



# EXCHANGE REVIEW

OCTOBER 2022

## About CryptoCompare

CryptoCompare is an FCA authorised and regulated global leader in digital asset data, providing institutional and retail investors with high-quality real-time and historical data. Leveraging its track record of success in data expertise, CryptoCompare's thought-leadership reports and analytics offer objective insights into the digital asset industry.

## About This Report

CryptoCompare's Exchange Review aims to capture the key developments within the cryptocurrency exchange market. Our review focuses on analyses related to exchange volumes, including 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.

Please note that in certain circumstances, historical figures found in previous monthly reports may be updated in more recent reports to reflect our most up to date database information.

For questions related to our research or any potential requests, feel free to contact our research department at [research@cryptocompare.com](mailto: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>.

## Disclaimer

Due to the nature of exchange API endpoints and the practice of backfilling data, there may be data discrepancies between this edition and previous reports. The data presented below is correct up to the release date of this report.

Note: We are constantly developing our products to ensure the most value to our readers. Recently we have applied more filters to ensure all volumes reported are as truly representative of the market ecosystem as possible, and have greatly increased the scope of this report, as such, this month's data will not be directly comparable to last.

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## Key Market Insights

The crypto markets rebounded in October in hope of a less aggressive stance from the Federal Reserve after two consecutive months of decline, with Bitcoin and Ethereum rising 5.49% and 18.4%. However, this failed to translate into increased trading activity as spot and derivatives trading volume on centralised exchanges recorded new lows in October.

### Spot Trading Volume Hits Record Lows

In October, spot trading volume on centralised exchanges fell 25.4% to \$929bn, recording the lowest monthly traded volume since October 2020. This coincided with the 30-day volatility of Bitcoin and Ethereum, which also reached its lowest since 2020 at 26.6% and 31.9%, respectively.

Binance remains the largest centralised exchange by spot trading volume, with a market share of 42.0%. However, spot trading volume on the exchange fell 27.8% to \$390bn, the lowest volume since December 2020. Coinbase overtook OKX and FTX in October as the second-largest exchange by spot trading volume, with a market share of 5.05%.

### FTX Records Largest Liquidation Event

The derivatives trading volume on centralised exchanges fell 23.9% to \$2.22tn in October, the lowest monthly derivative trading volume since December 2020. Although October, was largely characterised by range-bound price action, toward the end of the month derivatives exchanges recorded the largest liquidation event in fifteen months - on October 26, \$1.21bn worth of trades was liquidated. Interestingly, FTX recorded the largest short liquidation in its history, liquidating around \$580mn of shorts on BTC.

Derivatives trading accounts for 70.5% of the entire crypto market, with Binance retaining its position as the largest derivatives exchange with a market share of 55.0% in October. The exchange traded \$1.22tn in derivatives volume, its lowest level since March 2021.

### FTX Files for Bankruptcy After Liquidity Crunch

On November 11, FTX and FTX.US filed for bankruptcy protection after failing to secure a bailout from potential investors. Concerns over the insolvency of FTX initially started circulating on the 2nd of November when the balance sheet of Alameda Research, a hedge fund closely associated with FTX and founded by Sam Bankman-Fried (SBF), was leaked.

Following this, FTX faced a liquidity crisis while fulfilling the sudden spike in withdrawal demands from users, eventually resulting in the halting of withdrawals. On-chain data shows that the exchange recorded a net flow of -19,947 BTC on November 7, the largest net outflow since September 10, 2021. The exchange also recorded the largest number of withdrawal transactions in its history on the day.

The collapse of FTX is set to have ripple effects on market participants, including other centralised exchanges. The weekly Bitcoin net flows from centralised exchanges recorded their largest ever outflow, with 97,805 BTC moving off exchanges in the 7-day period ending on November 13.

## October Exchange News

| COMPANY  | STORY  | DATE       |
|----------|--|------------|
| BitMEX   | <a href="#">We're Now Registered in Italy as a Virtual Currencies and Digital Wallet Services Provider</a>       | October 3  |
| Coinbase | <a href="#">Bringing safer and easier crypto access Down Under</a>   | October 4  |
| Coinbase | <a href="#">Announcing the Coinbase Wallet Mobile SDK for web3 mobile builders</a>                               | October 5  |
| Binance  | <a href="#">Binance Secures a Permanent License to Offer Digital Asset Services in Kazakhstan</a>                | October 6  |
| Coinbase | <a href="#">Supporting EIP-4844: Reducing Fees for Ethereum Layer 2 Rollups</a>                                  | October 6  |
| Coinbase | <a href="#">Coinbase gets regulatory approval in Singapore</a>   | October 10 |
| Coinbase | <a href="#">Announcing Coinbase + Google Cloud</a>   | October 11 |
| Gemini   | <a href="#">Gemini Launches Services to Customers and Institutions in Ireland, Bolstering European Expansion</a> | October 11 |
| Binance  | <a href="#">21<sup>st</sup> BNB Burn</a>   | October 13 |
| Coinbase | <a href="#">Coinbase launches USDC institutional rewards program with MakerDAO</a>                               | October 24 |
| Kraken   | <a href="#">Kraken now supports deposits and withdrawals of USDC via the Solana and Tron networks!</a>           | October 27 |
| Gemini   | <a href="#">Gemini Launches in Denmark, Sweden, Portugal, Czechia, Latvia, and Liechtenstein</a>                 | October 31 |

## Definitions

| Metric                      | Definition  |
|-----------------------------|---|
| <b>Top Tier Exchanges</b>   | Top Tier Exchanges refer to those that have scored Grade B and above in CryptoCompare's biannual Exchange Benchmark.                    |
| <b>Lower Tier Exchanges</b> | Lower Tier Exchanges refer to those that have scored Grade C and below in CryptoCompare's biannual Exchange Benchmark.                  |
| <b>Spot Volumes</b>         | Volumes of trade where the financial assets are purchased or sold for immediate delivery.   |
| <b>Derivatives Volumes</b>  | Volumes of trade where the contract between two parties which derives their value or price from an underlying asset purchased or sold.  |
| <b>Futures Contracts</b>    | Derivatives contracts that oblige parties to trade an asset at a predetermined price and date.  |
| <b>Options Contracts</b>    | Derivatives contracts that give the holder the right, but not the obligation, to trade an asset by a certain date at a specified price. |
| <b>Open Interest</b>        | Number of outstanding derivative contracts that have not been settled for an asset.   |

## Exchange Benchmark Analysis

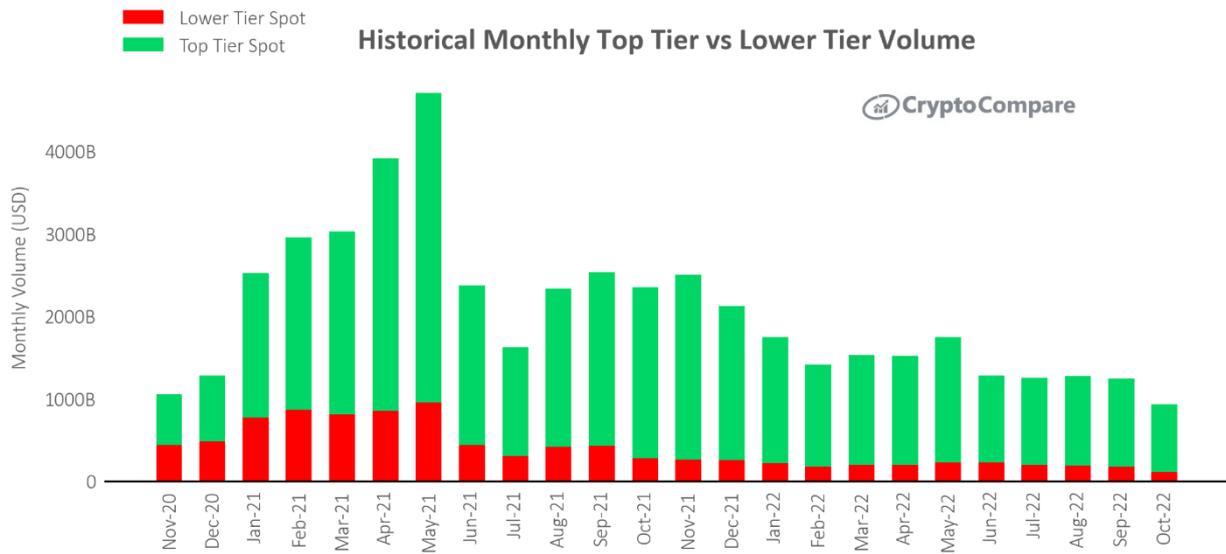
CryptoCompare's biannual Exchange Benchmark aims to serve investors, regulators and industry participants by scoring and ranking exchanges based on their operational transparency, security, operational quality, regulatory standing, data provision, management team, and ability to monitor trades and illicit activity effectively.

We hence refer to the notion of "Top-Tier" vs "Lower-Tier" volumes and exchanges, as explained in greater detail in the Exchange Benchmark Report methodology.

[Explore the Exchange Benchmark here](#)

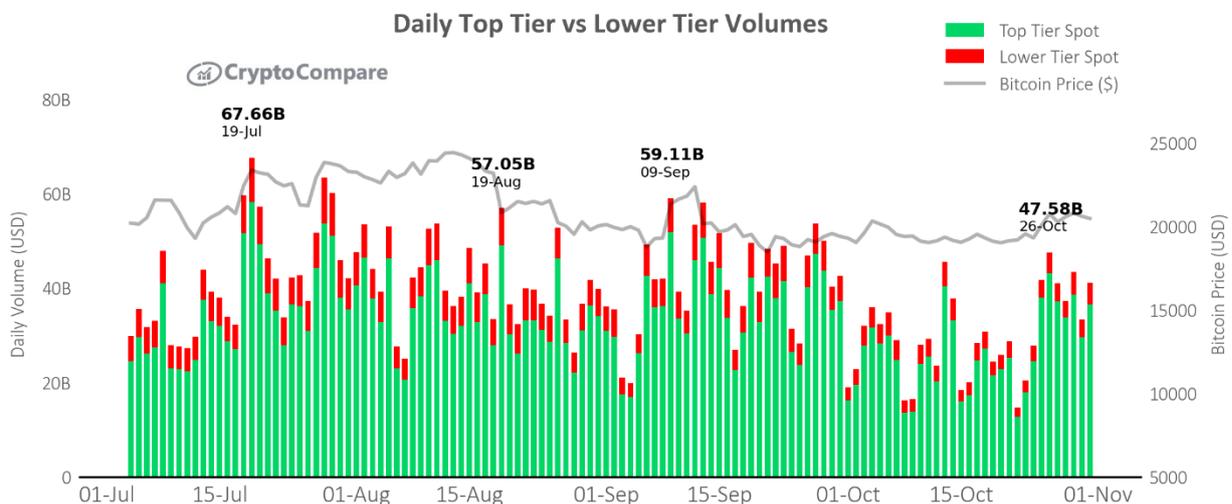
This report assesses exchange activity via the above segmentation, particularly for spot markets. Apart from this, we study the market segmentation between different exchanges, assets and derivatives, and dive deeper into the current state of CEX in crypto following the extraordinary events over the last week that saw FTX, one of the largest crypto exchanges, file for bankruptcy.

## Top Tier vs Lower Tier Exchange Volumes



In October, total spot trading volumes declined 25.5% to \$929bn. Top-Tier spot volumes decreased 23.6% to \$817bn, and Lower-Tier spot volumes decreased 36.4% to \$112bn. This is the lowest spot trading volume recorded since October 2020.

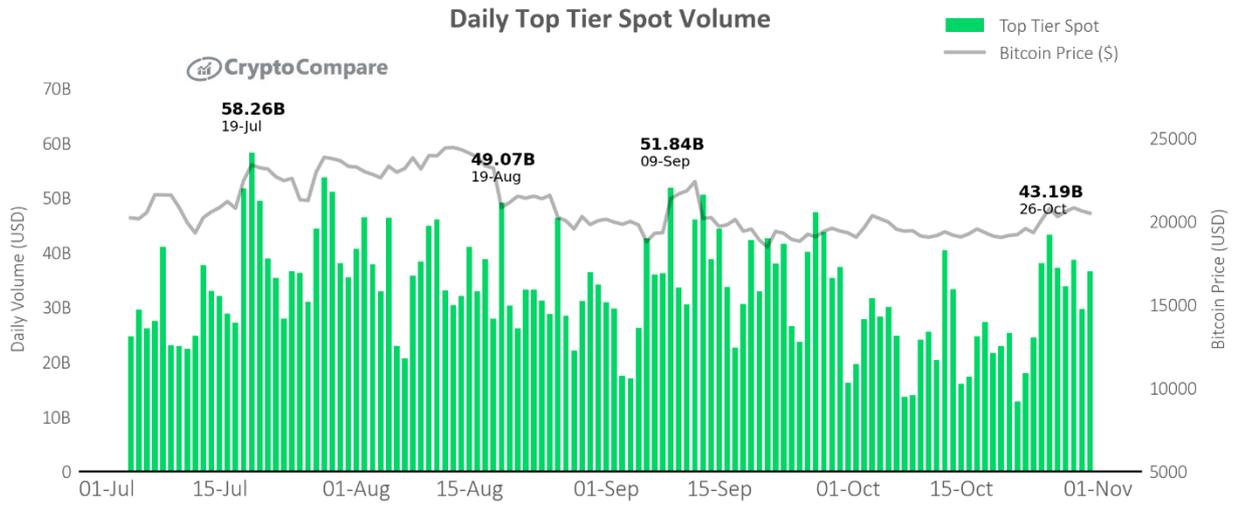
Top-Tier exchanges now represent 88.0% of total spot volume based on CryptoCompare’s new Exchange Benchmark Ranking.



Trading activity across spot markets fell substantially in October, with the price action of crypto assets remaining largely rangebound for most of the period. This also coincided with Bitcoin recording the lowest 30-day volatility since July 2020 of 26.6% on October 22<sup>nd</sup>.

A daily volume maximum of \$47.6bn was traded on the 26<sup>th</sup> of October, down 19.5% from the intra-month high in September.

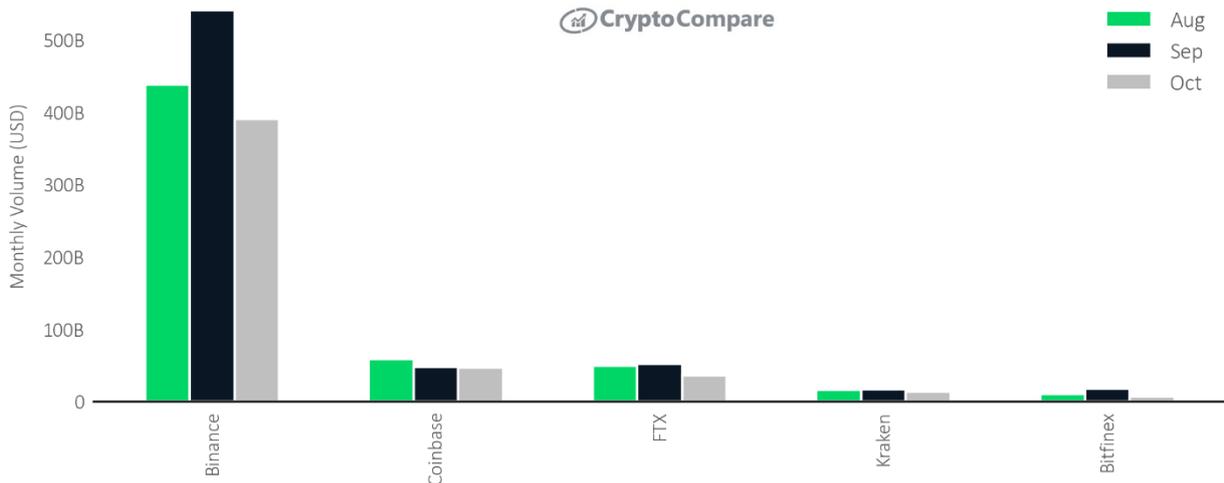
Top-Tier exchanges traded a daily volume maximum of \$43.2bn on the 26<sup>th</sup> of October, down 16.7% from September. Top-Tier exchanges are selected based on our rigorous [Exchange Benchmark Methodology](#).



## Macro Analysis and Market Segmentation

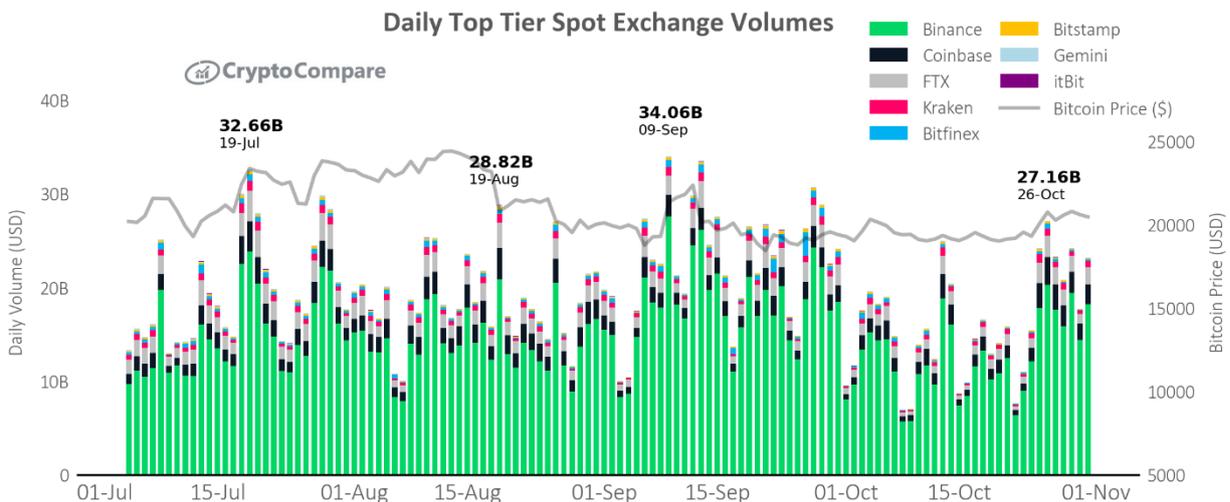
In October, spot volume from the 9 graded AA-A exchanges decreased by 26.9% compared to September, with total spot volumes of \$500bn.

Historical Monthly Top-Tier Spot Volume - 3 Months



Considering individual exchanges, Binance (Grade A) was the largest Top-Tier spot exchange by volume in October, trading \$390bn (down 27.8%). This was followed by Coinbase (Grade A) trading \$46.9bn (down 2.36%) and FTX trading \$36.5bn (down 29.6%).

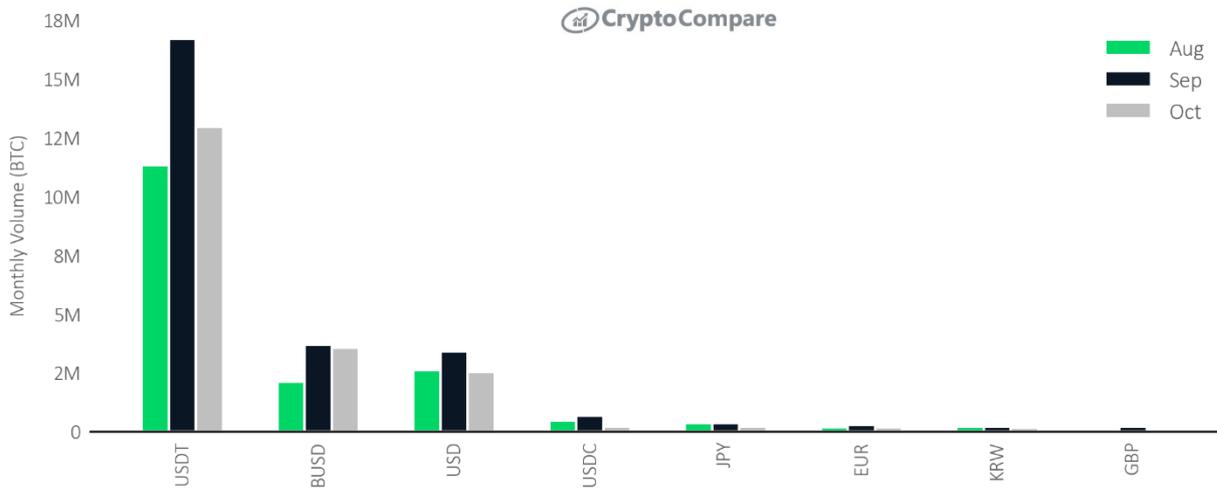
Kraken (Grade A) and Bitfinex (Grade A) followed, trading \$13.6bn (down 19.2%) and \$6.79bn (down 61.0%), respectively.



Binance, Coinbase, and FTX were the top players in terms of spot volume in October relative to other AA-A graded exchanges. Among the top tier exchanges, they represented approximately 57.9% of total volume (vs 59.8% in September). Binance remains the market leader, with 47.8% of the market share.

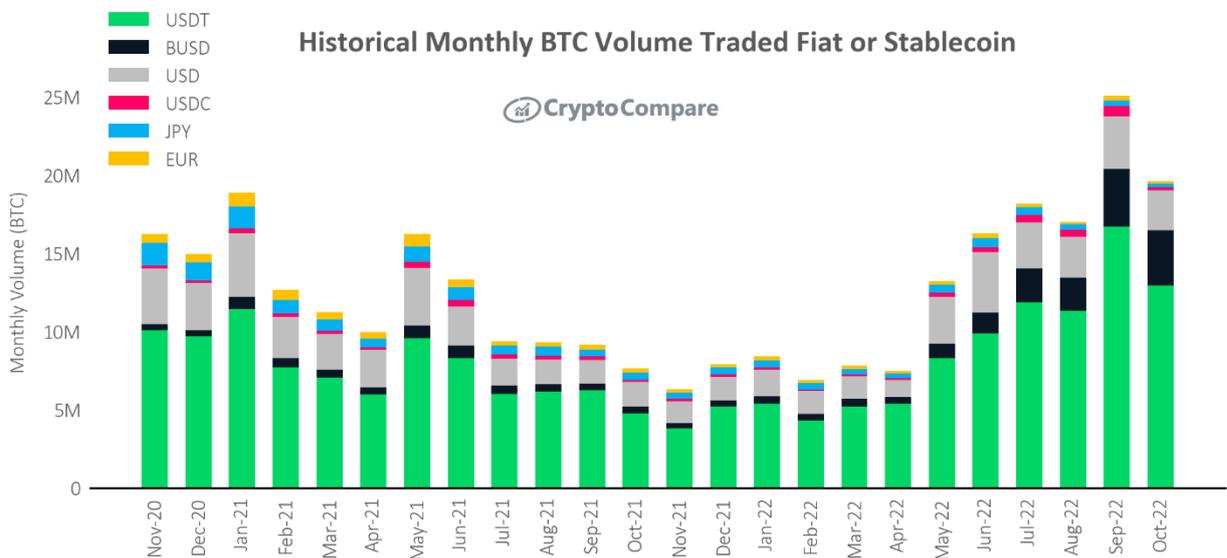
## Bitcoin to Fiat Volumes

Historical Monthly Fiat Stablecoin Volume- 3 Months



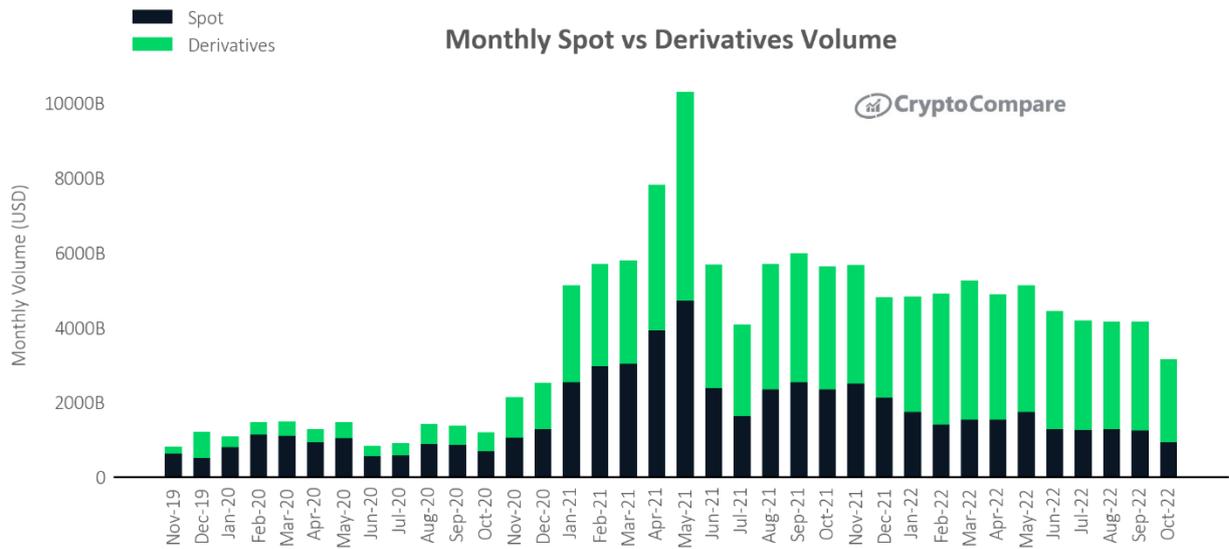
BTC spot trading with USDT decreased 22.5% in October, to 12.9mn BTC, reflecting the general trend of decline in trading activity this month. BTC spot trading into BinanceUSD (BUSD) and USD followed, falling 3.48% and 25.3% to 3.55mn BTC and 2.53mn BTC, respectively.

USDC remained the next favoured stablecoin, falling 68.3% to 213k BTC, while BTC spot trading into USDK fell 29.8% to 23.7k BTC.



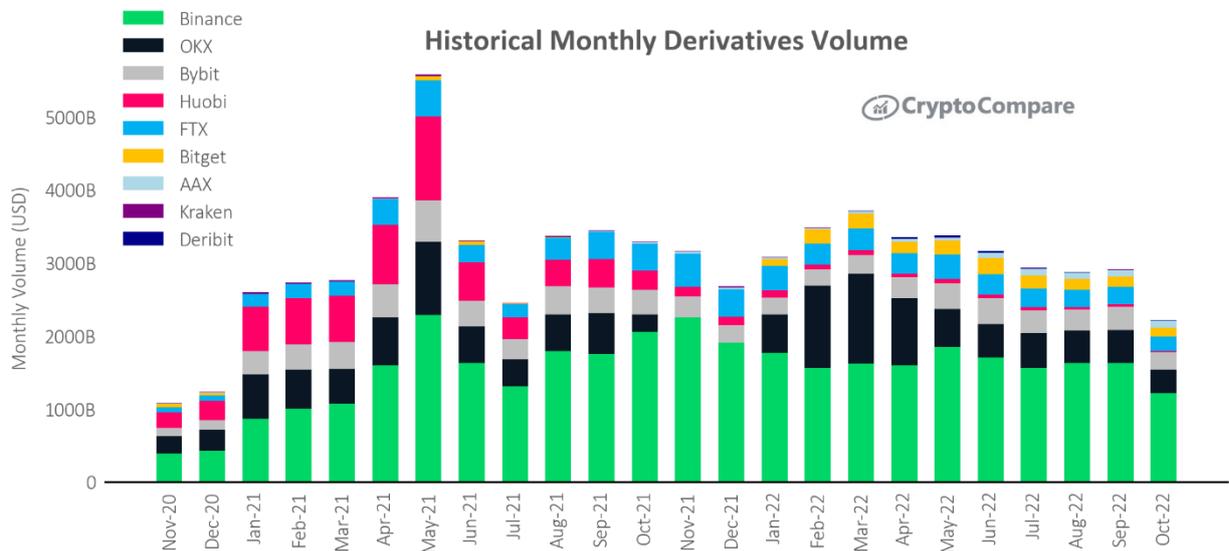
In October, BTC/USDT trading continues to represent the majority of BTC traded into fiat or stablecoin spot markets. Its dominance has decreased to 64.7% from 65.1% in September.

## Derivatives



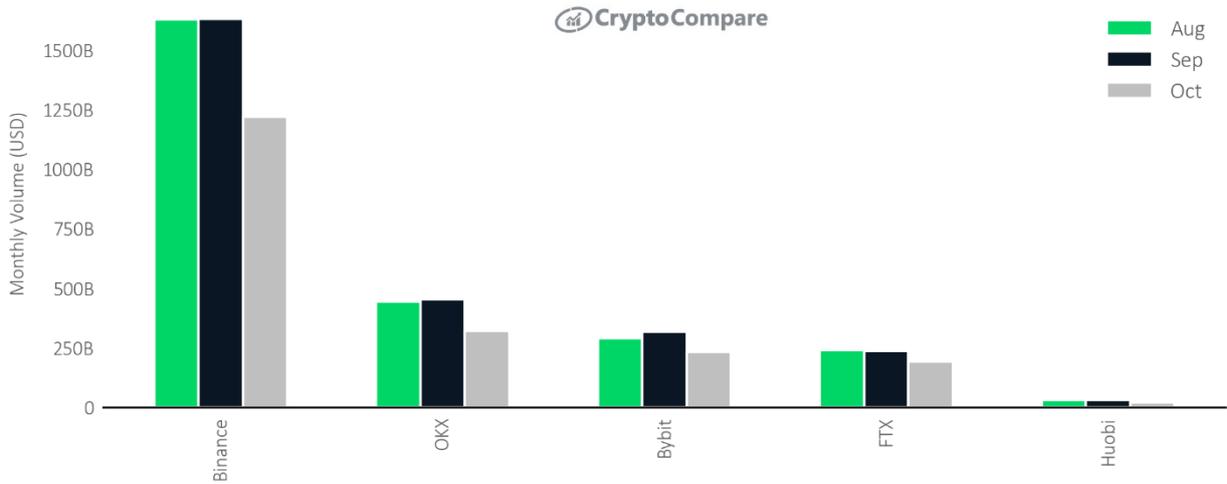
Derivatives volumes decreased by 23.9% in October to \$2.22tn. The derivatives market now represents 70.5% of the entire crypto market (vs 63.9% in August).

The largest liquidation event since June 2021 was also recorded in October, with crypto derivatives markets liquidating \$1.21bn between October 25 and 26 as crypto assets broke past key resistance levels.

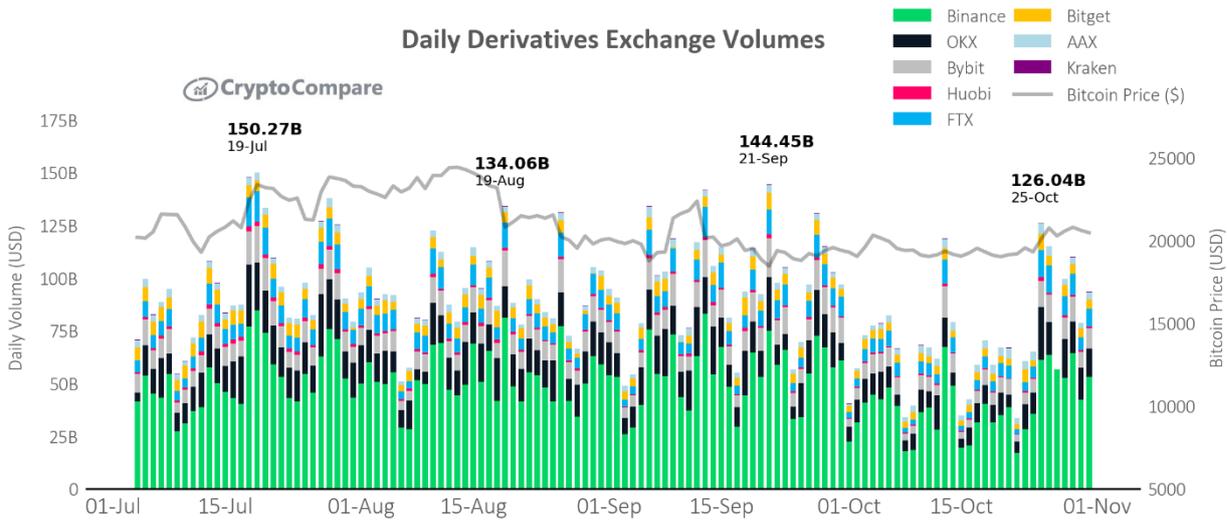


Among the top 9 derivatives exchanges, Binance leads the market share with 55.0% (\$1.22tn) of total volumes in October. This was followed by OKX (14.4% market share, \$319bn) and Bybit (10.5% market share, \$234bn).

### Historical Monthly Derivatives Volumes - 3 Months



Binance was the largest derivatives exchange in October by monthly volume, trading \$1.22tn (down 25.1% since September), followed by OKX (\$319bn, down 29.6%), Bybit (\$234bn, down 26.5%) and FTX (\$192bn, down 19.4%).



Derivatives exchanges traded a daily maximum of \$126bn on the 25<sup>th</sup> of October, down 12.7% from September's intra-month high of \$144bn.

## State of CEXs After FTX's Insolvency

It's been an unprecedented couple of weeks in the crypto industry, with investors still reeling from the aftermath of FTX's insolvency. FTX customers remain in murky waters as uncertainty surrounding their deposits – worth \$8.8bn - continues following Binance's failed acquisition of the exchange. The bankruptcy filing of FTX and FTX.US means a long, painful wait lies ahead for the unfortunate customers if past examples of Mt Gox, and Cryptopia Exchange are to be considered as references. Read more about how the events that led to the downfall of FTX unfolded last week [here](#).

In this section, we will look at the general trend of trading activity on centralised exchanges following FTX's bankruptcy and the impact of the event on other centralised exchanges.

### Bitcoin Outflows from CEXs Hit Record High

Netflows (BTC) Weekly Bitcoin Netflows on Centralised Exchanges, 2022



Weekly Bitcoin net flows from centralised exchanges recorded their largest ever outflow, with 97,805 BTC moving off exchanges in the 7-day period ending on November 13. The extent of the outflow of Bitcoin from exchanges exemplifies the damage done to investor's trust in centralised exchanges as more users look to custody their assets on-chain or via hardware wallets.

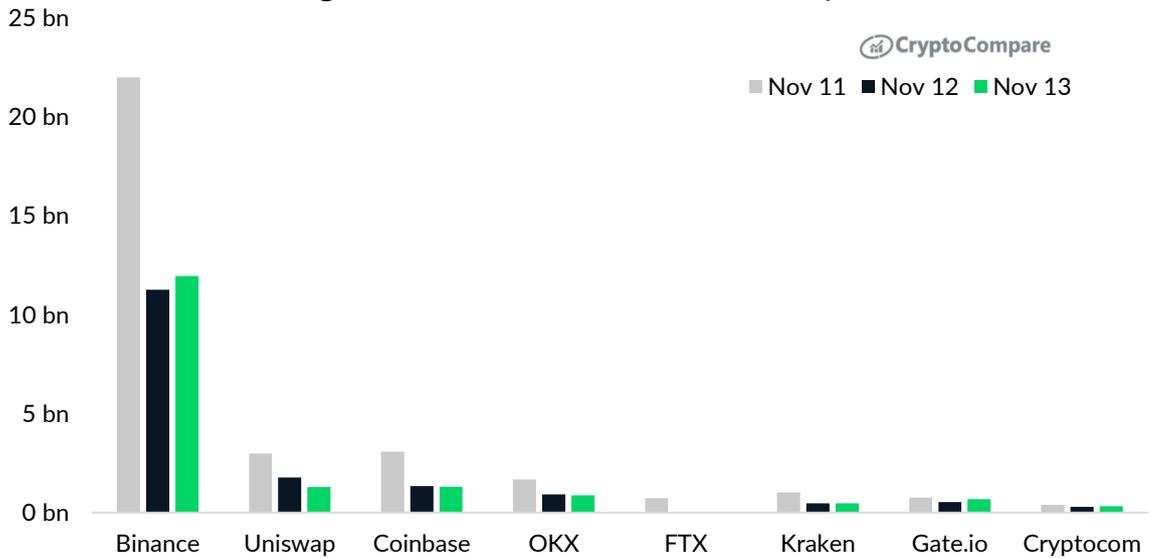
We will likely see a continuation of this trend in the following week as the 'not your keys, not your coins' narrative takes over the crypto markets. The Crypto hardware wallet, Ledger, recorded its biggest sales day on November 13, further supporting to the above conclusion.

### Trading Volume Drops Following FTX's Bankruptcy

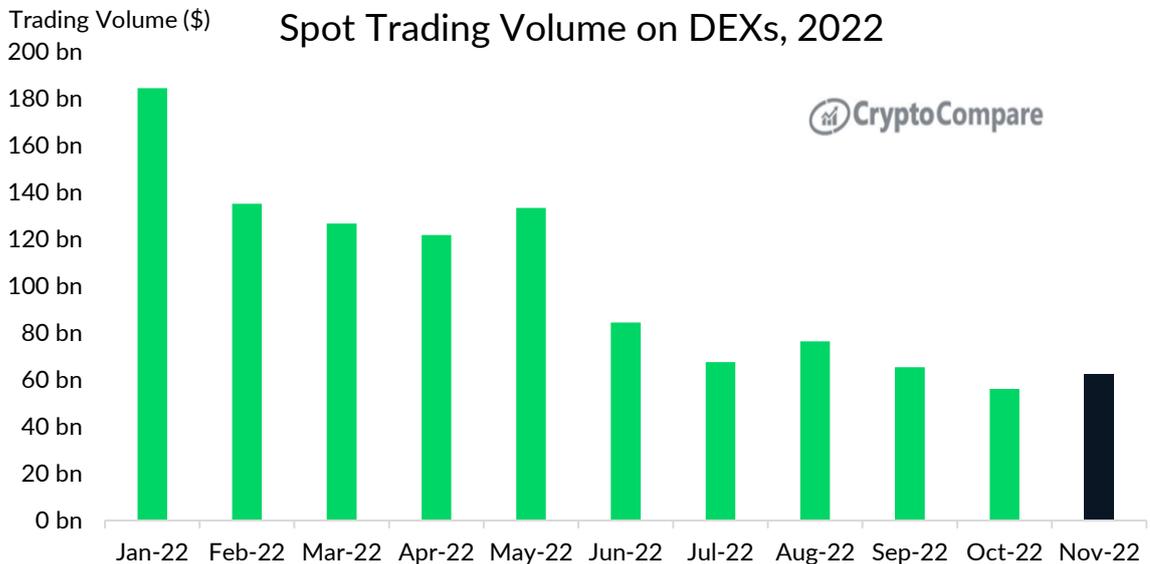
On the days following FTX's bankruptcy, the spot trading volume on centralised exchanges dropped significantly over the weekend. As mentioned earlier in the report, the trading volumes on CEXs were at record lows in October. The loss of trust in exchanges, combined with the grim price action of the crypto markets following the FTX's fall from grace, implies that we will likely see similar trading activity in the coming months.

Crypto.com and Gate.io saw an increase in trading volume after concerns regarding the exchange's solvency arose on Sunday. However, both the exchanges disregarded any allegations of liquidity crunch and revealed their Proof of Reserves to add credibility to their claims.

Trading Volume (\$) Trading Volume on CEXs and Uniswap, Nov 11 - 13



It remains to be seen if decentralised exchanges can gain market share at the expense of centralised exchanges amid the recent controversies. Trading volume on decentralised exchanges is also at record lows, falling 14.2% to \$56.1bn in October, the lowest monthly trading volume since January 2021. However, 14 days into November, DEX trading volume has already surpassed the total of October, with Uniswap trading more in volume than all CEXs bar Binance during the weekend (11<sup>th</sup>, 12<sup>th</sup> and 13<sup>th</sup> Nov).



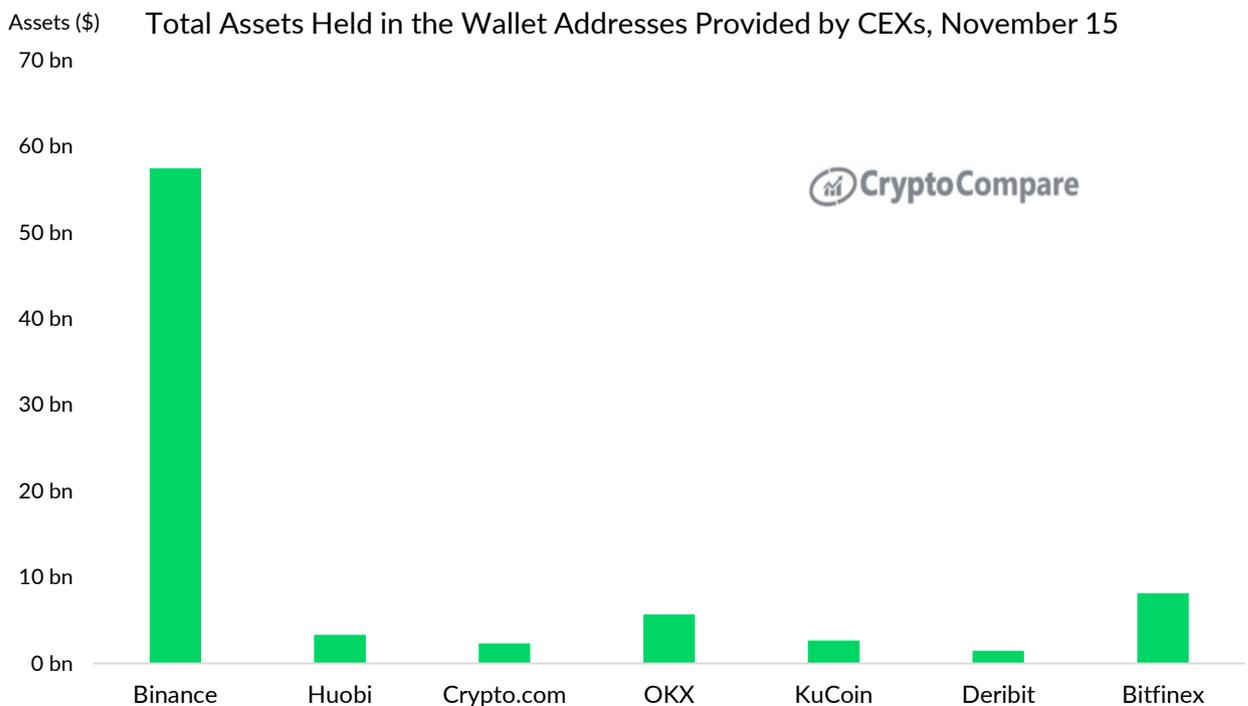
Source: DeFiLlama

### More Exchanges Release Proof of Reserves and Transparency Regarding Wallet Addresses

A Proof of Reserves (PoR) audit is a public attestation that an exchange holds a minimum amount of funds on its on-chain wallets that is equivalent to, or greater than, the total amount of user balances, which should be considered a financial liability for an exchange. Through PoR attestations, exchanges can show that they are able to redeem user funds at any moment, thus illustrating that funds are secure.

Proof of Reserves was incorporated as a security metric in our latest Exchange Rankings; however, based on our data, only 6 out of 133 exchanges had then carried out a PoR, with Kraken, Gate.io, and Luno, the only one providing a live audit link that allows user to verify if their assets are backed 1:1 on the exchange.

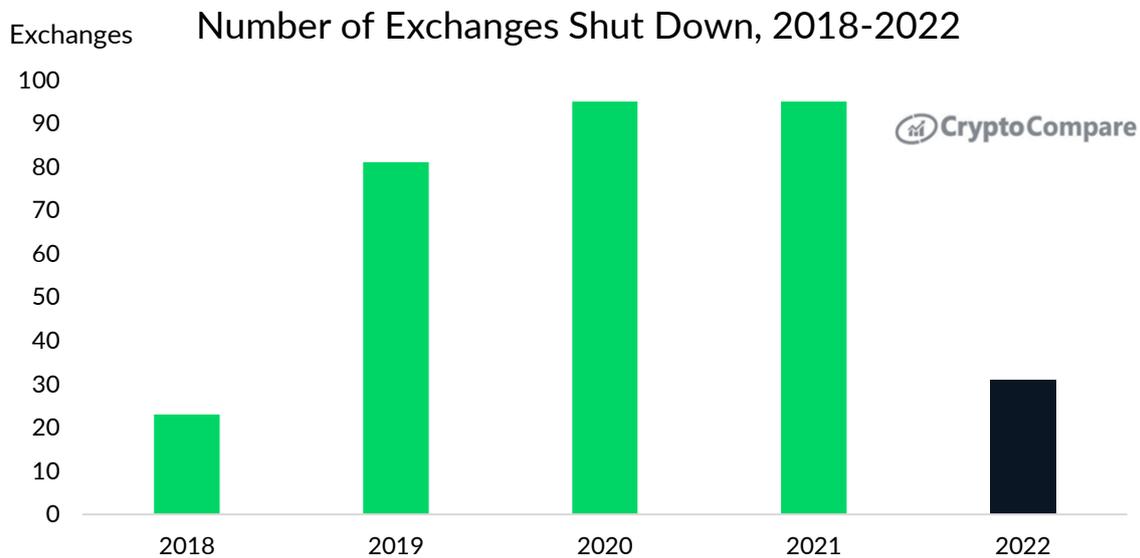
Following the collapse of FTX earlier this month, more exchanges have come forward to provide more transparency on the cold and hot wallet addresses, in a bid to regain users' trust in centralised exchanges. Exchanges that have announced their plans to establish a Proof of Reserves program include Binance, Huobi, Crypto.com, Bybit, Kucoin and more.



Though the Proof of Reserves program has limitations concerning the transparency of an exchange's liabilities, it is a huge step forward in building back trust and credibility in centralised exchanges. With more exchanges jumping aboard, we hope PoR audit becomes a standard practice in the industry after the recent events around FTX.

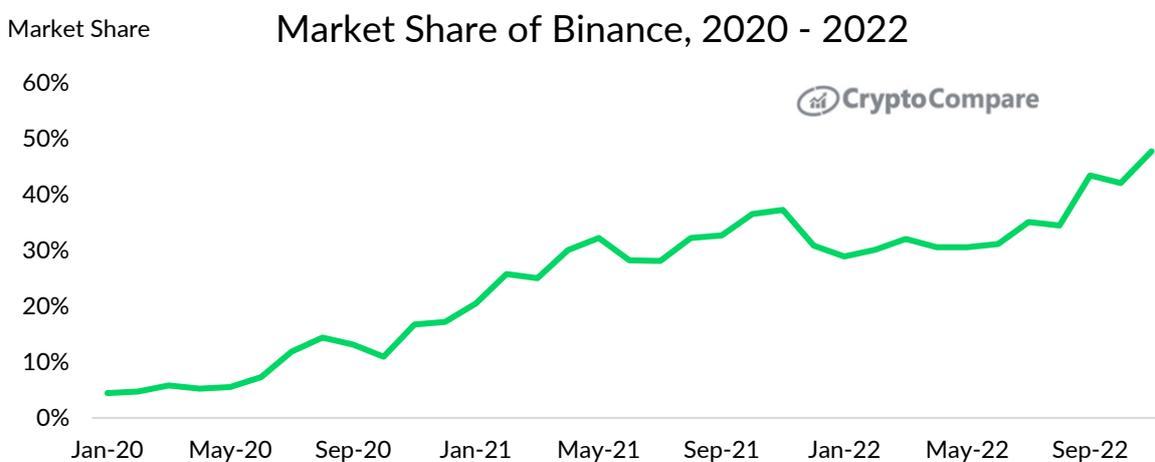
### CEXs Industry Consolidation to Continue

The digital asset space is a highly competitive, cutthroat industry. We have seen many small exchanges go out of business, or be acquired by larger sharks during previous market downturns. Crypto investors, who are already reeling from the grim price action of assets this year, are now shaken by the recent events that saw the collapse of the third largest exchange at the time.



Source: CryptoWisser

One of the allegations against FTX was the misuse of customer deposits which led to the liquidity crunch after rumours of the exchange’s insolvency surfaced. Inevitably, concerns have risen over the safety of other exchanges that are less reputable than an exchange of FTX’s previous stature. This loss of trust will eventually translate into a decline in revenue for many exchanges. Moreover, any CEXs that employ a fractional reserve system will likely face a stern test as investors rush to take their assets off the exchanges. All these point towards a period of uncertainty for CEXs that could lead to several exchanges closing operations.



Historically, the market tends to favour large exchanges as they are considered reputable, have differentiated products, and often pay cheaper fees. Considering how vocal Binance CEO, Changpeng Zhao (CZ), has been over the past couple of weeks, the exchange seems to be one of the few that have solidified the user’s trust and is likely to continue to gain market share over its competitors in the coming months.

## Access More of Our Research and Insights

As the digital asset markets continue to grow, so does the need for high-quality research that brings greater clarity and transparency to this rapidly evolving industry. CryptoCompare's suite of research reports provides market participants with trusted, high-quality data and analysis.

### Recurring Reports:

| Report                                 | Description   |
|--|---|
| <b>Exchange Review</b>                 | Captures key developments within the cryptocurrency exchange market – providing readers with an in-depth analysis of exchange volumes, trading activity, and derivatives open interest.   |
| <b>Digital Asset Management Review</b> | Tracks and provides analysis of the most innovative institutional products in the industry, assessing volumes, assets under management (AUM), and product flow trends.  |
| <b>Exchange Benchmark</b>              | Brings clarity to the crypto asset exchange sector. Two years on, it has become the industry standard for assessing and evaluating cryptocurrency exchanges, with the methodology and rankings now being utilised to help create financial products and indices.                |
| <b>Asset Report</b>                    | Provides professionals in the financial services space, particularly the investment management industry, with a summarised analysis of the latest movements in five of the largest cryptocurrencies.  |
| <b>Market Outlooks</b>                 | A quarterly report that identifies the most important developments of the last quarter, which may thereafter set the tone for key trends to look out for in the following months. This includes references to the macroeconomic environment, DeFi, NFTs, stablecoins, and more. |

### Topic Deep Dives:

| Report                       | Description   |
|------------------------------|---|
| <b>Liquidity Report</b>      | Created in collaboration with Bitstamp – a first-of-its-kind report – it examines the intricacies of digital asset liquidity and compares it across top-tier exchanges to find the true liquidity of digital asset exchanges. |
| <b>UST's Fall From Grace</b> | Summarises the depegging of UST and the subsequent debacle of LUNA and the Terra ecosystem, including analysis of the ripple effects of the event and where it situates the digital asset industry.                           |