CryptoCompare

EXCHANGE REVIEW

JANUARY 2023

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.

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

In January, crypto markets reversed their downward trend with Bitcoin and Ethereum rising 39.9% and 32.7% to $23,130 and $1,585, respectively. Market participants have begun to take on more risk as the macroeconomic environment improves with lower inflation and a slowdown of interest rate hikes. The move upwards came with a significant increase in trading volumes, albeit activity remains heavily suppressed compared to all-time highs.

Spot and Derivatives Volumes See the Largest Percentage Increase Since January 2021

January saw a significant increase in trading activity, with spot volumes rising 57.9% to $860bn, while derivative volumes increased 76.1% to $2.04tn. This is the largest percentage increase since January 2021 – when spot and derivative volumes rose 97.9% and 114%, respectively.

While market participants welcome the increase in volumes and positive price movements, trading activity remains significantly below the all-time highs of $4.71tn and $5.67tn recorded by spots and derivatives exchanges in May 2021, respectively.

CME Option Contracts Reach a 2-Year High in Trading Volume

CME's Bitcoin options trading saw a staggering 278% increase in USD-volumes, reaching $851mn. This is the highest level recorded since we began to collate this data in February 2021. Ether options saw a similar rise of 228% to $65.6mn.

It is important to note that options volumes remain significantly below futures trading activity – CME recorded $20.8bn and $8.09bn in trading volumes for its flagship BTC and ETH futures products, respectively. Its BTC and ETH Micro futures also significantly increased to $299mn and $31.6mn, respectively.

Derivatives Markets Cross 70% Market Share Over Spot

Derivative market volumes grew at a faster pace than spot markets in January, suggesting that price increases were driven by derivative market speculation rather than spot market accumulation. As a result, the market share of derivative trading volumes rose to 70.3%, its highest market share since October 2022. Over the last year, the monthly market share of derivative trading has moved between 66.1% and 71.4%.

January Exchange News

COMPANY	STORY	DATE
Coinbase	Coinbase and NYDFS reach agreement to resolve compliance investigation	January 4
Binance	22nd BNB Burn	January 17
Binance	Binance Charity to Fund 30,665 Scholarships to Study Web3 in 2023	January 19
Gemini	Gemini Launches a Fully Electronic Over-the-Counter Trading (eOTC) Solution	January 19
Coinbase	How Coinbase identifies bad actors and keeps the ecosystem safe	January 24
Kraken	DAI, USDC and USDT deposits and withdrawals available on the Polygon Network!	January 25
Gemini	Limit Orders Now Available on the Gemini Mobile App	January 26
Binance	Binance and Mastercard Launch Prepaid Crypto Card in Brazil	January 30
Bitstamp	Bitstamp EUR IOU Services on XRP Ledger	January 30
Coinbase	Making web3 exploration more secure with Coinbase Wallet	January 30

Definitions

Metric	Definition
Top Tier Exchanges	Exchanges that have scored Grade B and above in CryptoCompare's biannual Exchange Benchmark.
Lower Tier Exchanges	Exchanges that have scored Grade C and below in CryptoCompare's biannual Exchange Benchmark.
Spot Volumes	Trading volumes on crypto assets with immediate delivery.
Derivatives Volumes	Trading volumes on crypto assts via derivative contracts (futures and options).
Futures Contracts	Derivative contracts where two parties agree to exchange the underlying asset at a specified (Calendars) or unspecified (Perpetuals) date in the future.
Options Contracts	Derivative contracts that give the holder the right, but not the obligation, to buy or sell an asset by a certain date at a specified price.
Open Interest	US-dollar value of outstanding derivative contracts that have not been settled for an asset.

Exchange Benchmark Analysis

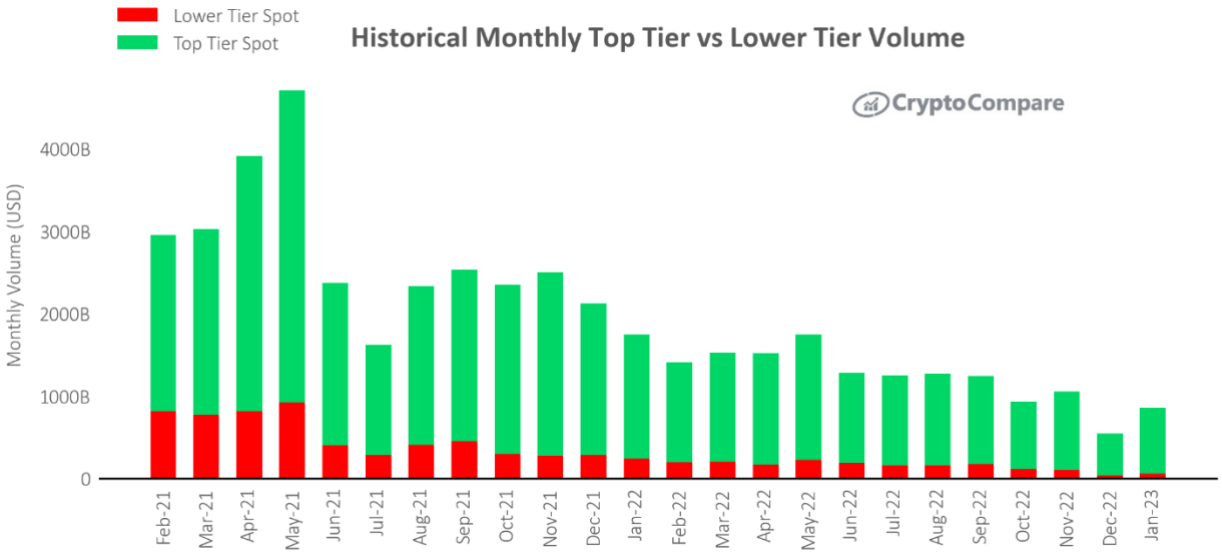
CryptoCompare's biannual Exchange Benchmark aims to serve investors, regulators and industry participants by scoring and ranking exchanges based on their operational transparency, security, operational quality, regulatory standing, data provision, management team, and ability to monitor trades and illicit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

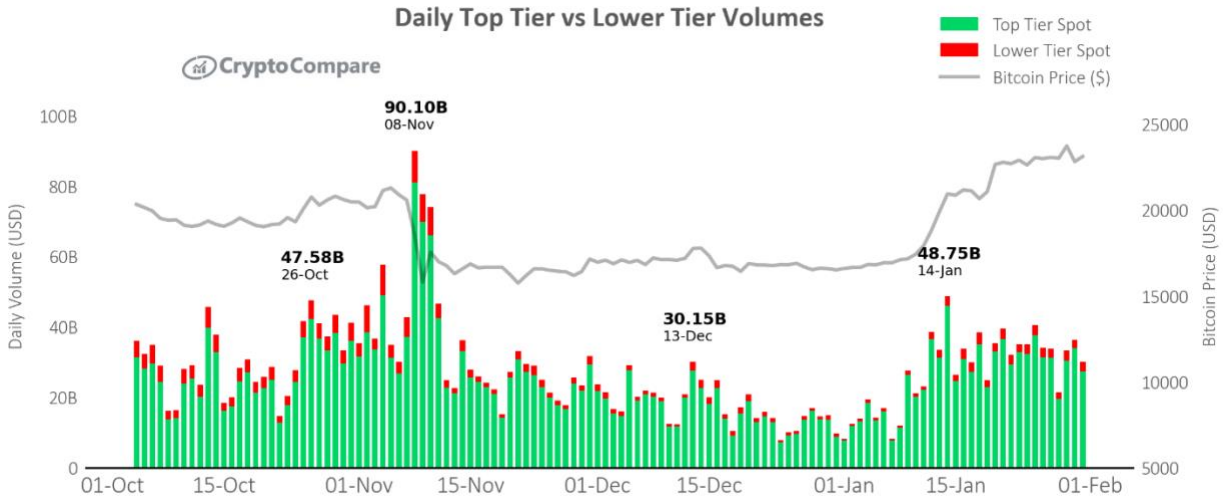
This report assesses exchange activity via the above segmentation, particularly for spot markets. Apart from this, we study the market segmentation between different exchanges and assets, derivatives, and dive deeper into CME data, one of the largest derivatives exchanges across multiple asset classes.

Top Tier vs Lower Tier Exchange Volumes



In January, total spot trading volumes increased 57.9% to $860bn, the highest percentage increase since January 2021. Top-Tier spot volumes increased 58.6% to $800bn, and Lower-Tier spot volumes increased 49.0% to $59.9bn. While the increase is welcomed, trading volumes remain at historically low levels.

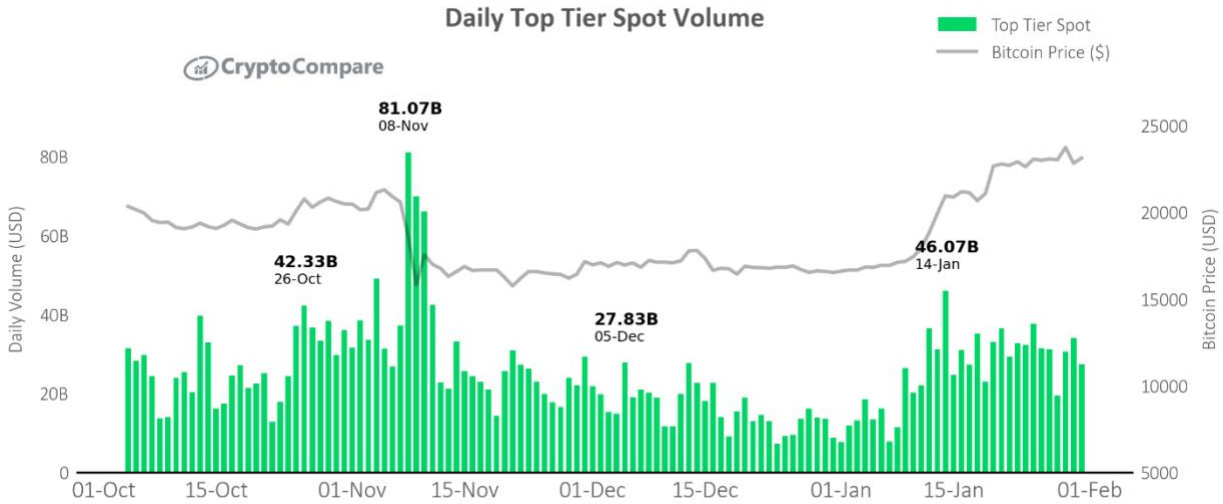
Top-Tier exchanges now represent 93.0% of total spot volume based on CryptoCompare's October 2022 Exchange Benchmark Ranking. This is the highest market share Top-Tier exchanges recorded in its history.



Trading activity across spot markets increased in January, reflecting a shift to risk-on sentiment. Asset prices remain suppressed relative to all-time highs, and the macroeconomic environment appears to be improving.

A daily volume maximum of $48.8bn was traded on the 14th of January, up 61.7% from the intra-month high in December.

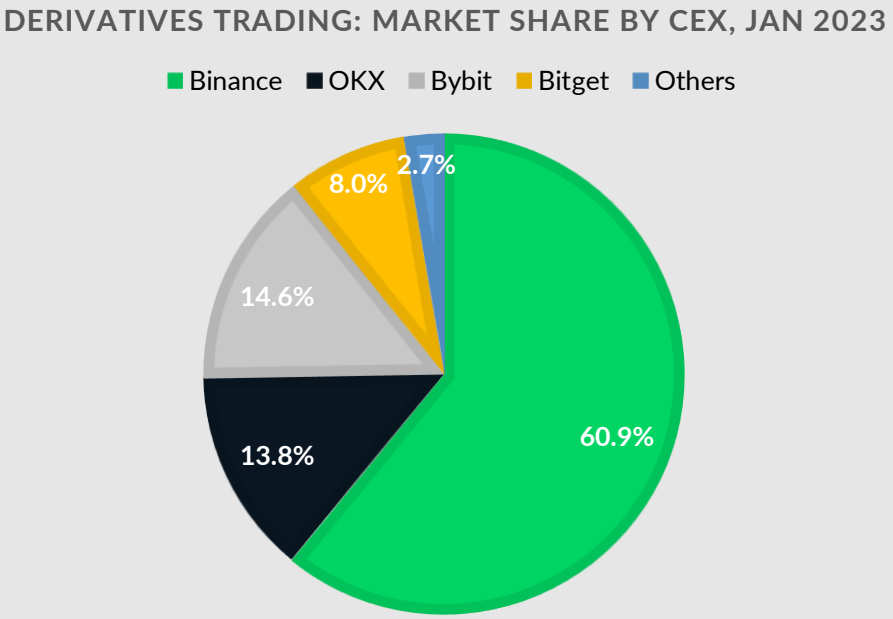
Top-Tier exchanges traded a daily volume maximum of $46.1bn on the 14th of January, up 66.5% from December. Top-Tier exchanges are selected based on our rigorous [Exchange Benchmark Methodology.]



Bybit Sees Significant Increase in Derivatives Market Share

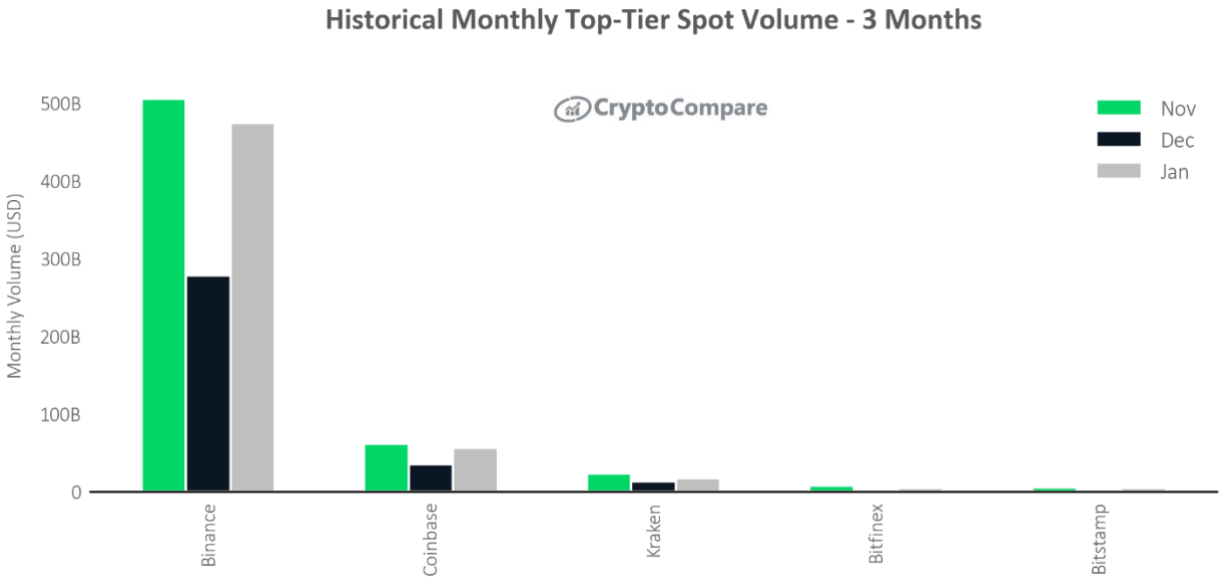
Multiple exchanges saw significant USD-denominated growth in trading volume in January, as overall volumes across both spot and derivative markets increased 70.3% to $2.90tn in the first month of January.

Bybit particularly stood out this month as the only integrated derivative exchange with triple digit month-on-month growth – rising 115% to $301bn in trading volume. It has now recorded its highest ever market share in derivative markets, sitting at 14.6%, now the second largest derivative exchange only behind Binance. The chart below illustrates the derivative market share amongst the eight integrated exchanges:



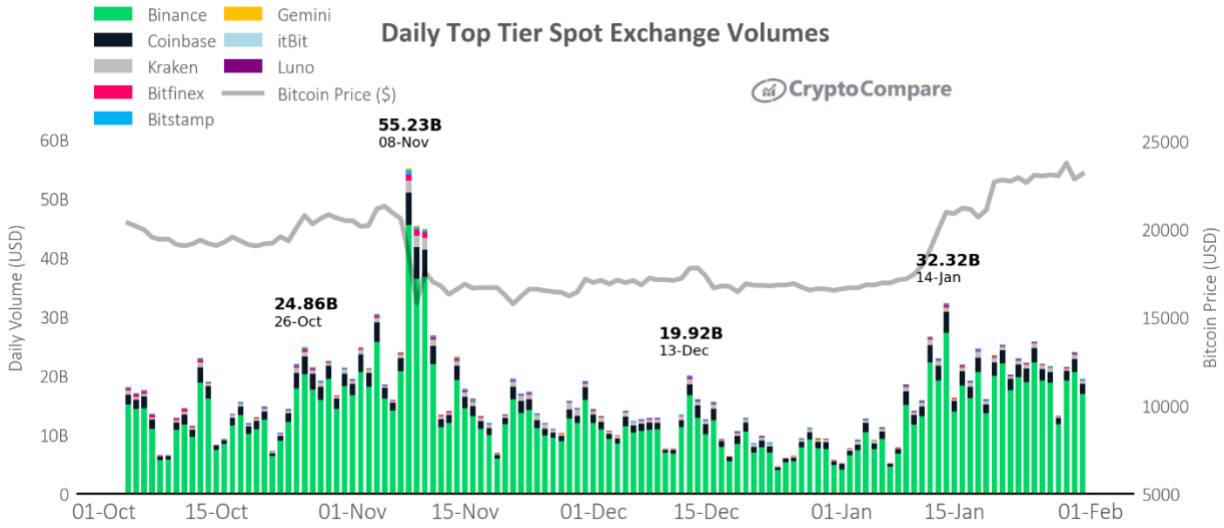
Macro Analysis and Market Segmentation

In January, spot volume from the 8 graded AA-A exchanges increased by 67.0% compared to December, with total spot volumes of $559bn.



Considering individual exchanges, Binance (Grade A) was the largest Top-Tier spot exchange by volume in January, trading $475bn (up 70.7%). This was followed by Coinbase (Grade A) trading $56.2bn (up 60.5%) and Kraken (Grade A) trading $17.3bn (up 25.3%).

Bitfinex (Grade AA) and Bitstamp (Grade A) followed, trading $4.81bn (up 51.5%) and $4.68bn (up 32.8%) in monthly volumes, respectively.



Binance, Coinbase, and Kraken were the top exchanges in terms of spot volume in January relative to other AA-A graded exchanges. Among the Top-Tier exchanges, they represented approximately 69.9% of total volume (vs 66.4% in December). Binance remains the market leader, with 59.4% of Top-Tier market share.

Gemini Faces Headwinds Following Genesis Trading's Bankruptcy Filing

In December, we provided insight into the conflict between the cryptocurrency exchange founded by Cameron and Tyler Winklevoss, Gemini, and Genesis Trading, the cryptocurrency lender. There have been some key developments since then, most importantly Genesis Trading's file for bankruptcy on the 20th of January.

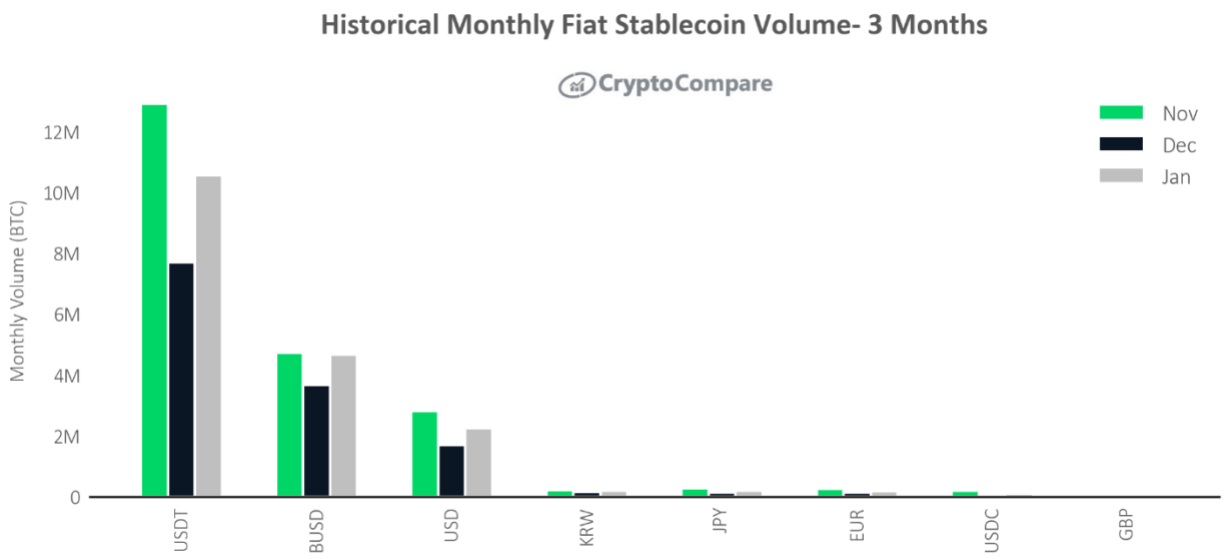
Genesis Trading estimates that it owes billions to over 100,000 creditors. Some of the largest creditors have been included below, among which are creditors whose names have been redacted from the bankruptcy filing:

Creditor	Company Sector	Liability
Gemini	Centralised Exchange	$766mn
Unknown Creditor 1	-	$462mn
Unknown Creditor 2	-	$230mn
Mirana	Early-Stage Investment Fund	$152mn
VanEck	Investment Manager	$53mn

The bankruptcy filing was welcomed by Cameron Winklevoss, who stated the bankruptcy proceedings would allow judicial oversight and bring transparency to the inside operations that led to the bankruptcy in the first place. Importantly, Winklevoss suggested they would still take legal action against DCG, the parent company of Genesis Trading, and Barry Silbert, the founder and CEO of DCG.

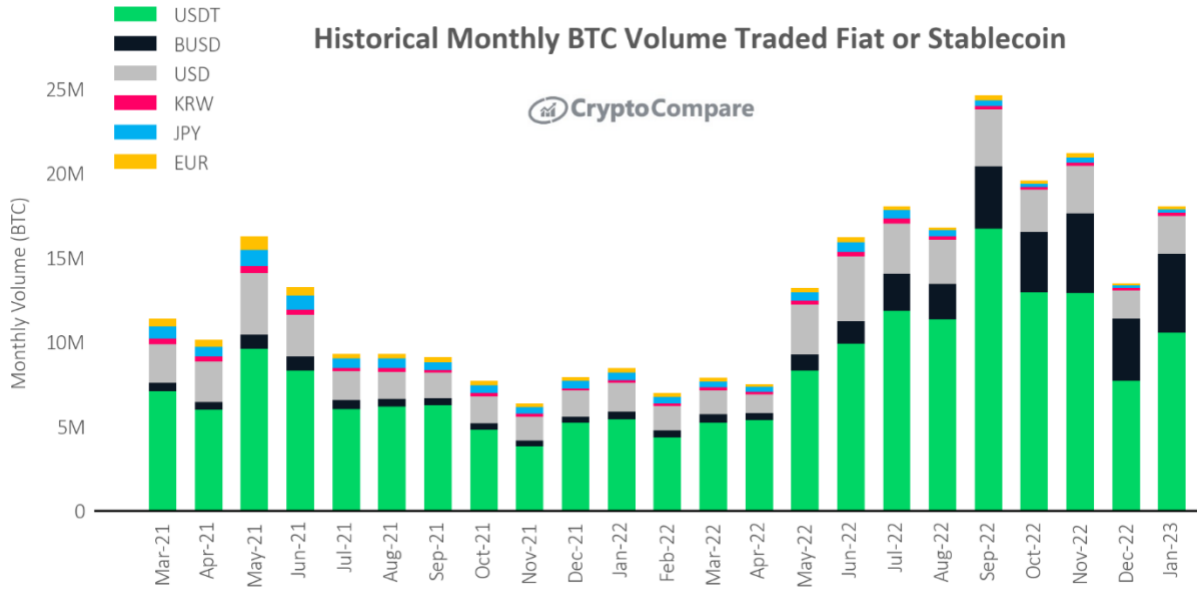
Gemini as a firm appears to be facing key tailwinds from the above and the general downward trend in the market – it cut 10% of its workforce on January 23rd, and it's the second round of layoffs in the last year. **Its monthly spot volumes also grew at the slowest pace out of any A or AA-rated exchanges –** up 16.7% to $795mn in January, compared to an average growth of 50.7% amongst the remaining A/AA exchanges.

Bitcoin to Fiat Volumes



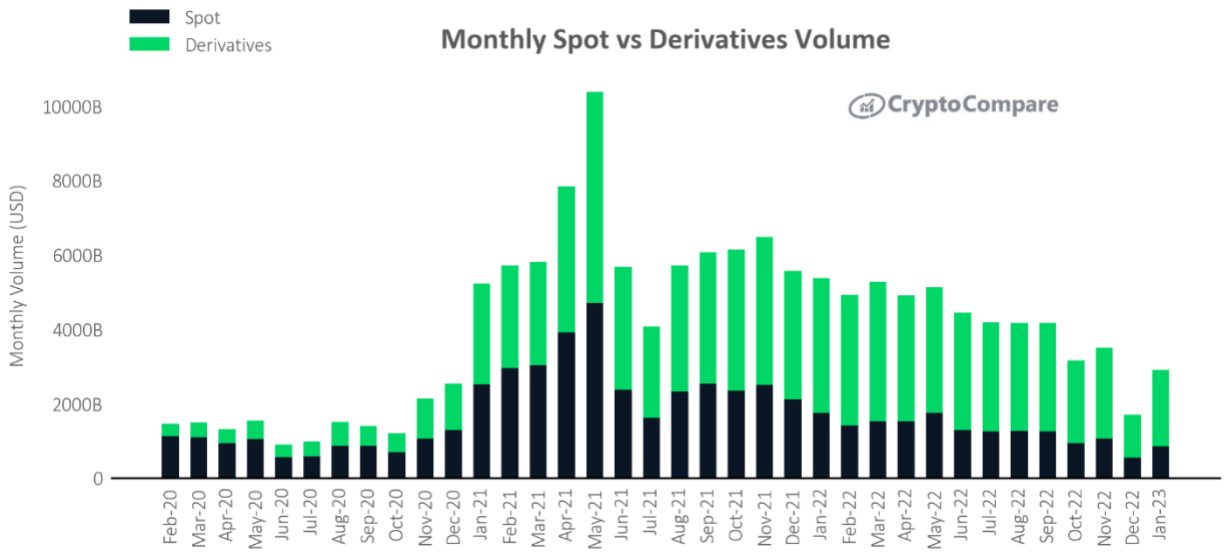
Along with all other trading activity, BTC spot trading with USDT rebounded last month, increasing 37.0% in January to 10.5mn BTC. BTC-BUSD and BTC-USD followed, rising 27.4% and 33.5% to 4.67mn BTC and 2.26mn BTC, respectively. The rise in BUSD trading volume relative to other fiat currencies or stablecoins reflects the increase in trading volume on Binance following the collapse of FTX.

USDC remained the next favoured stablecoin, increasing 29.3% to 101k BTC.

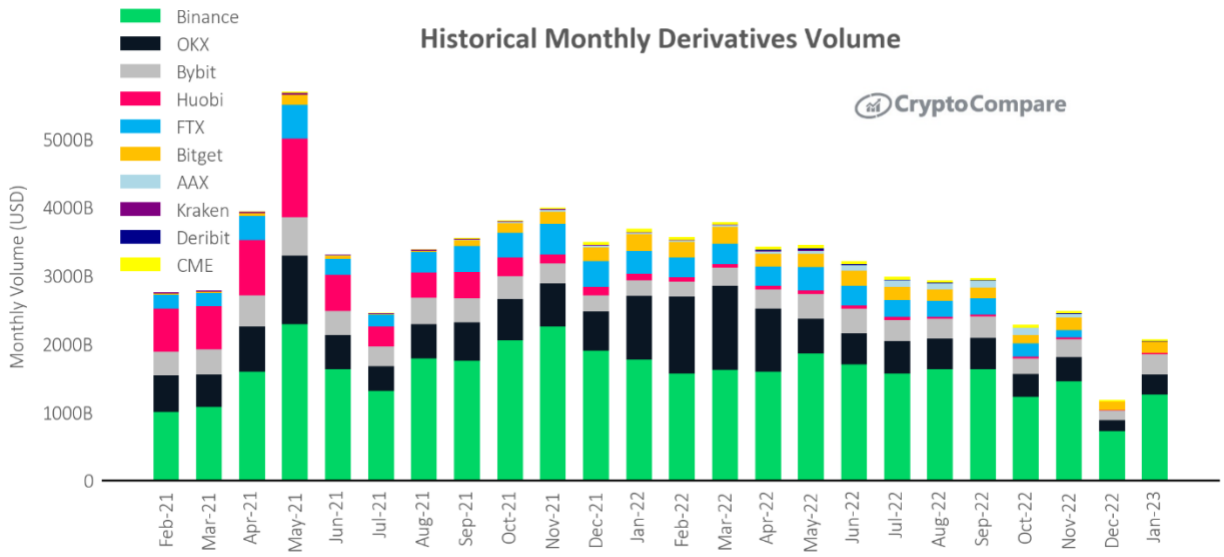


In January, BTC/USDT trading continues to represent the majority of BTC traded into fiat or stablecoin spot markets. Its dominance also rebounded in January, increasing from 55.8% in December to 57.4%.

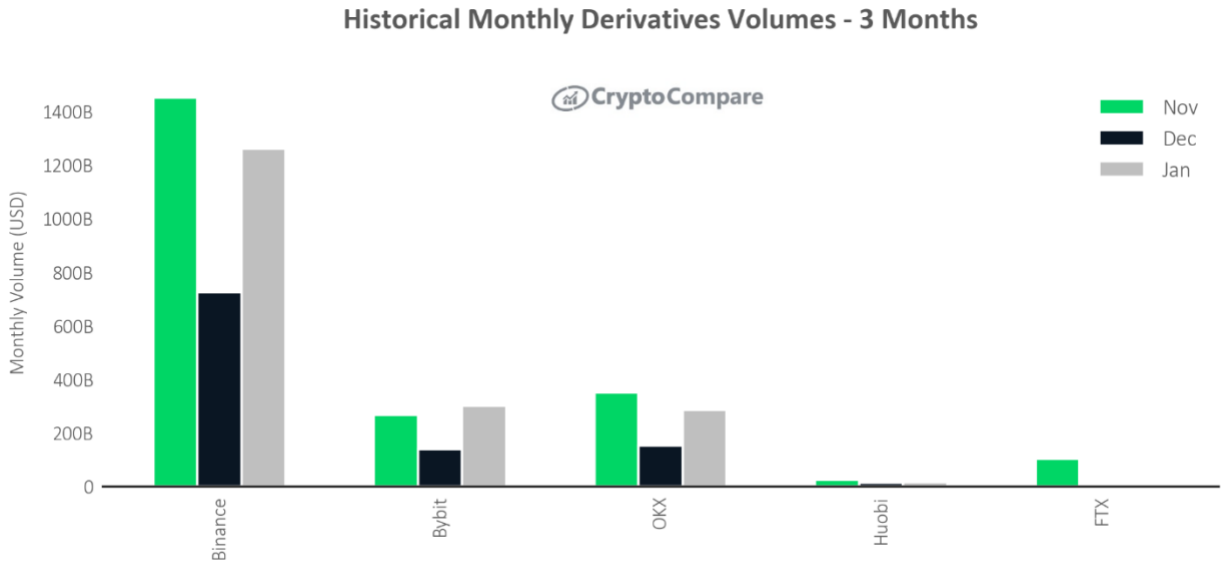
Derivatives



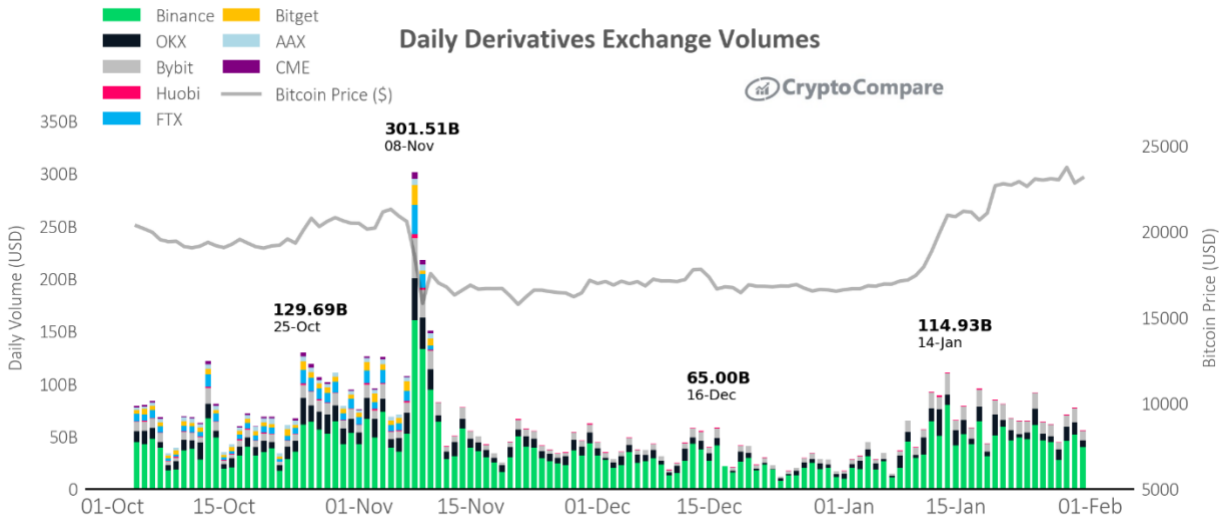
Derivatives volumes increased by 76.1% in January to $2.04tn. The derivatives market now represents 70.3% of the entire crypto market (vs 68.0% in December).



Among the top 8 derivatives exchanges (FTX and AAX reported no volumes since December), Binance leads with a market share of 60.9% ($1.26tn) of total volumes in January. This was followed by Bybit (14.6% market share, $301bn) and OKX (13.8% market share, $286bn).

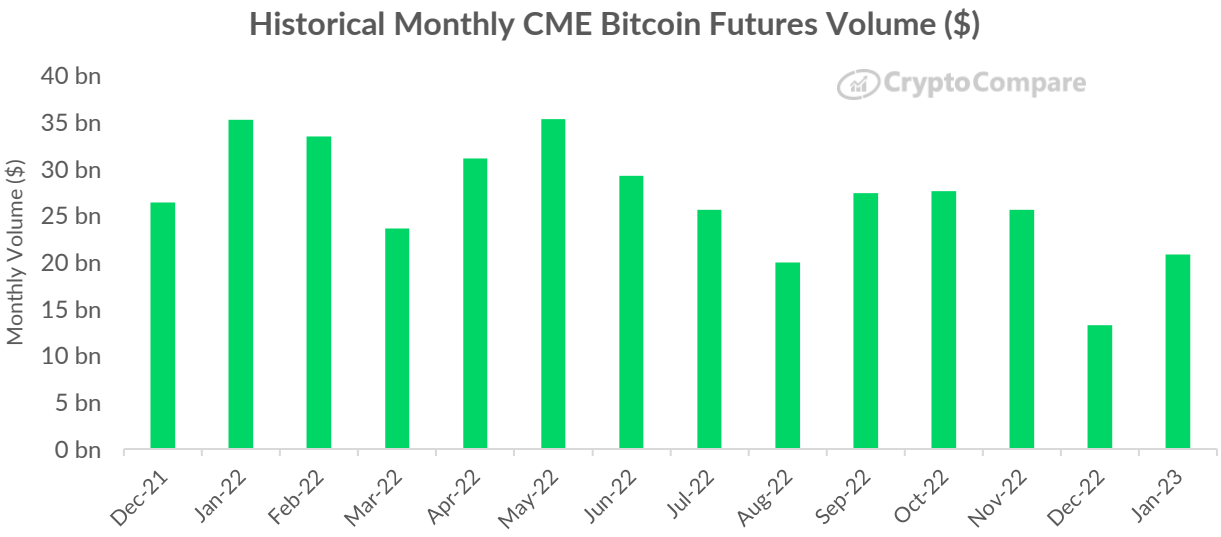


Binance was the largest derivatives exchange in January by monthly volume, trading $1.26tn (up 73.6% compared to December), followed by Bybit ($301bn, up 115%) and OKX ($286bn, up 85.1%). Bybit surpassed OKX volumes for the first time in its history, thereby becoming the second largest derivatives exchange by trading volume.

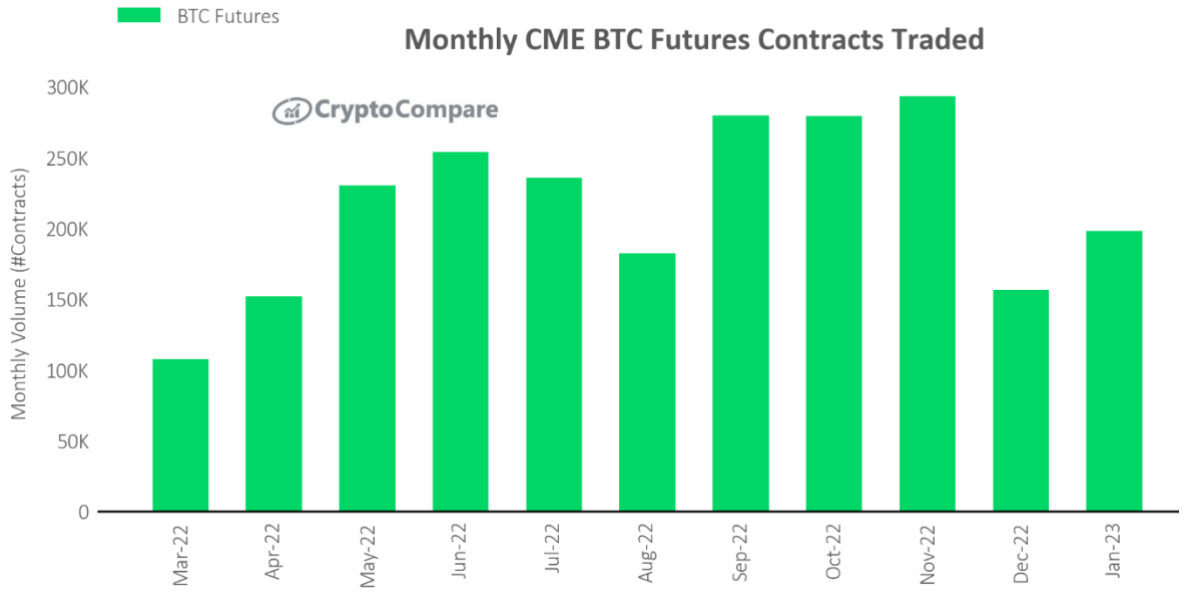


Derivatives exchanges traded a daily maximum of $115bn on the 14th of January, up 78.0% from December, intra-month high of $65.0bn.

CME Institutional Volume

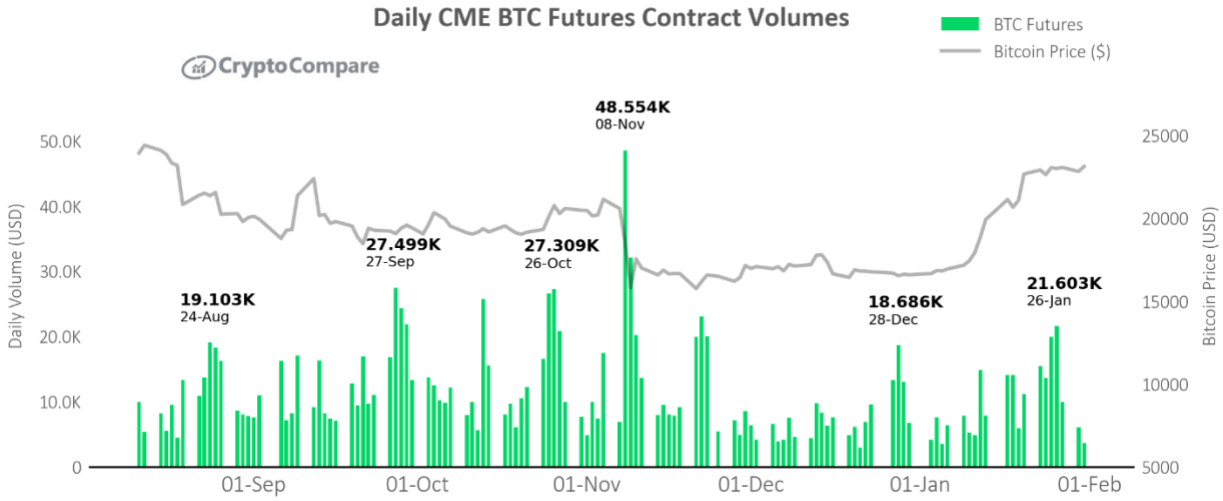


In January, CME's BTC Futures volume rose 57.2% to $20.8bn, as illustrated above. On the other hand, CME's BTC Micro Futures traded $299mn in monthly volume, up 50.7% from the month prior.

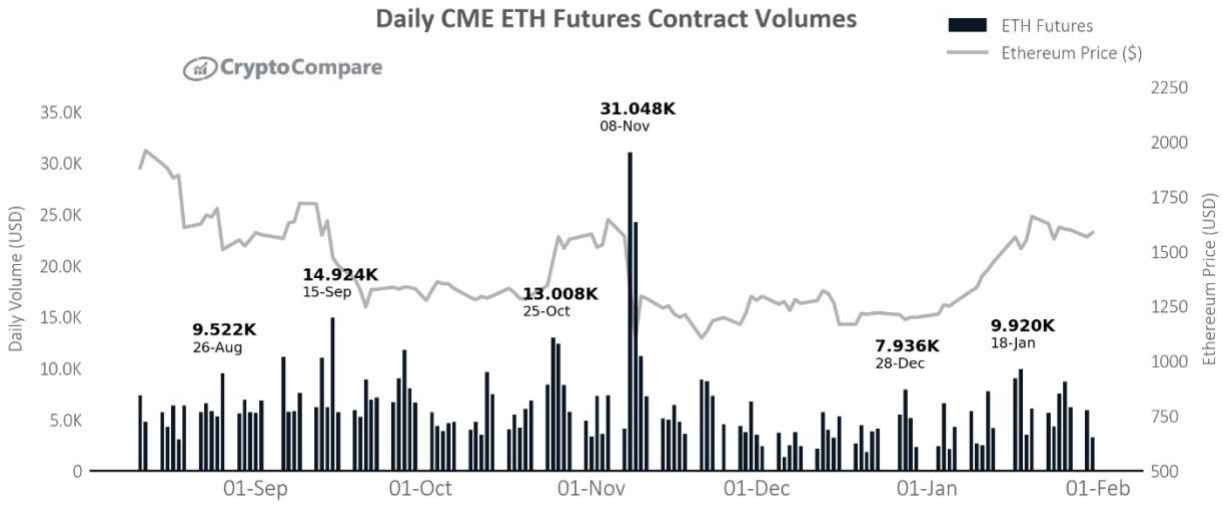


198,334 BTC futures contracts were traded in January, up 26.8% since December. This only includes CME's Bitcoin Futures, where the underlying asset is 5 Bitcoin. It excludes Bitcoin Micro Futures, where the underlying asset is 1/10th of a Bitcoin.

A total of 143,627 Bitcoin Micro Futures were traded in January, up 23.1% compared to December.



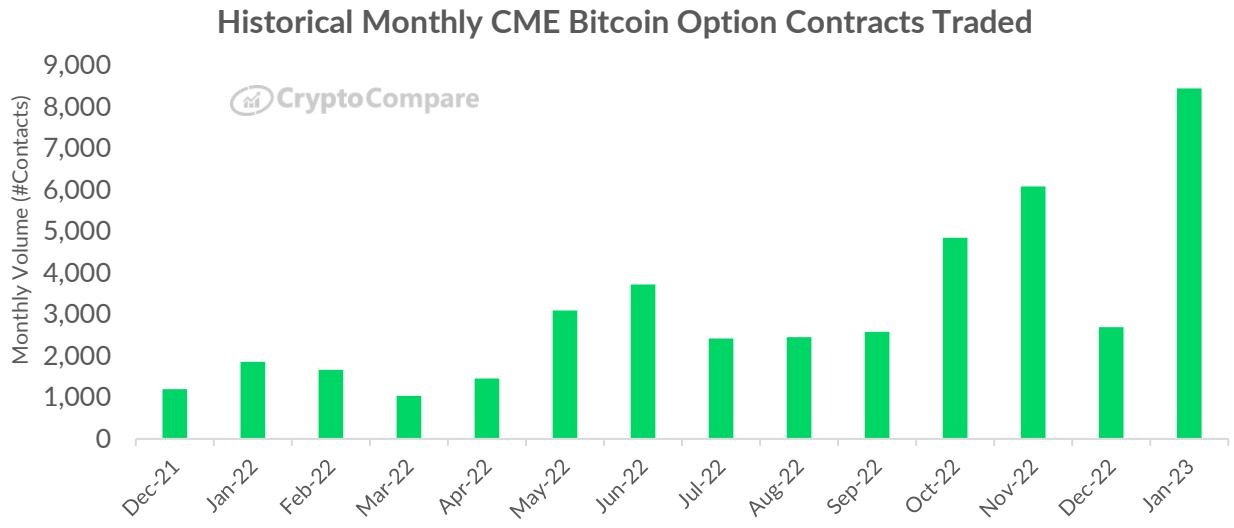
21,603 BTC futures contracts were traded on the 26th of January, a daily maximum for the month.



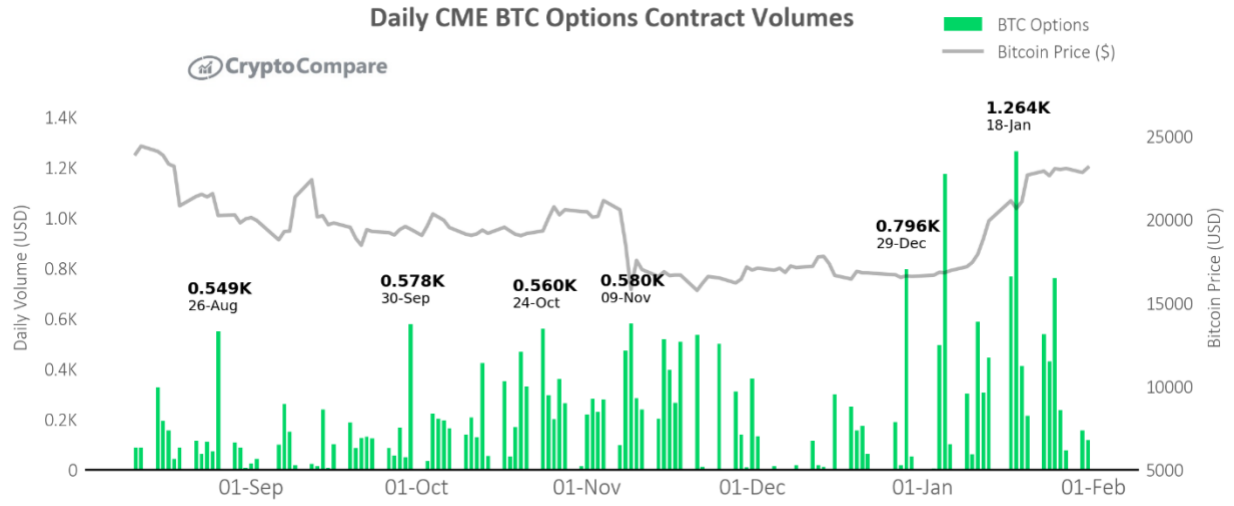
There were 9,920 ETH futures contracts traded on the 18th of January, a daily maximum for the month.

108,296 ETH futures contracts were traded in January, up 39.1% since December. This only includes CME's Ethereum Futures, where the underlying asset is 50 ETH. It excludes Ethereum Micro Futures, where the underlying asset is 1/10th of an Ether.

A total of 212,170 Ethereum Micro Futures were traded in January, up 11.9% compared to December.

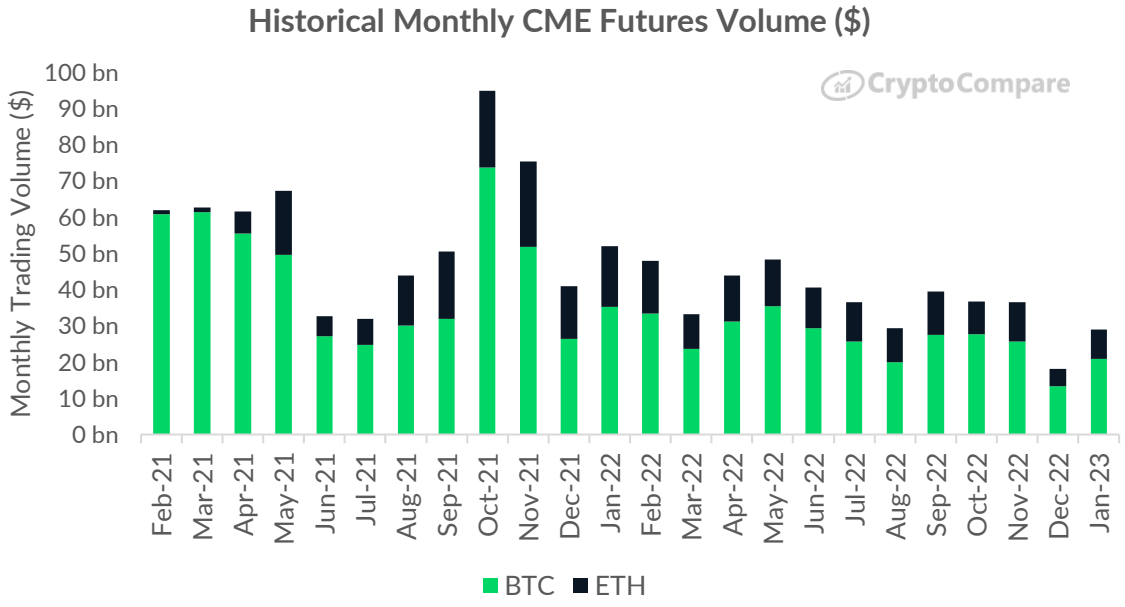


CME's BTC options contracts rose 214% in January to 8,452 contracts traded. The largest number of options traded in over a year.

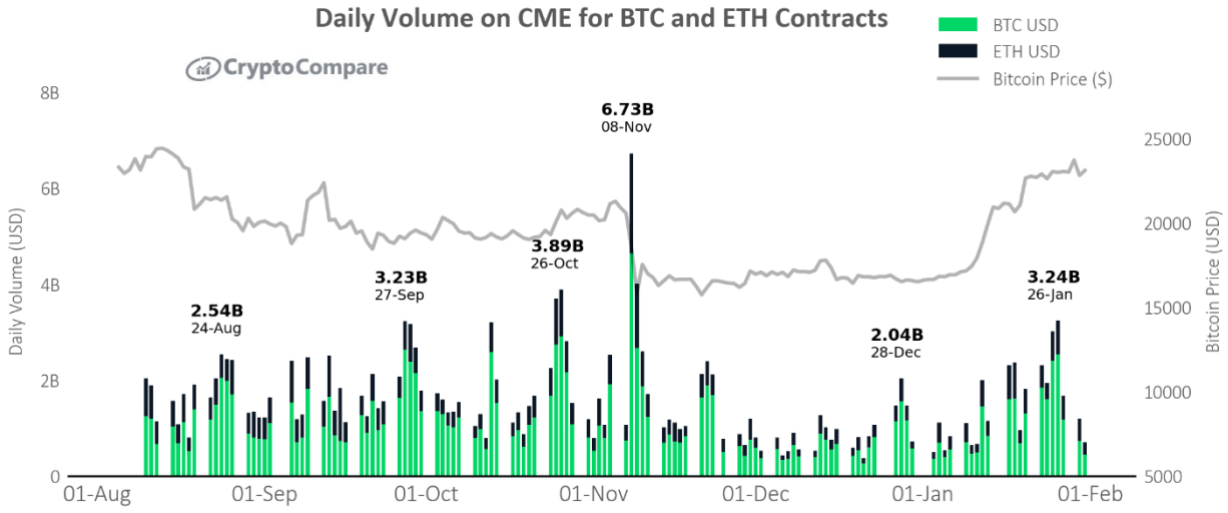


BTC options contract volumes reached a daily maximum of 1,264 contracts traded on the 18th of January, up 58.8% from the intra-month high in December.

Regarding total USD trading volume, CME's ETH futures reached $8.09bn in January (up 68.2% since December). Meanwhile, CME's BTC futures volumes rose 57.2% to $20.8bn. On aggregate ETH + BTC futures volumes rose 60.1% to $28.9bn. This does not include Micro Futures.



A combined volume of BTC $3.24bn in BTC, and ETH futures, were traded on the 26th of January - a daily maximum for the month, up 59.1% from the intra-month high in December.



To conclude, *in January, cryptocurrency exchanges saw a sharp increase of 70.3% in volumes across both derivative and spot markets. This coincides with significant positive returns across most of the crypto landscape, encouraging higher risk-taking amongst market participants. However, it is important to put this into context – with volumes still 72.1% below the all-time highs reached in May 2021.*

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
Exchange Review	Captures key developments within the cryptocurrency exchange market — providing readers with an in-depth analysis of exchange volumes, trading activity, and derivatives open interest.
Digital Asset Management Review	Tracks and provides analysis of the most innovative institutional products in the industry, assessing volumes, assets under management (AUM), and product flow trends.
Exchange Benchmark	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.
Asset Report	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.
Market Outlooks	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.
Stablecoins and CBDCs	Captures the key developments within the stablecoins and CBDCs sector – providing analysis relating to the market capitalization and trading volume of stablecoins, segmented by their type based on collateral.

Topic Deep Dives:

Report	Description
Centralised Exchange Retrospective	Created in collaboration with Bybit —— it includes a retrospective analysis of the centralised exchange landscape and the key trends to look out for this year following the collapse of FTX in November 2022.
UST's Fall From Grace	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.