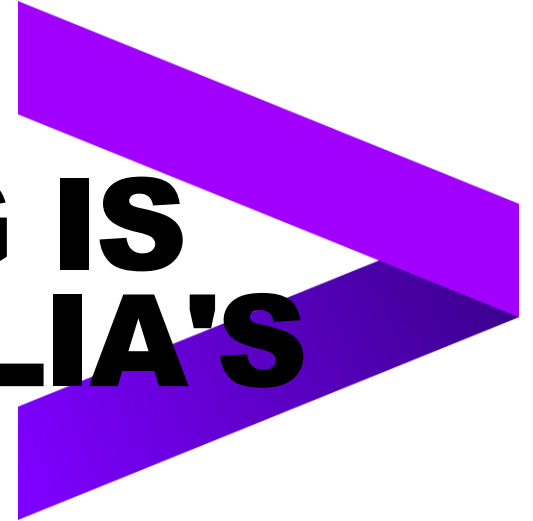




HOW BIG IS AUSTRALIA'S DIGITAL CURRENCIES MARKET?



EXPONENTIAL GROWTH IN AUSTRALIA'S DIGITAL CURRENCY MARKET

For the first time ever, the true scale of the Australian digital currencies market has been revealed.

A joint research project by ADCA and Accenture gathered confidential organisational and operational data from seven Australian Digital Currency Exchanges (DCEs).

Participants together represent approximately 66 percent of the local market.

The results reveal a rapidly expanding industry that is already far bigger than most believed.

KEY FINDINGS



1) Billions are changing hands via Australia's Digital Currency Exchanges (DCEs)

- In 2017, the estimated total value of digital currency trading (buying and selling of cryptocurrencies) in Australia was circa **\$5.9bn**.
- This number is extrapolated from our survey of approximately two-thirds of the local industry, which reported **\$3.9bn** in transactions in 2017.



2) Market growth has moved from incremental to exponential

- The month of December 2017 alone accounted for **59 percent** by value (and **48 percent** by number of transactions) of all trading activity recorded by participants for the whole of 2017.
- The average value of a cryptocurrency trade in February 2017 was **\$230**; by the end of the year it was circa **\$1,800**.



3) Australia's DCEs are growing rapidly to keep pace with the market

- In total, the seven exchanges have **312,633** unique customers registered, of which **232,566** were added in 2017.
- Participating DCEs had an average of just **2.9** full-time employees in January 2017; this was close to four times higher (**11.3**) by December 2017, and is expected to average **25.7** by the end of 2018.



4) The majority of cryptocurrency traders are males under 40

- Some **83 percent** of DCE customers are male.
- On average, **40 percent** are aged 18 to 29 and **31 percent** are 30 to 39 years old.
- Just **18 percent** are 40 to 49, and only **11 percent** are over 50 years of age.

RESEARCH METHODS

The information in this presentation represents the aggregated data from seven Australian Digital Currency Exchanges (DCEs).

The data was collected in response to a quantitative questionnaire jointly issued by Accenture and ADCA. The seven participating DCEs are all members of ADCA.

- **Date fielded:** 21 January 2018 to 9 February 2018 (data requested as at 31 December 2017)
- **Participants:** Seven Australian Digital Currency Exchanges, representing approximately 66% of the Australian market
- **Methodology:** The survey questionnaire requested commercially sensitive data. Longitude, the research partner for the project, acted as an independent data custodian under non-disclosure agreements with the exchanges. Participants completed the survey and uploaded responses directly to Longitude. Data from individual DCEs was consolidated (summed or averaged) to protect the confidentiality of participants, and to gauge the scale of the Australian market. Neither Accenture nor ADCA have received the individual submissions or any data from individual DCEs.
- **Limitations:** It is important to note that this research does not capture digital currency volumes traded by Australians on exchanges domiciled outside of Australia.
- **All currency data is in Australian Dollars (\$).**

DETAILED FINDINGS



THE SIZE OF THE MARKET

Survey participants represent approximately 66 percent of the total Australian market

Total trading volumes for 2017

(total aggregated buy and sell transactions for all seven participating DCEs)

Value traded - **\$3,932,173,987**

Number of transactions - **2,749,139**

66%

66%

100%

100%

Extrapolated total Australia* trading volumes for 2017:

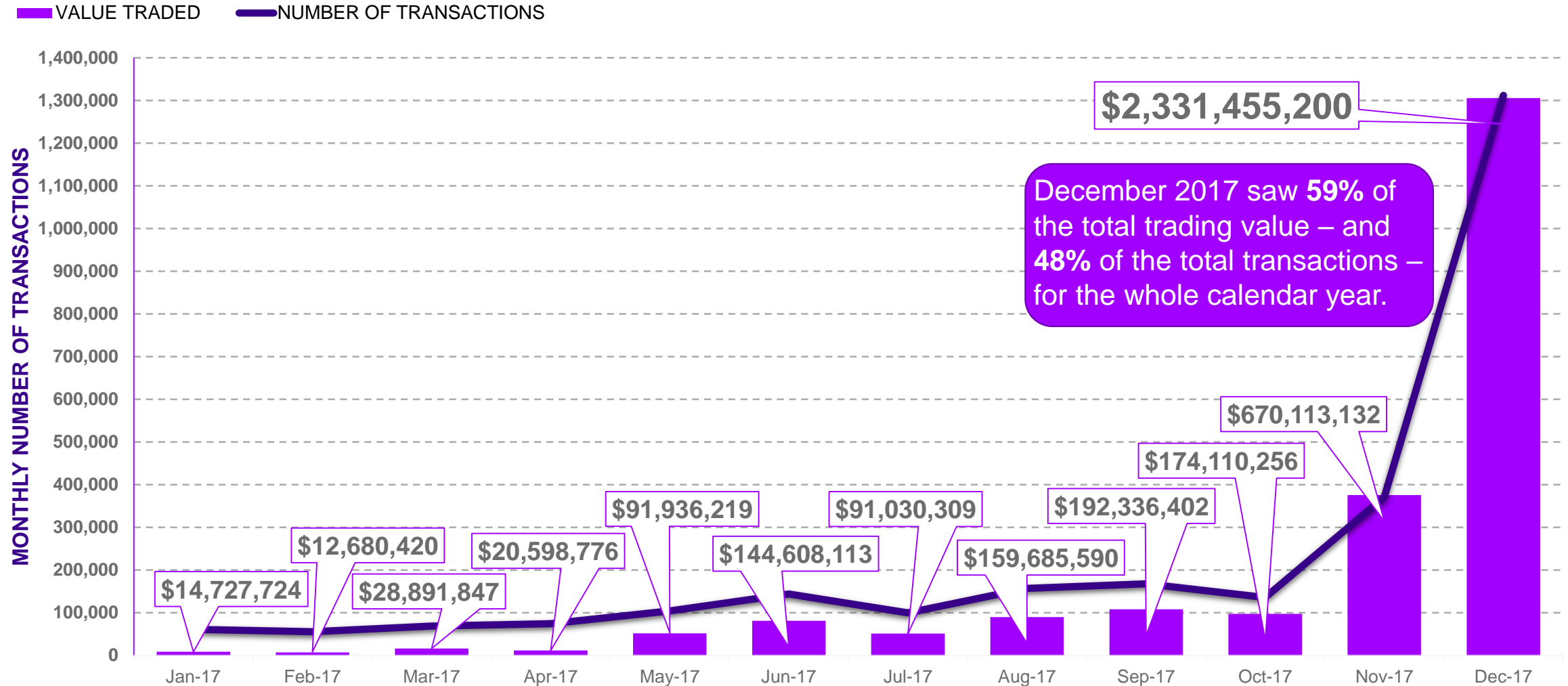
Value traded - **\$5,898,260,980**

Number of transactions - **4,123,709**

*Estimated trading volume through Australian domiciled DCEs only (i.e. excludes Australians trading via exchanges based offshore).

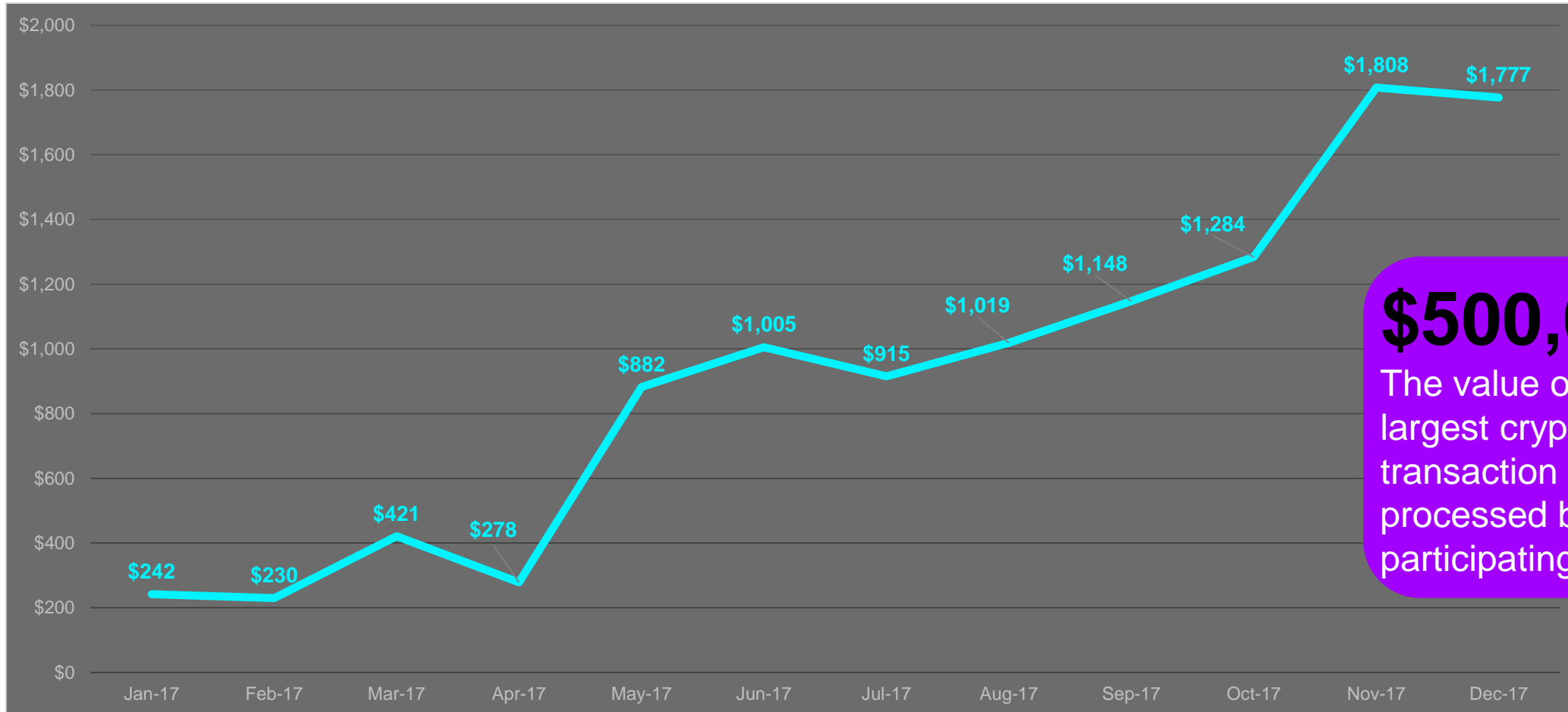
TRADING ACTIVITY SKYROCKETED IN LATE 2017

Total trade values and transactions per month in 2017



AVERAGE TRANSACTION SIZES GREW OVER SEVEN TIMES HIGHER IN 2017

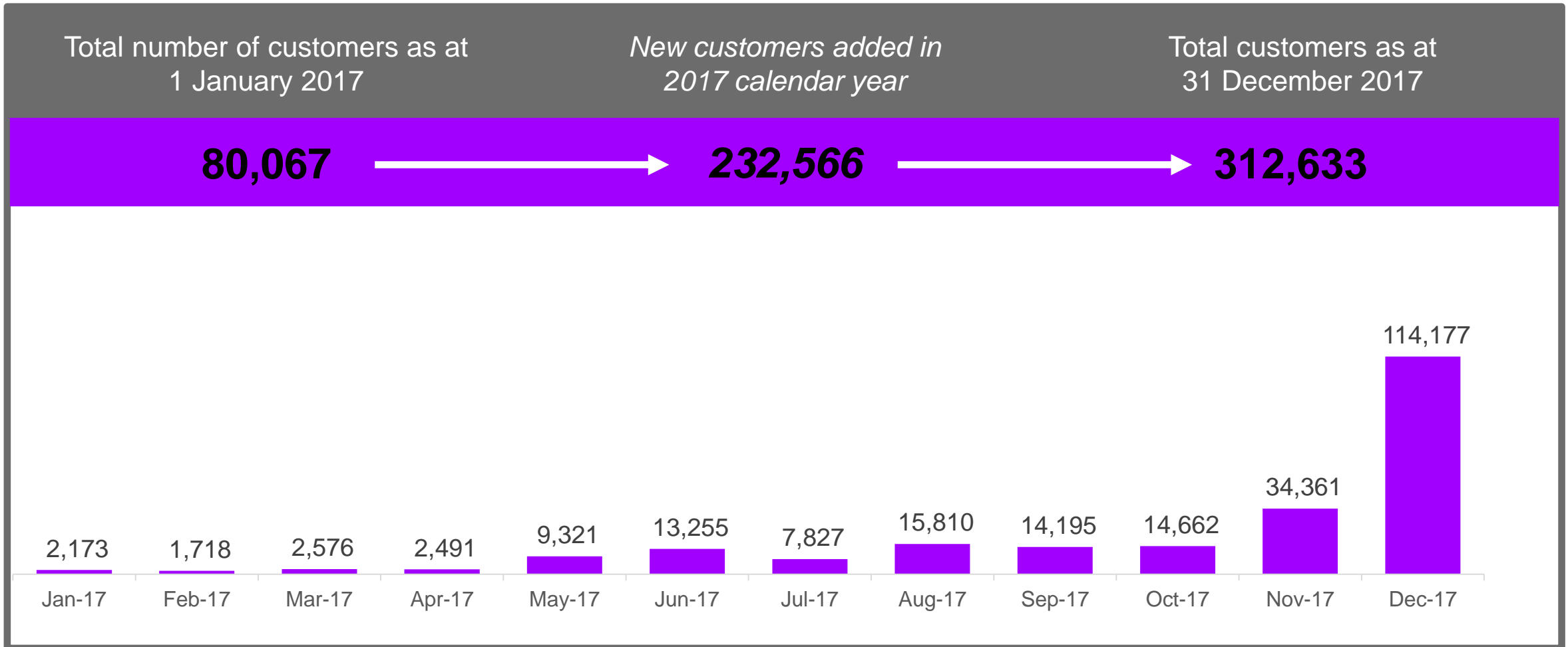
Monthly average transaction size



\$500,000
The value of the largest cryptocurrency transaction ever processed by a participating DCE

THOUSANDS OF NEW CUSTOMERS HAVE REGISTERED WITH AUSTRALIAN EXCHANGES

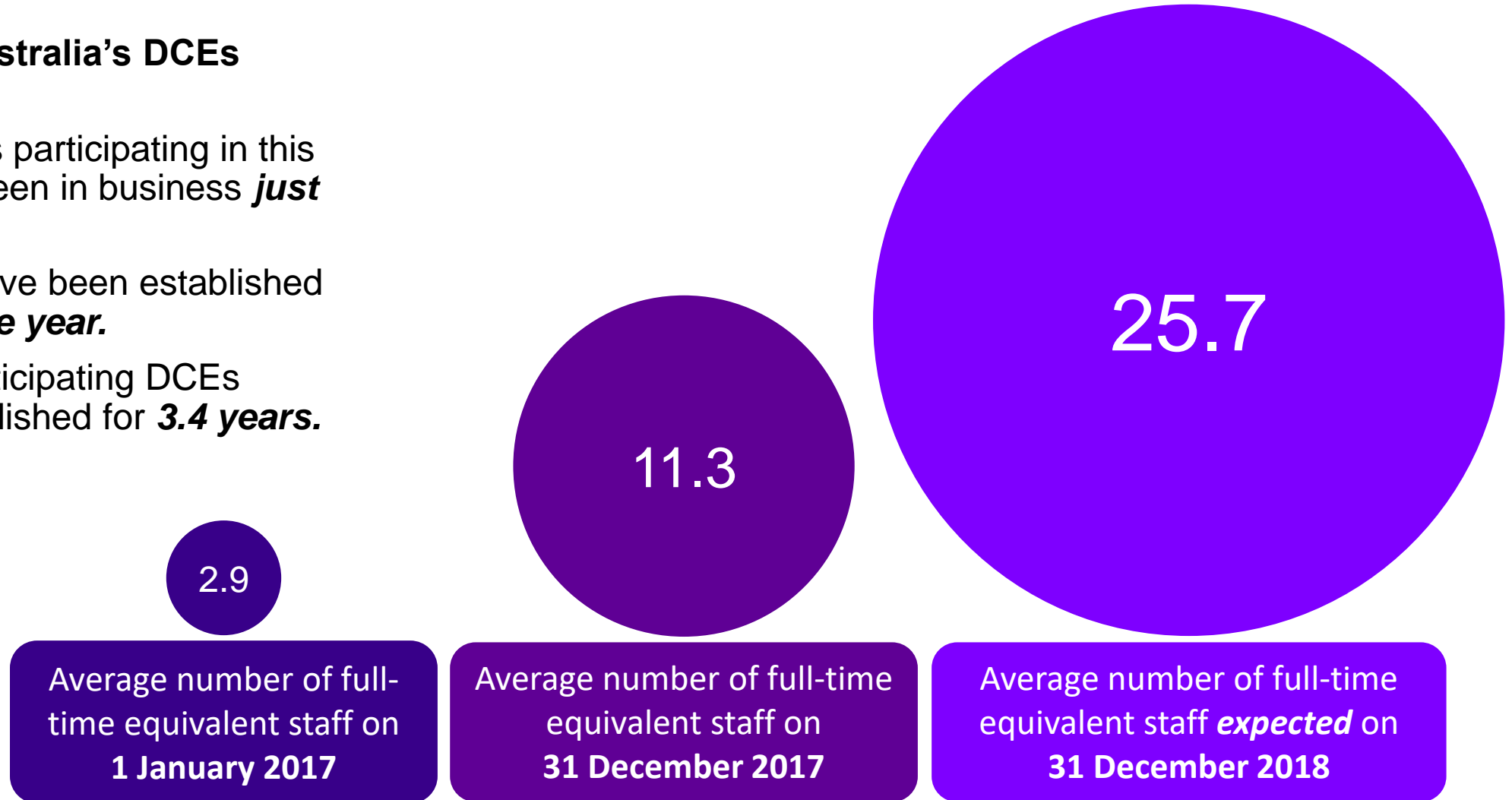
Number of new, unique customers added in 2017



GROWING UP FAST: EXCHANGES EXPAND AT PACE

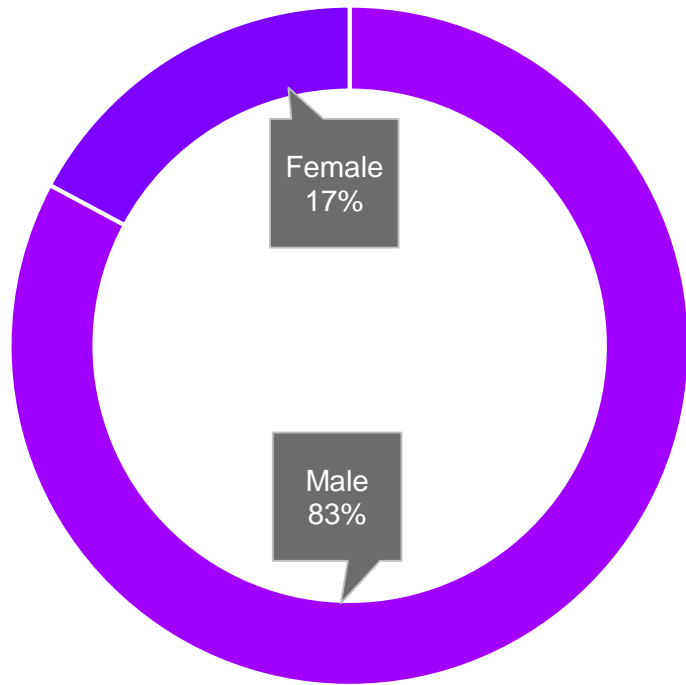
How long have Australia's DCEs been established?

- The oldest DCEs participating in this research have been in business ***just five years***.
- The youngest have been established for ***less than one year***.
- On average, participating DCEs have been established for ***3.4 years***.

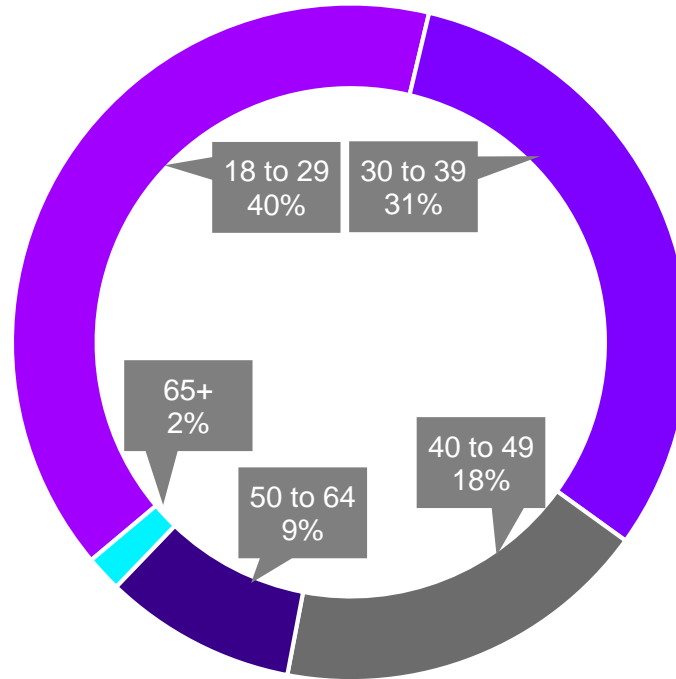


WHO IS TRADING CRYPTOCURRENCIES?

Male consumers aged 18 to 39 dominate the market, but exchanges are increasingly attracting institutional clients such as investment banks and hedge funds.



Average Customer Gender

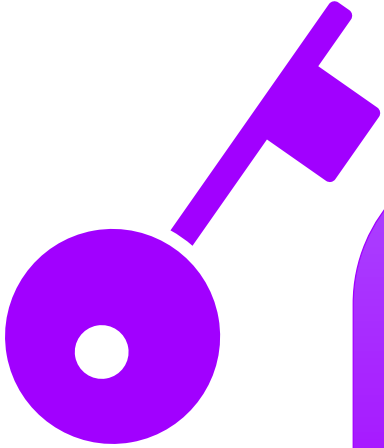


Average Customer Age

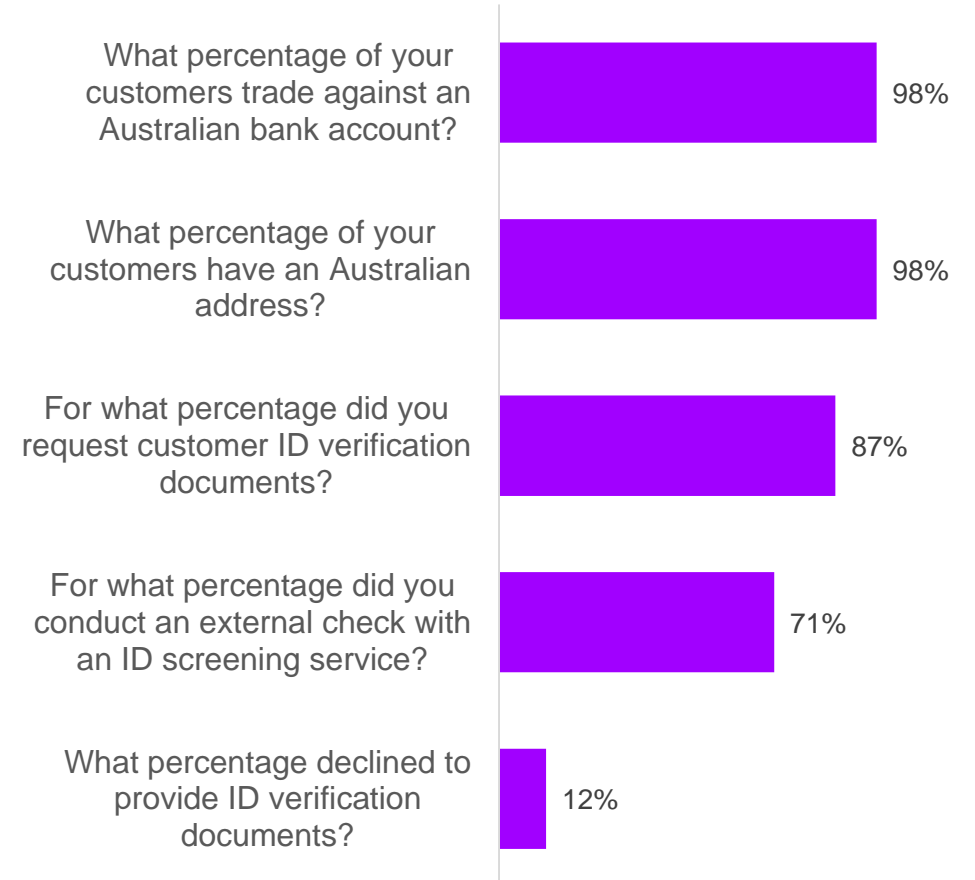


DCE Customer Types

MOST AUSTRALIAN EXCHANGES FOLLOW STRICT CUSTOMER IDENTIFICATION PROCESSES



- DCEs will be regulated by AUSTRAC from early April 2018, making it mandatory to comply with a range of anti-money laundering and counter-terrorism financing prevention processes, in line with mainstream financial services.
- A high level of compliance is already in place among the seven participating DCEs, including stringent know-your-customer procedures.

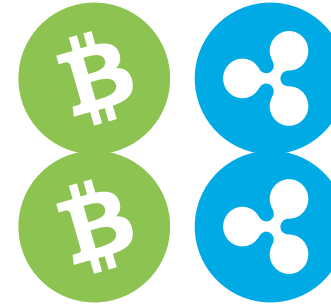
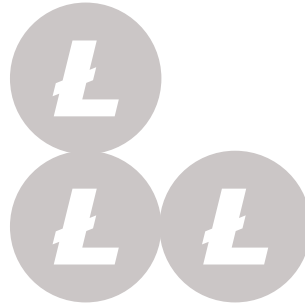
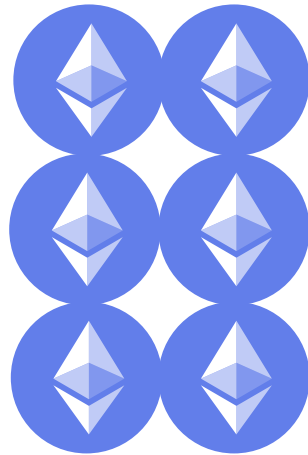


CURRENCY ANALYSIS



WHICH CURRENCIES ARE AVAILABLE?

Average number of different currencies traded per exchange: 3.1



All seven DCEs
trade Bitcoin
(BTC)

Six out of seven
trade Ethereum
(ETH)

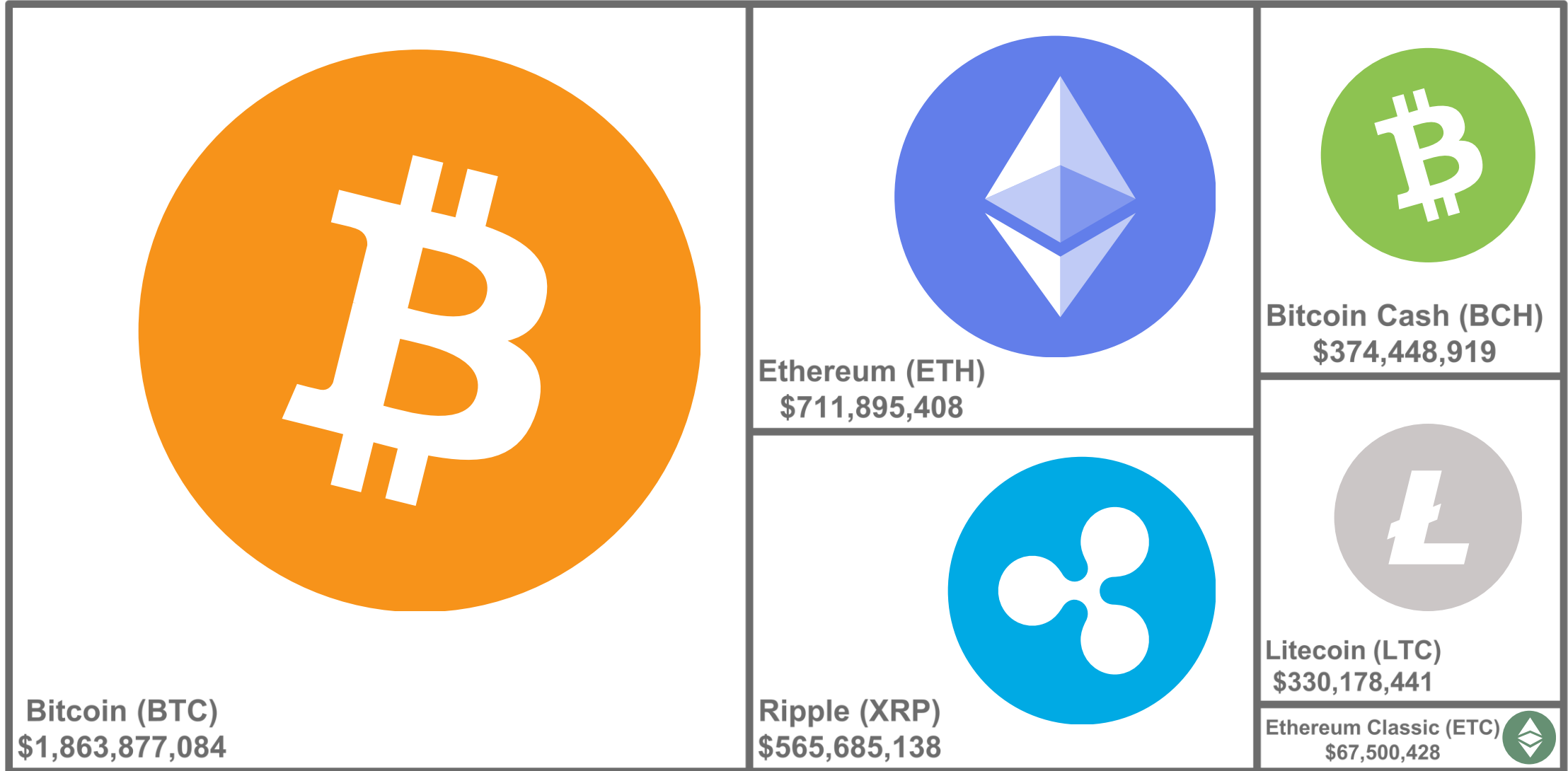
Three DCEs
trade Litecoin
(LTC)

Ripple (XRP)
and Bitcoin
Cash (BCH) are
traded by two
exchanges each

Ethereum
Classic (ETC)
and Dash
(DASH) are
traded by one
exchange each

TRADING VOLUME BY CURRENCY

Bitcoin dominates, but over \$500 million was traded in both Ethereum and Ripple in 2017



AVERAGE VALUE PER TRADE BY CURRENCY

Bitcoin and Bitcoin Cash have the highest average trade values

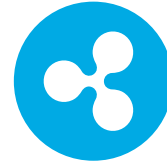
- Bitcoin Cash recorded the highest average trade value, close to twice that of Ethereum Classic and 50 percent higher than Litecoin.
- Bitcoin Cash split from the original Bitcoin network on 1 August 2017, primarily to improve transaction speeds.



Bitcoin Cash (BCH) - \$1,545



Bitcoin (BTC) - \$1,361



Ripple (XRP) - \$1,274



Ethereum (ETH) - \$1,192



Litecoin (LTC) - \$1,067



Ethereum Classic (ETC) - \$819

HIGH-LEVEL IMPLICATIONS



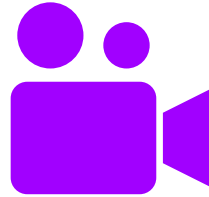
1) Further regulation to protect consumers

In addition to the new anti-money laundering and counter-terrorism financing regulations, regulators should move to increase consumer protection from fraud and system failures (e.g. service provider default or cybersecurity breach). This could potentially involve a special Australian Financial Services Licence for DCEs.



3) Stronger relationships with banks

Significant funds are passing between DCEs and Australian banks with limited visibility. Working together, DCEs and banks can ensure stronger oversight and governance procedures are put in place.



2) More consumer education

Given the scale and growth rate of digital currency trading in Australia, the industry and government should work together to help consumers understand how to use and invest in cryptocurrencies responsibly.



4) Local trading should be superior

Some consumers trade digital currencies via exchanges based outside Australia, where there are often higher risks. The industry and government should ensure the local market remains strong, secure and efficient enough to out-compete offshore exchanges.

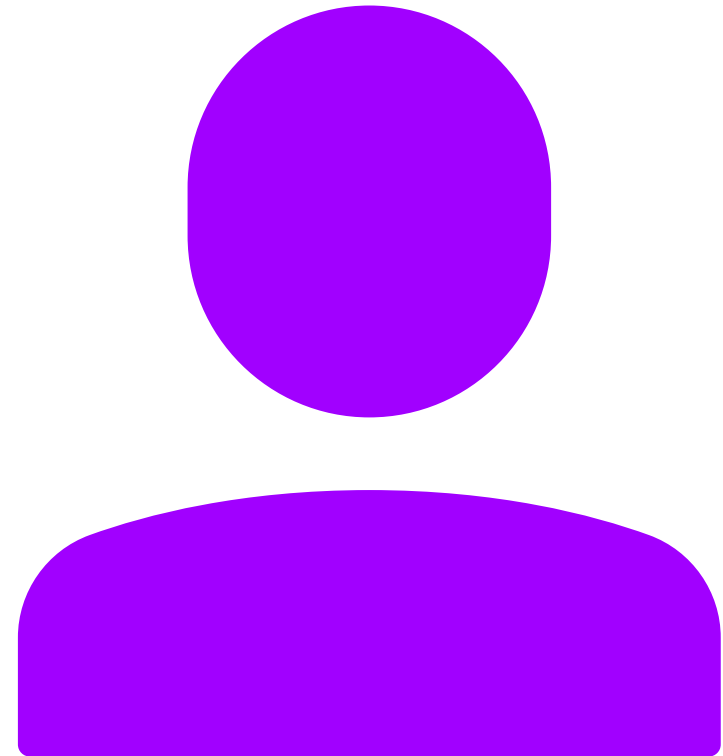
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