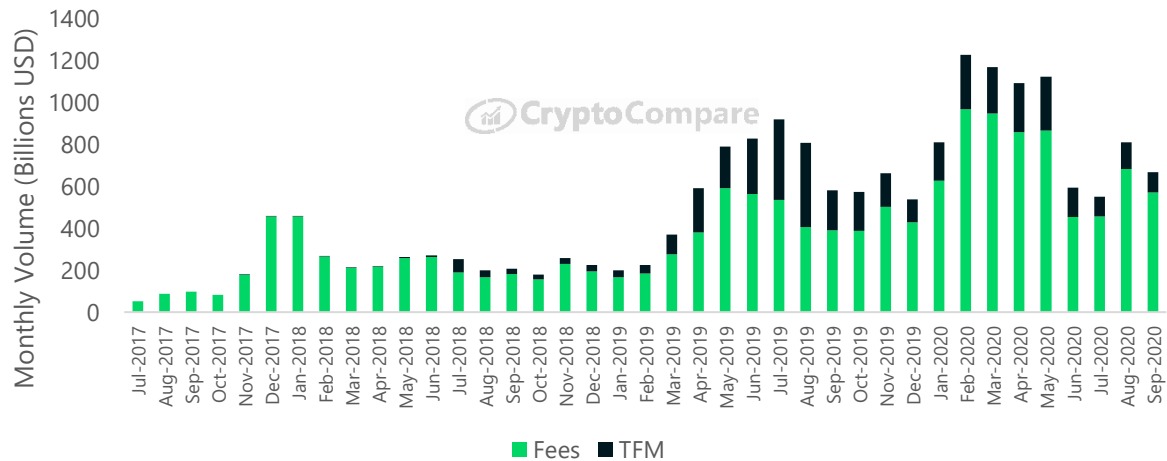
Although monthly Top-Tier exchange volume has seen a decrease since August, daily volumes reached a record for the year on the 3rd of September 2020 where \$27.6bn was traded. The previous high for the year was \$27.1bn on the 27th of July 2020. Top tier exchanges are selected based on our rigorous [Exchange Benchmark Methodology](#).

Total Spot Volume - Top Tier Exchanges



Macro Analysis and Market Segmentation

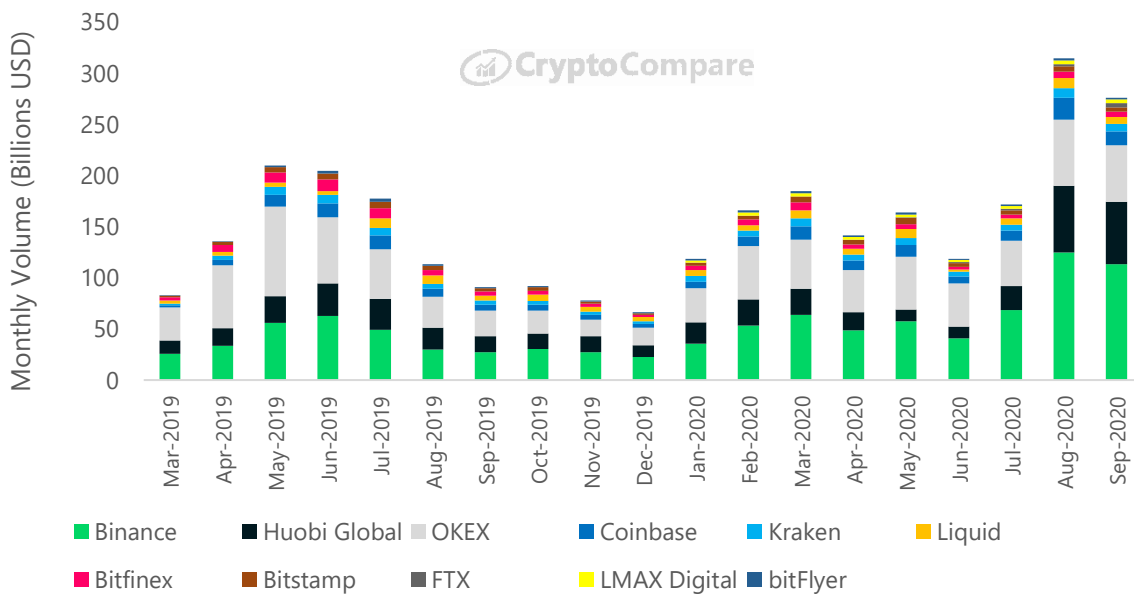
Historical Volume by Fee Model



Exchanges that charge traditional taker fees represented 84.4% of total exchange volume in September (vs 83.5% in August), while those that implement Trans-Fee Mining (TFM) represented less than 16%.

Fee-charging exchanges traded a total of \$571bn in September (down 16.6% since August), while those that implement TFM models traded \$98.6bn (down 34.5% since August).

Historical Monthly Top Tier Exchange Volume



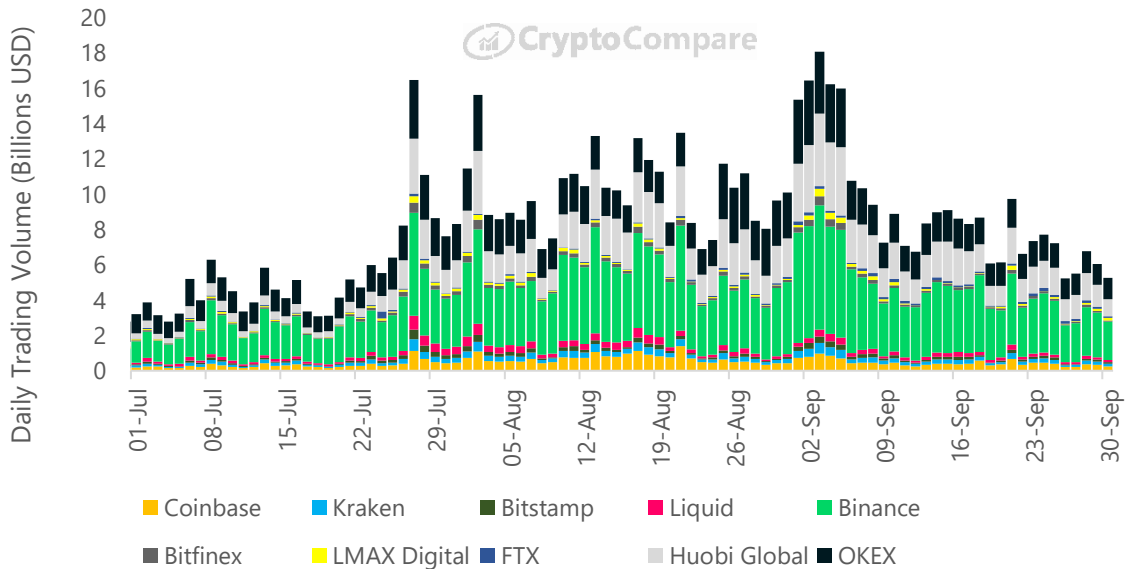
In September, volume from the 15 largest Top-Tier exchanges decreased 10.9% on average (vs August).

Historical Monthly Top Tier Exchange Volume - Last 3 Months



Binance (Grade A) was the largest Top-Tier exchange by volume in September, trading \$113.3bn (down 9.31%). This was followed by Huobi Global (Grade BB) trading \$60.75bn (down 6.54%), and OKEx (Grade BB) trading \$55.4bn (down 14.3%). Exchanges Coinbase (AA) and Kraken (A), and Liquid (A) followed with \$13.6bn (down 36%), \$7.43bn (down 19.16%) and \$6.36bn (down 36%). FTX was the only Top-Tier exchange that experienced an increase in volume, trading \$3.88bn (up 73.45% since August).

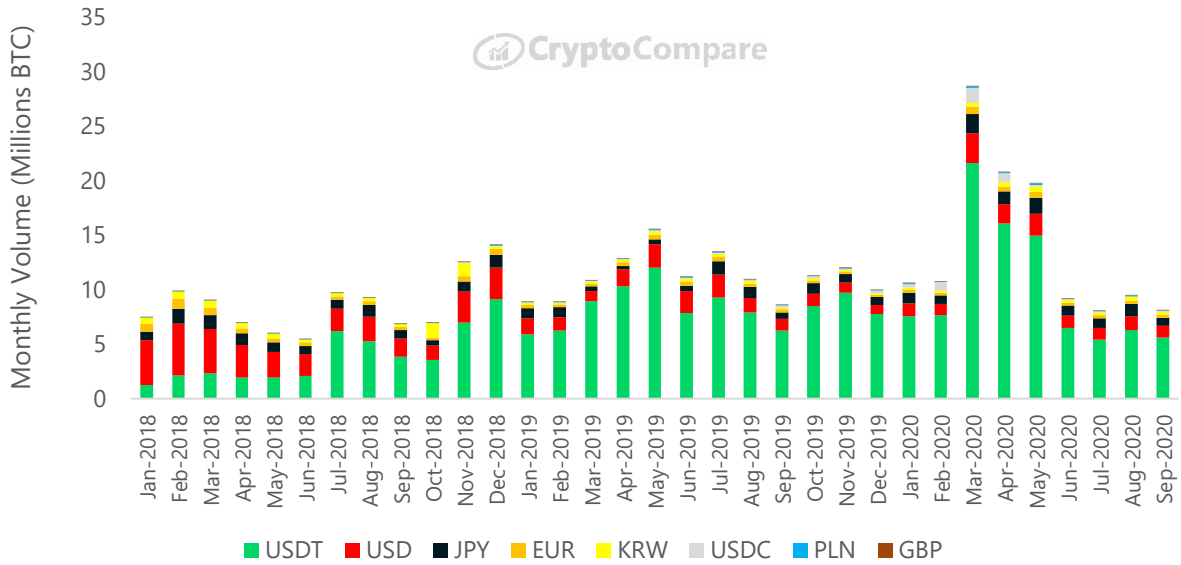
Daily Trading Volume Among Top Tier Exchanges



Binance (A), OKEx (BB) and Huobi Global (BB) remained the top players in terms of volume in September relative to other Top-Tier exchanges. Among the top 15 Top-Tier exchanges, they currently represent 82% of the volume in September (vs 80% in August).

Bitcoin to Fiat Volumes

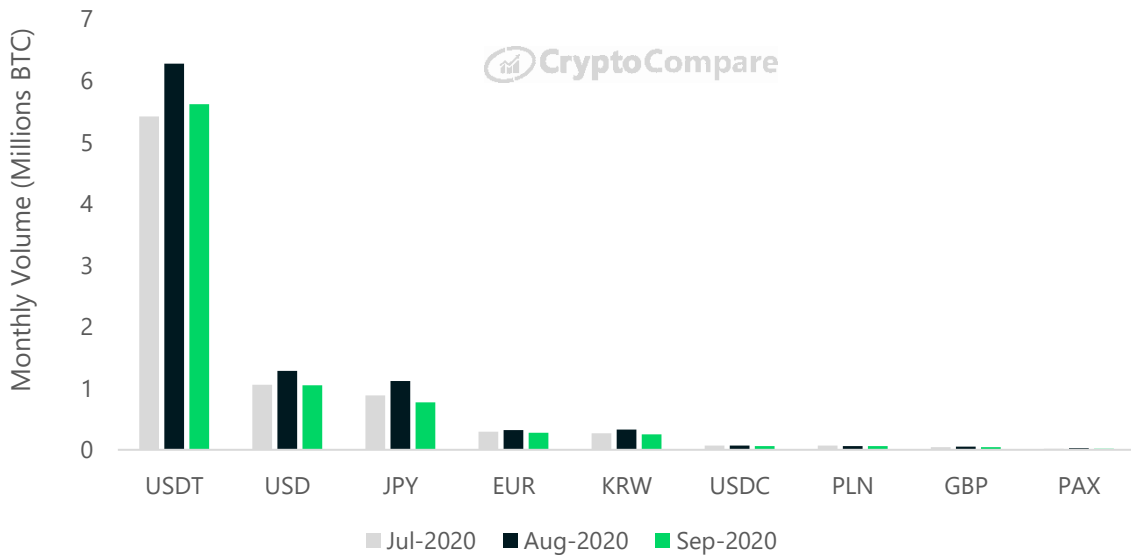
Monthly Bitcoin Volume Traded into Fiat or Stablecoin

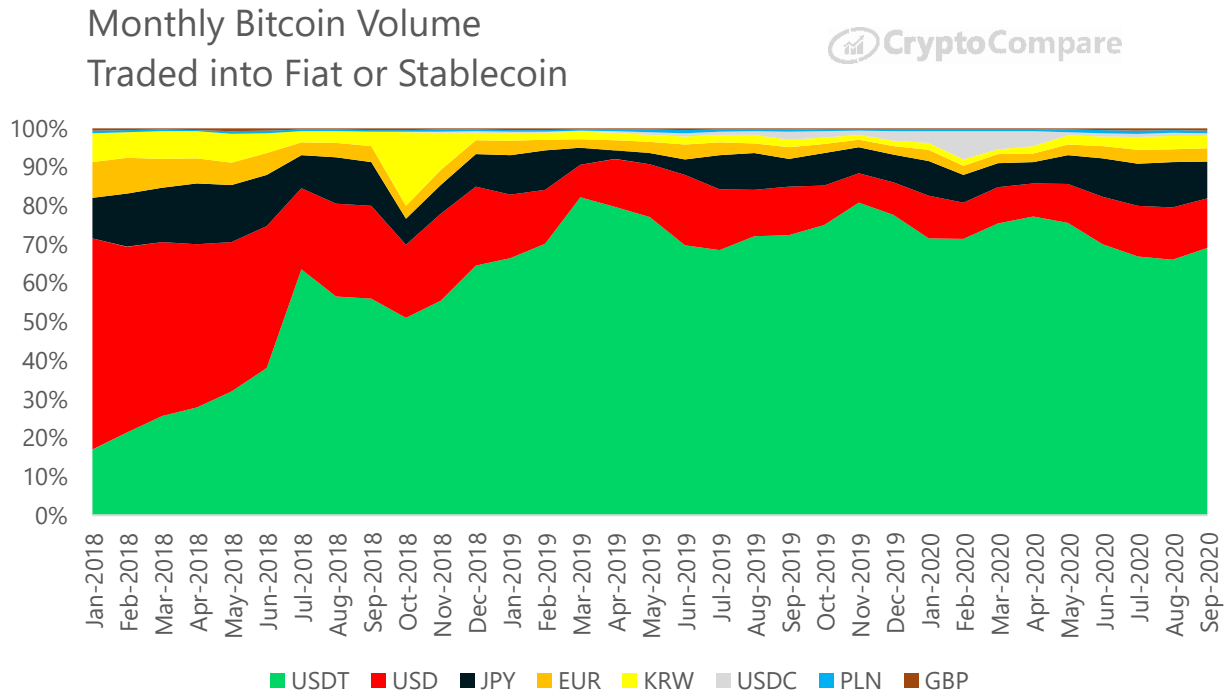


BTC trading into USDT decreased 10.4% in September to 5.61mn BTC vs 6.27mn BTC in August. Trading into USD and JPY also decreased to 1.05mn BTC (down 18.4%) and 0.77mn BTC (down 30.9%) respectively. EUR markets increased 22.6%, while BTC trading into KRW increased 12.1%.

Stablecoin markets BTC/USDC and BTC/PAX traded 60.9k BTC (down 15.3%) and 18.6k BTC (down 22.5%) respectively in September.

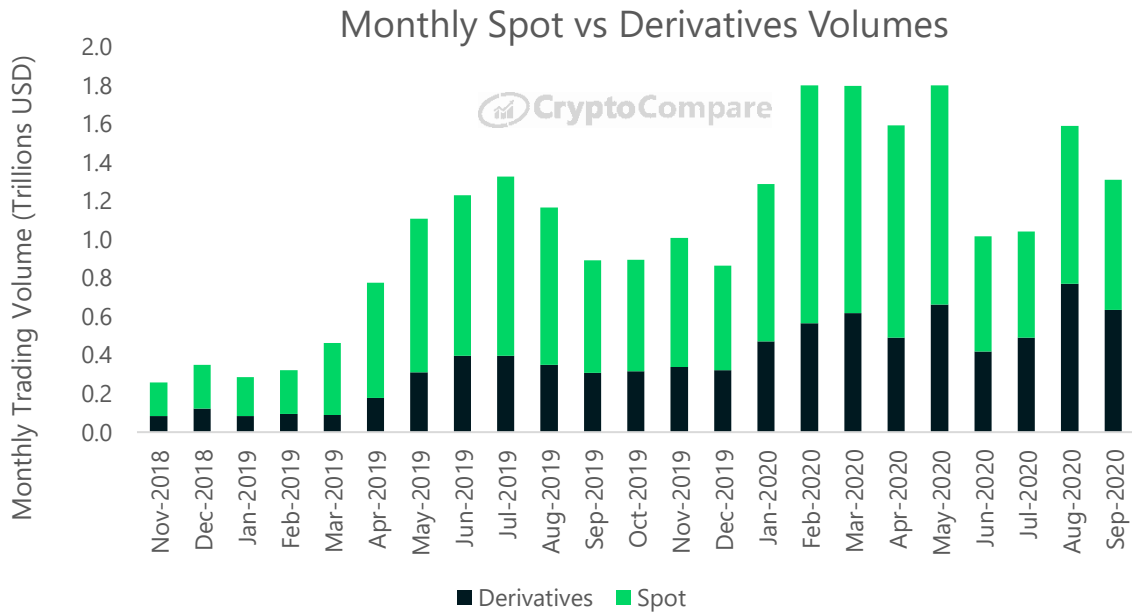
Monthly Bitcoin Volume Trading into Fiat or Stablecoin



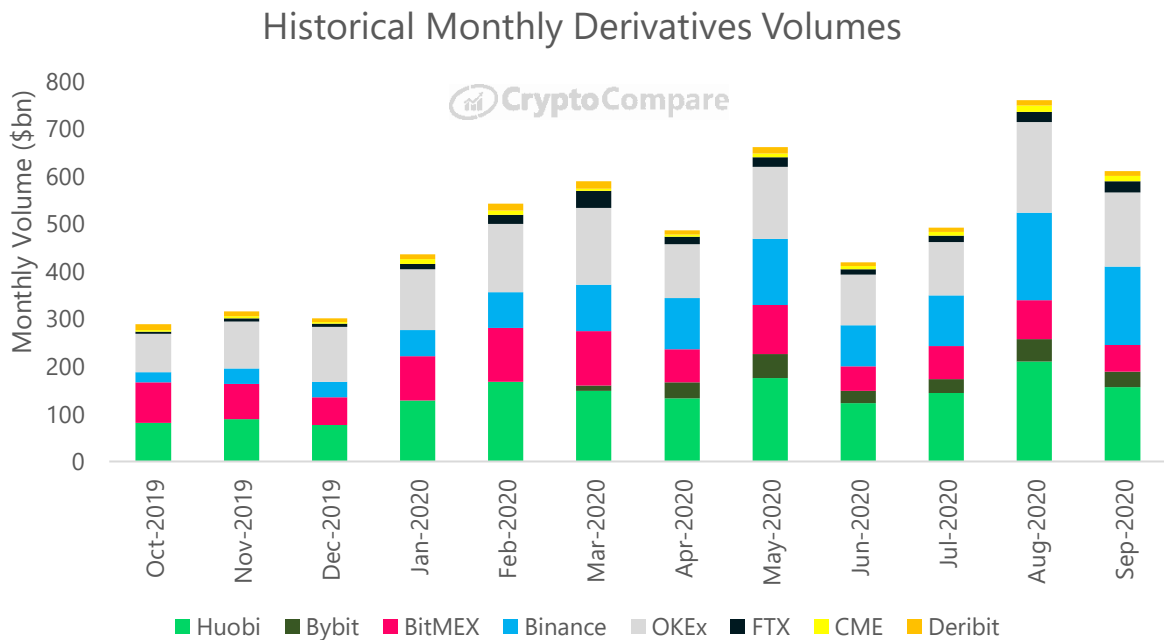


The BTC/USDT pair still represents the majority of BTC traded into fiat or stablecoin in September at 68.1%. Its proportion of total volume in August was 65.2%.

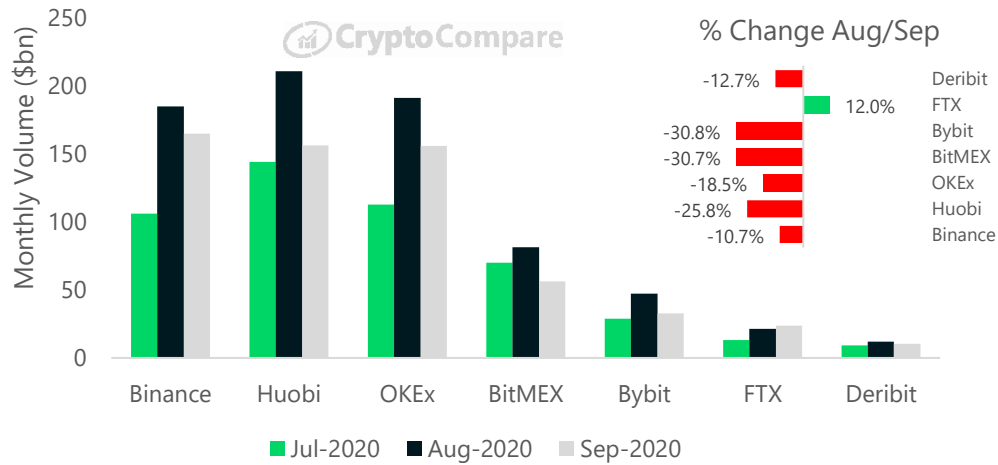
Derivatives



Derivatives volumes decreased 17.5% in September to \$634.9bn. Meanwhile, total spot volumes have decreased by 17.5% to \$676.6bn.



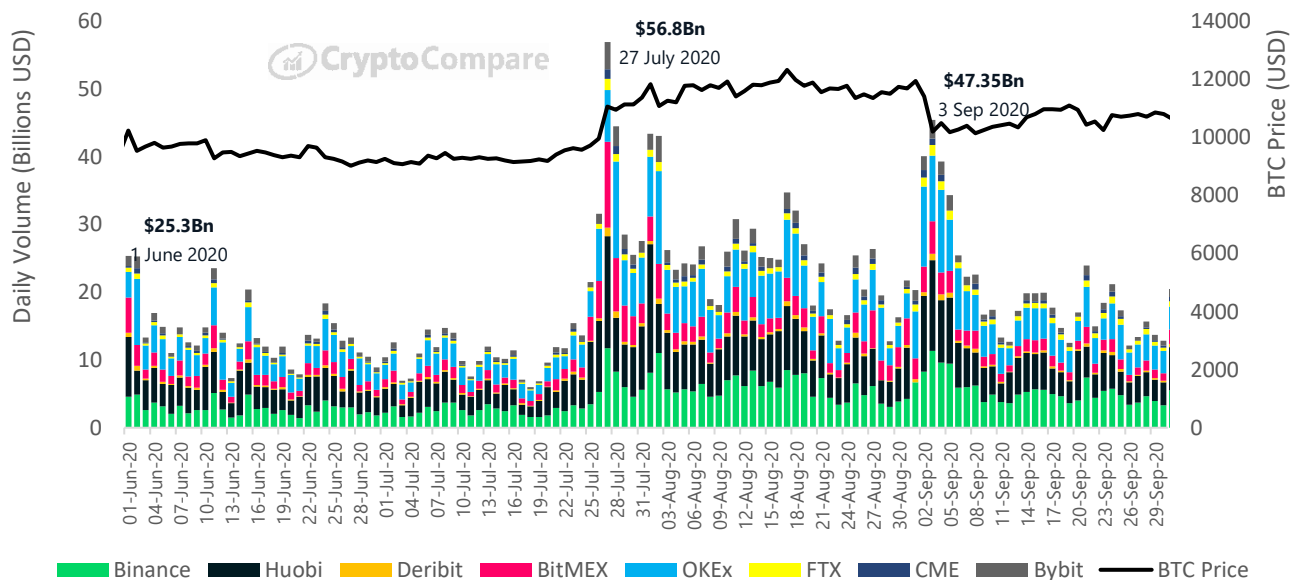
Historical Monthly Derivatives Volumes



Derivatives exchanges generally saw a decrease in trading volume in September. Binance became the largest derivatives exchange by volume, leading with \$164.8bn (down 10.7% since August). Huobi (down 25.8%), OKEx (down 18.5%) and BitMEX (down 30.7%) followed with \$156.3bn, \$155.7bn and \$56.4bn traded respectively.

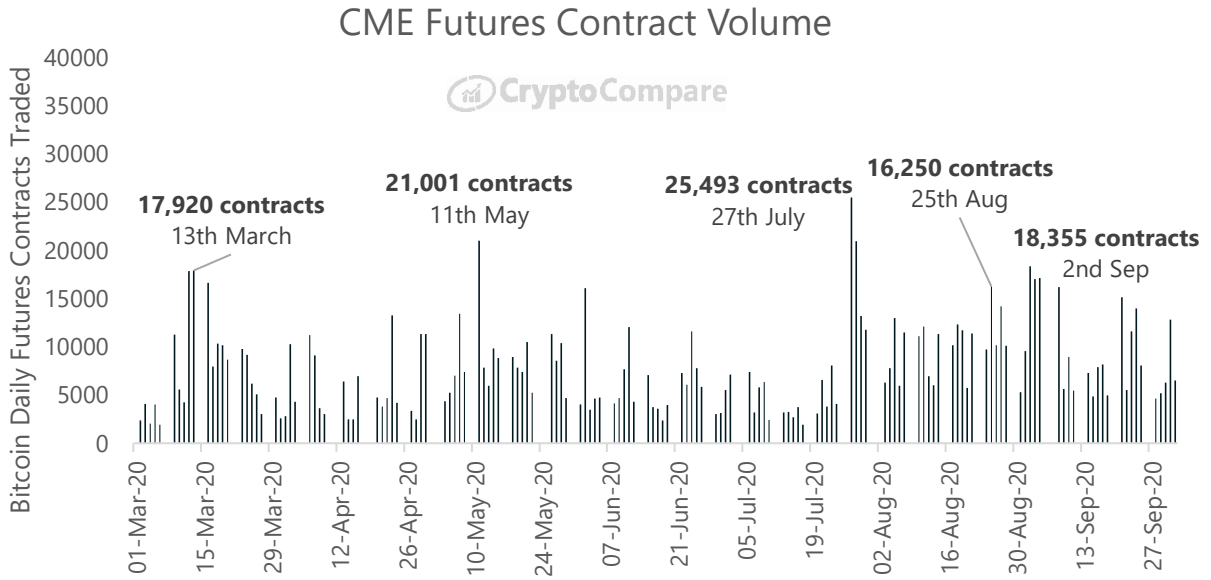
FTX was the only derivatives exchange that experienced an increase in volume with \$23.89bn traded in September (up 12% since August).

Daily Derivatives Volume - Last Four Months

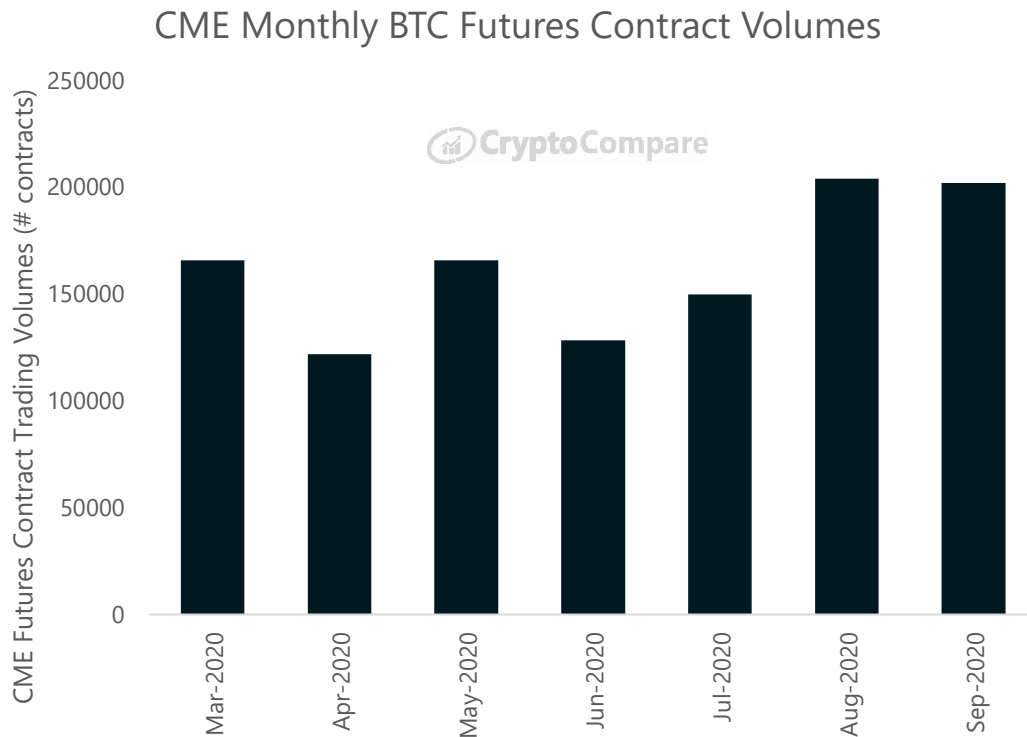


Derivatives trading activity experienced a decline in September. Despite this, trading venues experienced a peak in volume totalling \$47.35bn on the 3rd of September following Bitcoin’s dip below \$11k. The top 4 exchanges Binance, Huobi, OKEx, and BitMEX generally represented below 90% of the volume traded throughout the month.

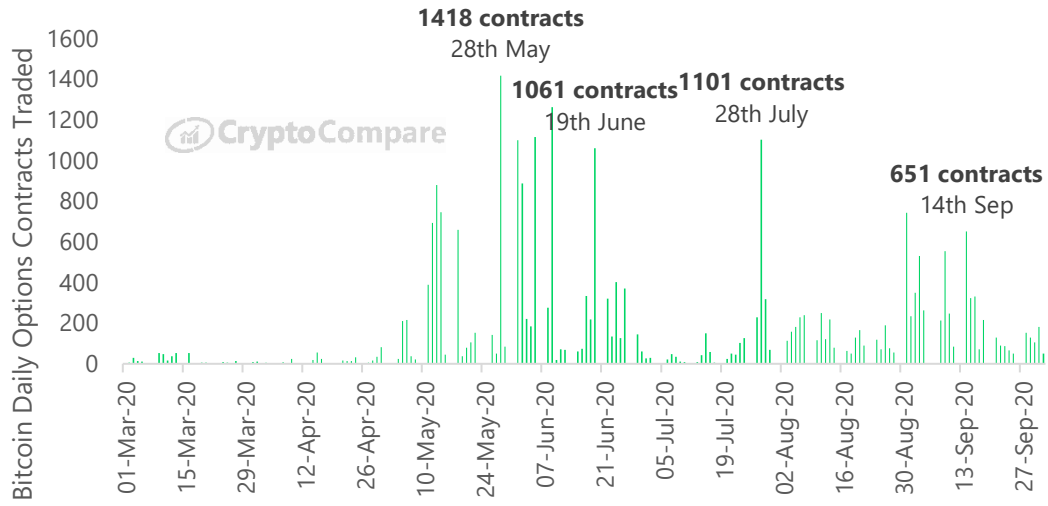
CME Institutional Volume



In September, CME futures contract volumes remained steady with 201,893 contracts traded throughout the month. This represents a slight decrease of 1% since August where 203,867 contracts were traded.

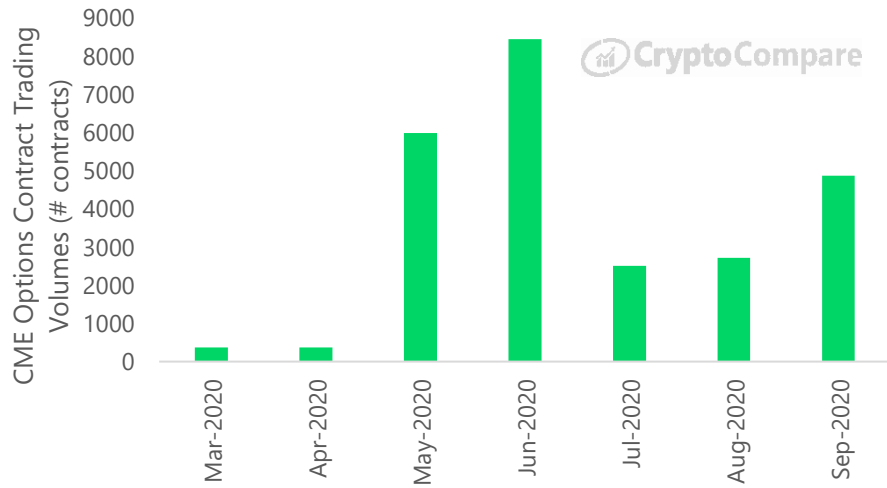


CME Options Contracts Volume



CME options contract volumes experienced an increase of 79.4% in September to 4,872 contracts traded (vs 2715 in August).

CME Monthly BTC Options Contract Volumes



In terms of total USD trading volume, CME’s crypto derivatives volumes have decreased 10.9% to \$11.02bn in September.

