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The State of Crypto The P2P Market





Arcane Research is a part of Arcane Crypto, bringing data-driven analysis and research to the cryptocurrency space. After launch in August 2019, Arcane Research has become a trusted brand, helping clients strengthen their credibility and visibility through research reports and analysis. In addition, we regularly publish in-depth reports, weekly market updates and articles to educate and share insights.

Disclaimer

This report is based solely on data from the two leading P2P exchanges, LocalBitcoins and Paxful. The data is provided by Digital Assets Data.

The State of Crypto: The P2P Market

Executive Summary

P2P markets have been important to the adoption of bitcoin and crypto currencies all over the world. We now see strong growth in what is often called frontier markets. This can be explained by both lower competition in those markets from centralized exchanges and the use in relation to remittances.

An important part of the market infrastructure

Ever since the first bitcoin trades, the so-called Peer to Peer (P2P) market has been important to the liquidity of bitcoin and other cryptocurrencies. The P2P market is typically coordinated on platforms where individuals post advertisements to buy and sell cryptocurrencies and then execute the trades bilaterally, sometimes with escrow services provided by the platforms.

Over the years the P2P market has seen growing competition. Large centralized exchanges have emerged, and the OTC market has exploded. Lately, DeFi-exchanges, operating on platforms like Ethereum have also seen substantial growth.

Nevertheless, the P2P market is still going strong, with Paxful and LocalBitcoins as the two largest players, and with a slew of smaller and often local players serving different niches.

Three phases of geographic expansion

Over the years, the P2P market has seen three geographical expansion waves.

1. Initially it was mainly utilized in the developed economies as a way to get access to bitcoin.
2. Then, during the speculative mania of 2017, relatively more participants from the emerging markets jumped onto the P2P platforms.
3. Now, we see most of the growth in frontier markets. This can both be linked to weaker competition from centralized exchanges and to the usage of P2P platforms to conduct remittances.

A global phenomenon

The utility of bitcoin expands as new use cases are adopted. Bitcoin is a swiss army knife of use cases, enabling self-sovereignty through its decentralized design. The relatively fast transactions, without the need for a middleman, have created a borderless value transfer system, ripe and ready for increased adoption.

This adoption is taking place right now, with the expansion of the P2P market into new regions, and the growth we now see in the frontier markets is evidence of the fact that *bitcoin adoption is spreading* and now includes all corners of the world.

The analysis

In this report we analyze the total volume on the two largest P2P platforms; Paxful and LocalBitcoins. The main reason for this has been easy access to reliable data.

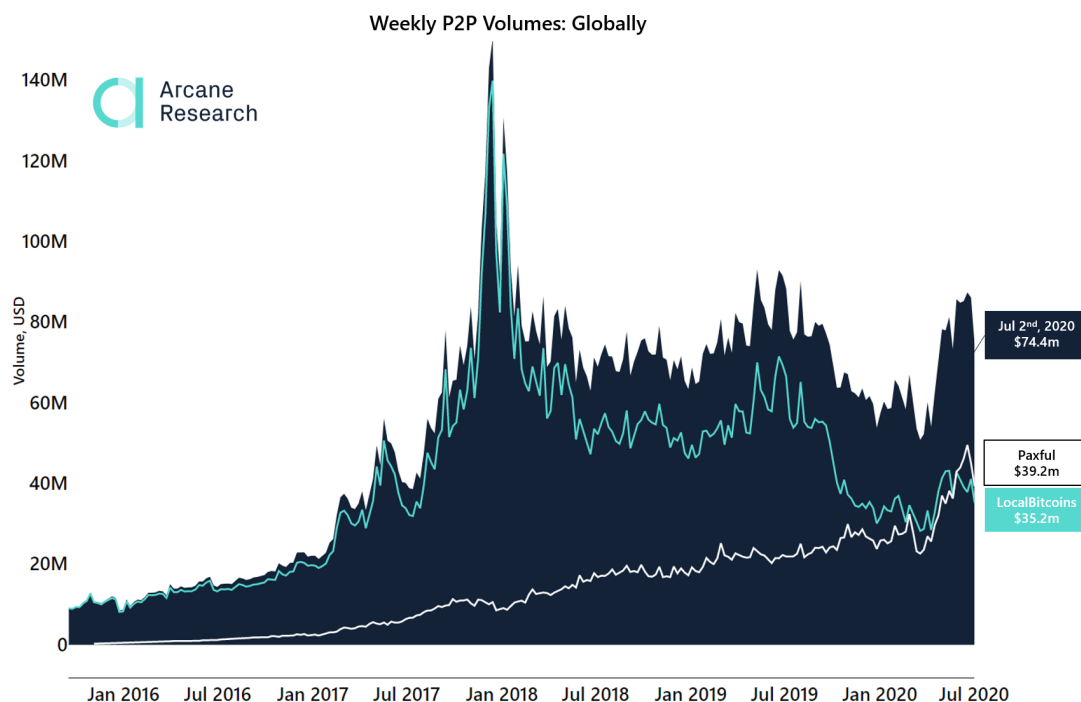
In our analysis, we look at the evolution over time, the geographic distribution of the activity, and the specific evolution of the two platforms. Paxful and LocalBitcoins are dominating in the market and should be a good proxy for the overall market.

That said, the inclusion of only these two platforms results in an underreporting of the actual size of the market, and may lead to some biases in sum-markets, where local players may have a substantial market share.

The numbers – some key takeaways

The current combined trade volume of Paxful and LocalBitcoins globally is around \$75m a week. Historically the volume topped during the peak of the bitcoin bull run at more than \$140m. It is important to realize that these volumes are not directly comparable to trades reported on exchanges. There is a lot of back and forth trading on exchanges, whereas all the P2P trades requires an outside settlement. The P2P volume is therefore more comparable to fiat deposit volumes.

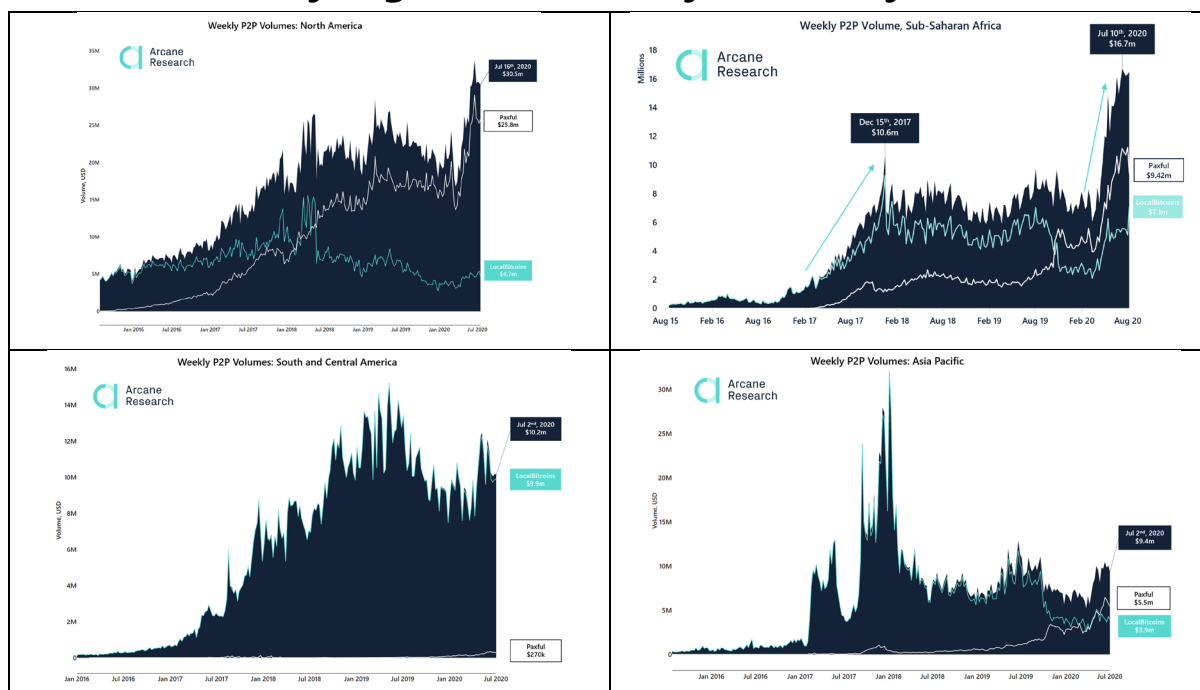
Paxful has seen stable growth the last five years, while LocalBitcoins lost significant volume during the fall of 2019 as they turned KYC compliant. Paxful thrives in the US, Sub-Saharan Africa and Asia. Paxful facilitates bitcoin purchases through various payment methods, with gift card trading accounting for 48% of the total volume as of July this year.



Initially, the P2P market was dominated by activity in developed countries in the western hemisphere. During the 2017 bull run, however, Asia and Eastern Europe garnered significant shares of the total volume. Today, the total volume is evenly distributed in many continents, with Sub-Saharan Africa and South and Central America holding significant shares.

The frontier markets also saw increased adoption during the 2017 bull run, with a sharp increase in total volume. However, in contrast to both the developed markets and emerging markets, the volume of the frontier markets stabilized around the levels at the peak. Recently, the P2P volume has pushed toward greater highs, as the bitcoin adoption in the frontier markets has risen further.

The numbers by region – some key takeaways



The **North American** P2P trading volume has seen a steady growth rate over the years, and the recent weekly volumes in North America overshoot the volumes of the bitcoin bull run of late 2017. This is only the case for two other regions, Sub-Saharan Africa and Latin America.

Sub-Saharan Africa has been one of three regions pushing higher P2P volume in 2020 compared to 2017. The region has seen a recent uptick in volume.

Latin America is the third largest region in terms of P2P volume globally. The volume rose steadily up until last fall, reaching a peak of \$14m a week during the short-lived bull market during the summer of 2019.

The P2P volume of **Asia-Pacific** peaked during the 2017/18 bull market and is currently 66% lower than its peak. At that time, China absolutely dominated the regional volume, accounting for more than two thirds of the total volume.

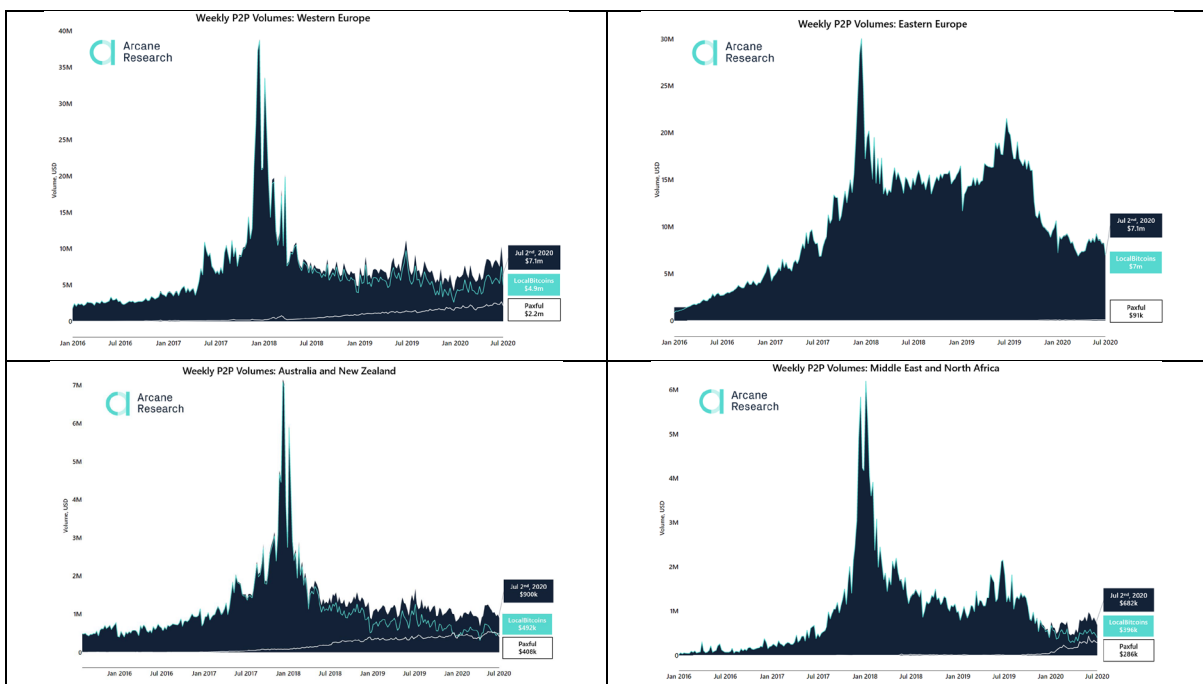
China has long been the largest contributor to the Asian P2P volume, but is about to be surpassed by India, who has seen a strong and stable growth throughout 2020.

The **Western European** P2P volume had a sharp peak during the 2017 bull run, with the weekly volume reaching \$38 million. The volume quickly fell as bitcoin tumbled and has never been close to revisiting its former highs.

In **Eastern Europe**, the P2P volume has been vastly dominated by Russia. Russia has held a significant majority of the volume in the region for all the five years analyzed.

Australia and New Zealand also saw a clear spike in transaction activity in the P2P market during the 2017 bull run, but have since seen volumes completely flattening out.

The Middle East and North African P2P volumes are the lowest regional volumes globally.



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To many, the most intriguing narrative for bitcoin has been bitcoin as a store of value; a provably scarce asset, in a world of monetary madness.

Still, bitcoin is not one thing alone, and through its decentralized nature, bitcoin can provide utility for an entirely different market segment as well – financial inclusion for the 1.7 billion unbanked adults on the planet.

- **Vetle Lunde, Arcane Research**

Introduction

Ever since the first bitcoin trades, the so-called Peer to Peer (P2P) market has been important to the liquidity of bitcoin and other cryptocurrencies. The P2P market is typically coordinated on platforms where individuals post advertisements for buying and selling cryptocurrencies and then execute on trades bilaterally, sometimes with escrow services provided by the platforms.

Over the years the P2P market has seen growing competition. Large centralized exchanges have emerged, and the OTC market has exploded. Lately, DeFi-exchanges, operating on platforms like Ethereum have also seen substantial growth.

Nevertheless, the P2P market is still going strong, with Paxful and LocalBitcoins as the two largest players, and with a slew of smaller and often local players serving different niches.

Centralized exchanges with limited access

Acquiring bitcoin is a straightforward experience for most people in developed countries and privileged people in emerging markets. Funds can be transferred to exchanges through bank transfers. Getting through the KYC-approval is an annoying, but trivial, process.

As a result, users can easily access liquid exchanges, offering a wide spectrum of digital assets to invest in. The liquidity allows users to purchase bitcoin and other cryptocurrencies for fiat at negligible fee levels. This makes it simple to obtain the financial exposure they desire and get access to use bitcoin and other cryptocurrencies, when they so desire.

Peer-to-peer platforms are more flexible

For the less privileged, on the other hand, this process is not so simple. Billions of people do not have a bank account or access to international digital payments. For most of these, the centralized exchanges are not an option.

Luckily, there exist an alternative. P2P platforms do not rely on bank transfers alone. Instead, they typically support a broad range of payment methods, including transfer of gift cards, local mobile monies, and physical cash. In addition, many P2P platforms have weaker KYC requirements, in particular for smaller traders.

The analysis

In this report we analyze the total volume on the two largest P2P platforms; Paxful and LocalBitcoins. We have chosen these platforms due to the ease of access to reliable data through our data provider [Digital Assets Data](#).

In our analysis, we look at the evolution over time, the geographic distribution of the activity, and the specific evolution of the two platforms. Paxful and LocalBitcoins are dominating in the market and should be a good proxy for the overall market.

That said, the inclusion of only these two platforms results in an underreporting of the actual size of the market and may lead to some biases in submarkets, where local players may have a substantial market share.

The structure of the report

The report is divided in two main sections, looking at the development of the P2P market from different angles.

In the **first half** of the report we look at some global trends, the market shares of Paxful and LocalBitcoins and the relative market shares of different geographical areas.

In the **second half** of the report, we dig deeper into the geographical data and look at development in specific countries in addition to the different regions. By going down to the country level, we identify how some of the countries are driving the overall development of the region. In addition, we can better explore some of the underlying economic drivers of the observed changes market activity.

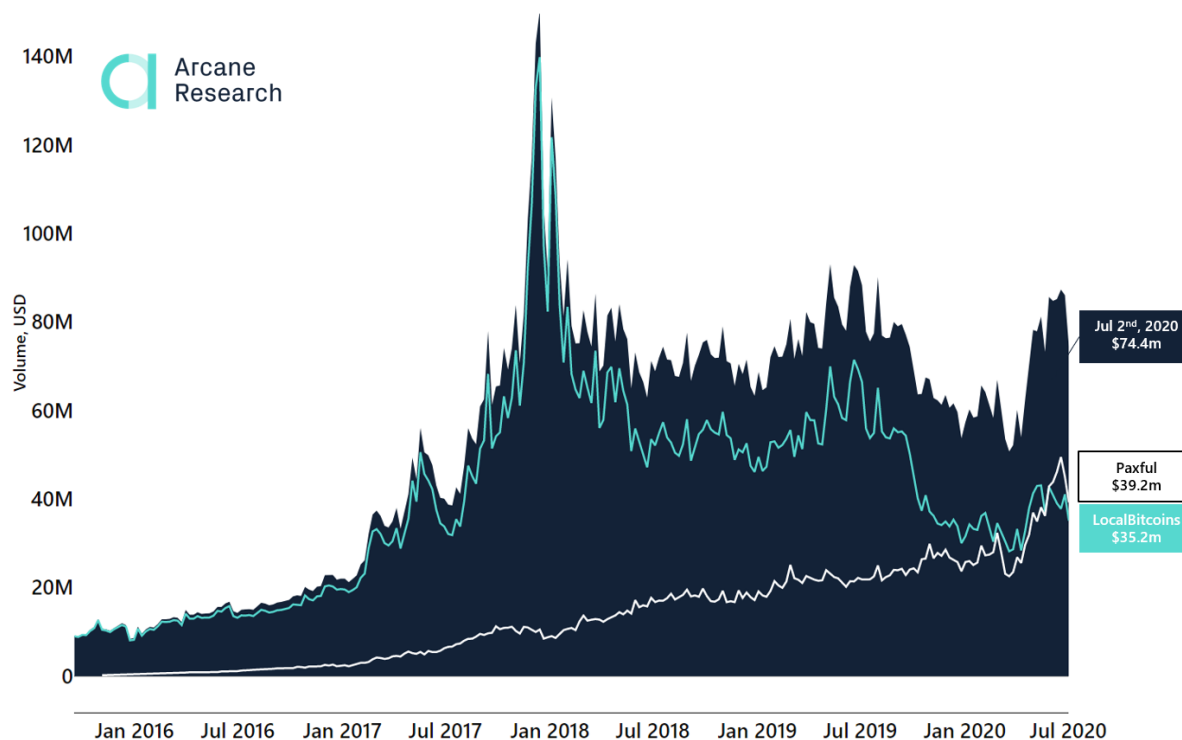
Since there is some overlap with the content in the two sections of the report, there will also be some repetition. While this potentially could be confusing, the intention is to make it easier for the reader to freely jump straight to one chapter and read that on a standalone basis.

Global P2P volume is rising

The global P2P volume topped during the peak of the bitcoin bull run of 2017. Since then, it has stabilized around a weekly volume of \$80 million. Paxful has seen stable growth the last five years, while LocalBitcoins lost significant volume during the fall of 2019 as they turned KYC compliant.

The last five years have seen huge developments in the global P2P volume. The weekly volume (dark blue area in the chart below) has grown from an average of \$10 million in the summer of 2015 to its current levels of \$74 million. Yet, the total weekly P2P volume was far higher during the peak of the 2017 bull market, when it pushed above \$150 million during the week of December 10th-December 17th.

Figure 1: Global Weekly P2P Volumes.



Following the peak of the bull market, the P2P volume first fell sharply, and then stabilized near half the size of the peak.

In 2019 the market experienced another decline. This was driven by a large fall in activity on Local Bitcoins, the leading P2P market at the time. Looking teal line in the chart above, we clearly see this drop in the activity of Local Bitcoins, but without any corresponding movement in the activity on Paxful, the white line

The main driver of the drop was LocalBitcoins introducing KYC (Know-Your-Customer) requirements for the users of the platform. Once users were forced to hand in personal information in order to conduct trades, some of the value proposition of being a P2P exchange vanished.

There are market participants who are unable to turn KYC compliant due to lack of proper personal information, and for these users, using LocalBitcoins suddenly became much harder if not impossible.

In addition, actors using bitcoin as a part of illegal transactions, are likely to be reluctant to provide personal details. Analyzing the data, LocalBitcoins has later stated that the platform saw a 70% decline in darknet related transactions as the KYC requirements were implemented.

Amidst the KYC implementation of LocalBitcoins, Paxful geared up and intensified its marketing focus in the frontier markets, especially in Sub-Saharan Africa and Asia. This has driven new volume to the platform and led Paxful to become the market leader in terms of P2P trade volume.

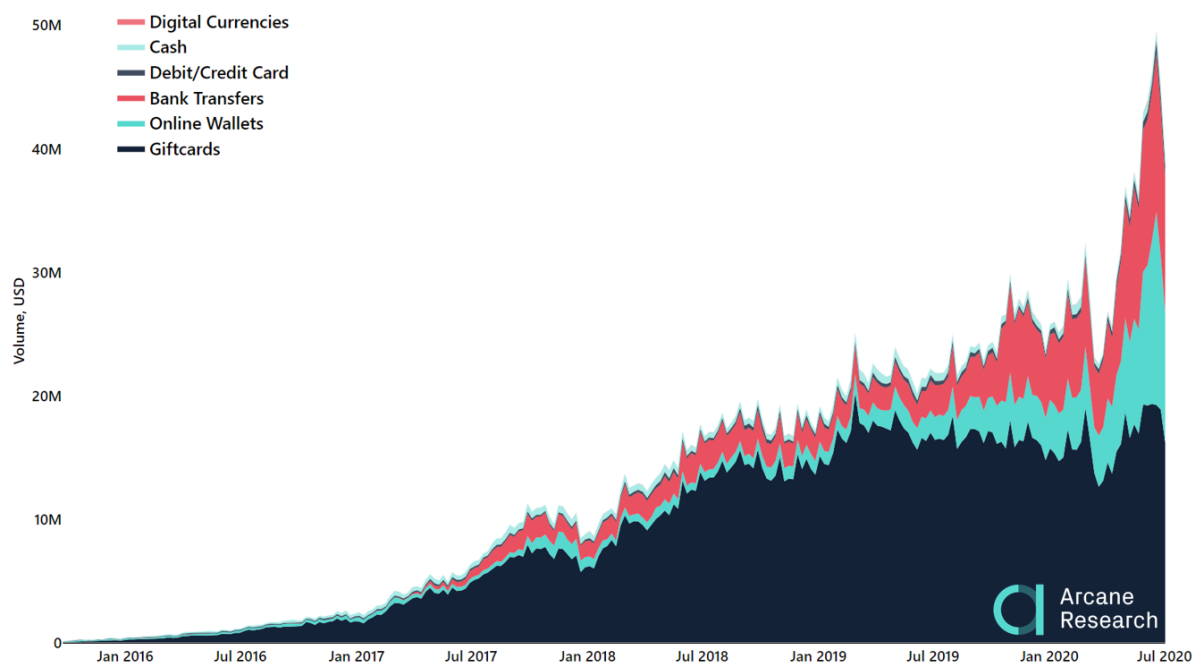
It is important to emphasize that both Paxful and LocalBitcoins hold the same set of rules regarding the KYC verification levels. Yearly trade volume below \$1000 requires email and phone, while higher trade volumes require more personal information such as ID verification and physical addresses. The similarities between the KYC-rules of the platforms is likely the cause of the temporary drop in the global weekly P2P volumes following September 2019. Whereas the extensive focus on specific regions from Paxful as mentioned above, has led to the continuous strong growth in the Paxful volume the last year.

The rise of Paxful

Paxful has seen steadily growing P2P volume over the past five years. Paxful thrives in the US, Sub-Saharan Africa and Asia. Paxful facilitates bitcoin purchases through various payment methods, with gift card-trading accounting for 48% of the total volume as of July this year.

Paxful has seen a significant and prevailing rise in volume over the past 5 years, as shown in the chart below. The initial growth was driven by US users, but Paxful has since expanded into several other markets. Most notably the Sub-Saharan Africa and Asia markets where Paxful is the dominating P2P platform. This transition has occurred as Paxful has focused extensively on regions with high shares of unbanked inhabitants.

Figure 2: Weekly P2P volume on Paxful by Payment Method.



Paxful allows users to buy and sell bitcoin using various kinds of payment methods. The chart above shows the distribution between different payment methods. Looking at the chart, it is easy to see that the dominant payment method on Paxful is gift cards (dark blue area), followed by online wallets or e-money (teal) and bank transfers (red).

The process of purchasing BTC with gift cards has been the preferred solution on Paxful each month throughout the five-year span analyzed, and accounted for 48% of the total trading volume on the platform in June this year.

The gift card payment solution is flexible. It allows buyers to indirectly purchase BTC with cash through purchases of popular gift cards at gas stations, and then resell those gift cards on Paxful for BTC. However, this is often done at a significant discount, down to 60 cents on the

dollar. A natural question to ask is therefore, who is willing to take a 40% hit to buy bitcoin this way?

Bitcoin for remittances

According to Matt Ahlborg of [UsefulTulips](#), a lot of the volume where gift cards are used for payments, can be linked to remittances. The process goes as follows:

Immigrants in western countries transfer value abroad via gift cards on Paxful. The gift cards are purchased by the immigrant at a local store. This gift card is then photographed, and the photo gets sent to friends and family abroad. They later sell those gift cards on Paxful for BTC. Then, they convert the BTC to local currency by selling the BTC to a buyer in the local market via one of the P2P-platforms.

Table 1: Volume per payment method on Paxful

Payment Method	June 26th - July 2nd
Giftcards	\$16.2m
Online Wallets	\$10.6m
Bank Transfers	\$10.9m
Debit/Credit Cards	\$0.9m
Cash	\$0.6m
Digital Currencies	\$0.05m

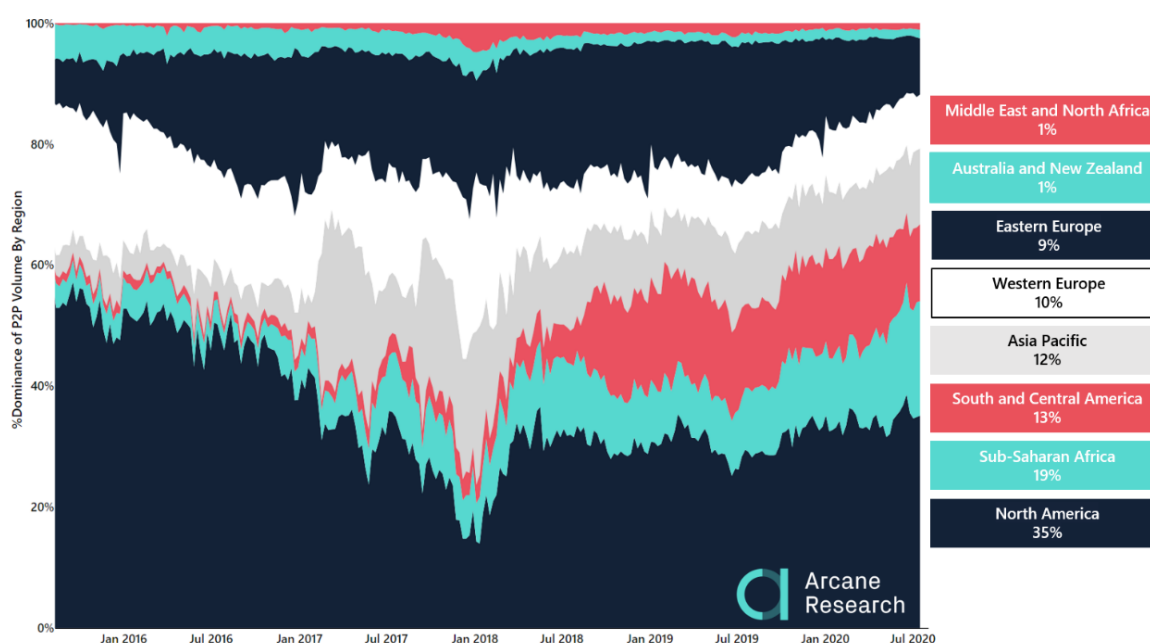
There are of course high fees affiliated with such a trade, as the value is washed away through many entities, and the gift cards are sold at a significant discount. However, the process is fast, reliable and in many ways better than the traditional mundane task of depositing cash through Western Union (which also is an unfeasible option for the undocumented immigrants).

North America, Sub-Saharan Africa, and Latin America largest regions in the P2P Market

Initially, the P2P market was dominated by developed, western countries. During the 2017 bull run, Asia, and Eastern Europe gained significant shares of the total volume. Today, the total volume is evenly distributed in many continents, with Sub-Saharan Africa and South and Central America holding significant shares.

The P2P market has evolved a lot over the past five years. The figure below shows the evolution of the market shares of different regions over time.

Figure 3: Regional distribution of the total P2P volume



As the chart shows, the market was dominated by the US with North America in the early days, accounting for more than 50% of the total volume.

As the BTC bull run escalated in 2017, the P2P distribution became far more diverse. Regions such as Asia (20%) and Eastern Europe (24%) captured large shares of the volume. Asia, with China, South-Korea, and Japan were the main drivers of the speculative [hype in late 2017](#), which should explain the large influx in trade volume in the region.

Today, the volume distribution has once again shifted. North America is back on top, but Sub-Saharan Africa and Latin America account for large shares of the total volume. This aligns with the focus on the P2P platforms having shifted towards remittance payments and providing access to the large unbanked population of the world. Most of the developed economies have seen declining shares of the total volume, most likely due to users transitioning to centralized exchanges.

In the table below we show three different snapshots of the market distribution to illustrate the big shifts that has taken place. During the first week of 2016, the Sub-Saharan market for

example only accounted for 4 percent of the total P2P volume, whereas today it accounts for 19 percent. A growth in market share of almost 4x.

South and Central America has seen a similar development, albeit from a lower starting point and with a higher growth rate than the Sub-Saharan Africa, growing from a market share of only 1 percent in 2016 to 13 percent today.

Looking at the Asia Pacific region, we see a strong growth in market share from 2016 to the peak of the hype in 2017, going from 5 to 20 percent. A growth of 5x. Looking at the period from the hype to date, however, the share of the volume in the Asia Pacific region has halved, falling back to only 12 percent of the total.

Table 2: Regional distribution of the peer-to-peer volumes

Region	Week 1, 2016	2017 BTC Peak	Today
North America	53%	15%	35%
Sub-Saharan Africa	4%	6%	19%
South and Central America	1%	7%	13%
Asia Pacific	5%	20%	12%
Western Europe	22%	20%	10%
Eastern Europe	9%	24%	9%
Australia and New Zealand	5%	4%	1%
Middle East and North Africa	1%	4%	1%

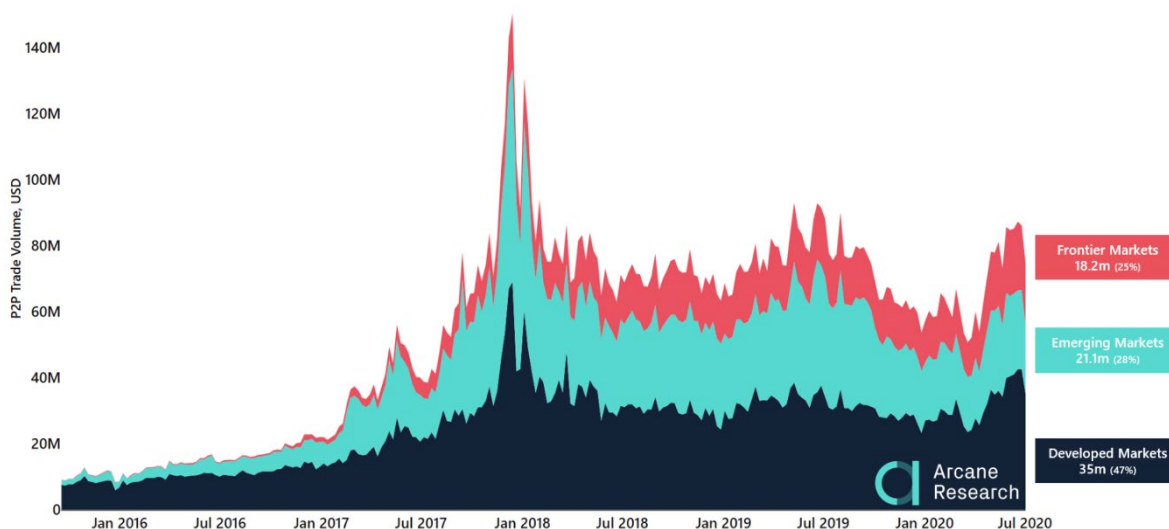
Large trend shift: Frontier markets on the rise

The developed economies held most of the volume in the P2P market in the early days. During the 2017 bull run, emerging markets took over and held a majority share of the total P2P volume. The volume of the emerging market economies has since declined, while the frontier markets are now seeing growing volume.

By bundling countries together and analyzing the P2P volume in terms of market classification from the MSCI index, we can examine the total volume across nations with similar economic attributes. This bundling gives further evidence of the effects of the shift in focus on the P2P platforms towards less developed regions, and also highlights the trend shift among traders in the developed countries, who most likely have moved over to centralized exchanges.

In the chart below, we analyze the development of P2P-trading volume in different market segments. The blue area shows the volume in developed markets, while the teal covers emerging markets and the red frontier markets.

Figure 4: Weekly Volumes by MSCI Classification



The P2P market has seen a shift in its userbase, as evident in the chart above. Five years ago, nearly all the P2P volume was found in the developed markets. Over time, the trend shifted as more users from the emerging markets found utility in the P2P market.

In the table below we show three different snapshots of the market distribution to clearer illustrate the shifts that has taken place.

Table 3: MSCI distribution of the P2P volume

MSCII Classification	Week 1, 2016	2017 BTC Peak	Jul 2, 2020
Developed Markets	80%	40%	46%
Emerging Markets	19%	48%	29%
Frontier Markets	1%	12%	25%

From the start of 2016 to the 2017 peak, the distribution flipped from the developed markets dominating, to the emerging markets accounting for most of the volume.

Today, the frontier markets hold a far more significant share of the total P2P volume after seeing a significant rise in 2020. The frontier markets now account for 25% of all the P2P volume. The emerging markets have seen a significant decline, now only accounting for 29% of the total volume, while the developed markets currently hold a larger share of the total market than during the peak of 2017 bull run. The relative rise in the developed markets and frontier markets could very well be due to increased usage of Paxful for remittances.

Strong growth in frontier markets

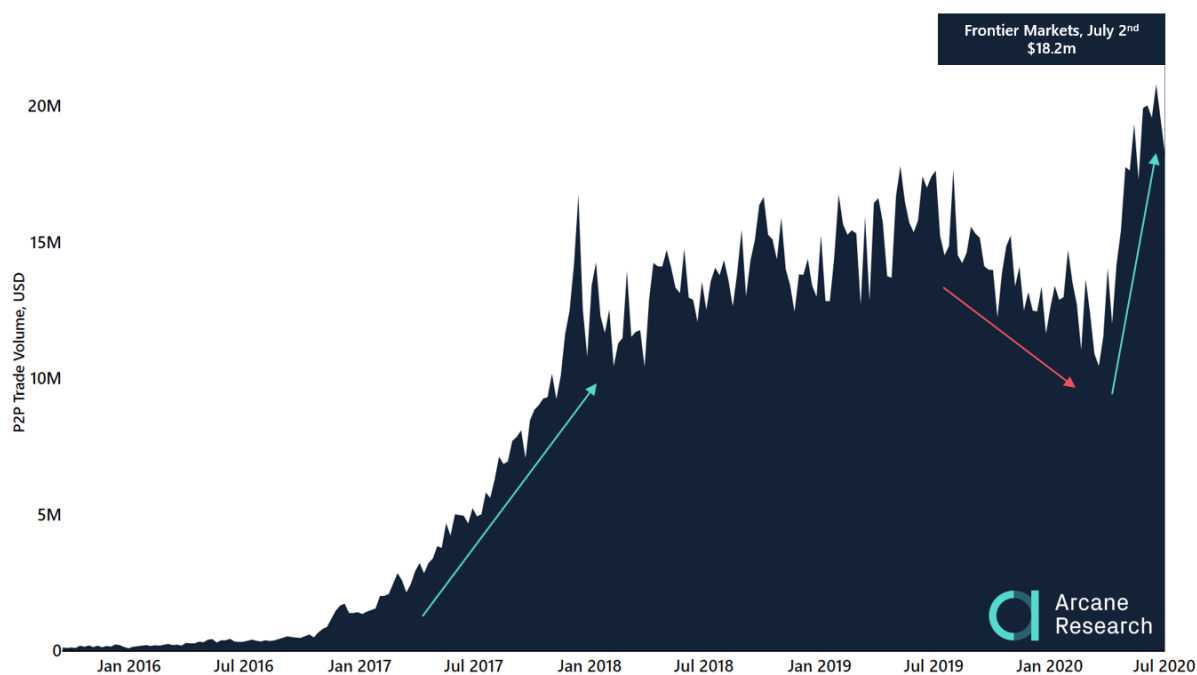
The frontier markets also saw increased adoption during the 2017 bull run, with a sharp increase in total volume. However, in contrast to both the developed markets and emerging markets, the volume of the frontier markets stabilized around the levels at the peak. Recently, the P2P volume has pushed toward greater highs, as the bitcoin adoption in the frontier markets has risen further. This is possibly driven by an influx in remittances and an intensified focus on the frontier markets from the P2P exchanges.

The volume of the frontier markets grew at a fast pace throughout 2017, as evident in the chart below, and peaked alongside the 2017 bull market.

However, whereas the volume in both emerging markets and developed markets fell significantly, following the peak, the volume in the frontier markets stabilized. The only significant drop occurred during the fall of 2019, as LocalBitcoins initiated their KYC compliancy.

In 2020, the volume has regained momentum and reached new all-time highs as Paxful has gained more traction.

Figure 5: Weekly P2P volume, Frontier Markets



The frontier markets bucking the trends begs the question: **Why did the frontier economies maintain their P2P volumes, while the volumes of the developed economies and emerging economies saw significant declines?**

It all boils down to one central point: **Utility**

Investors in the developed and emerging economies in general sought to invest into bitcoin to speculate on further upside during 2017. The bitcoin rally of 2017 saw a large influx of new investors, many finding their way into LocalBitcoins in order to invest via local currency.

As the FOMO dampened, the investment pressure on P2P platforms fell. This was likely due to a combination of investors losing interest in crypto as the wild returns halted, and investors gaining more confidence in the centralized trading venues of the space.

Investors in the frontier markets on the other hand saw other applications to their bitcoin investments. The initial growth in the frontier markets during 2017 might have been driven by growing speculative appetite as well, but as both the awareness of bitcoin and the trust in the properties of bitcoin as a decentralized digital transferable good grew, investors in the frontier markets kept their presence.

A common trait among the frontier market economies is their dependency on remittances from the diaspora, in addition to a generally more volatile political and financial system. With bitcoin enabling cross-border transactions without the need for a middleman, the inhabitants of such countries get an opportunity to receive money from friends and family abroad, and store wealth outside of local currencies and financial infrastructure plagued by rampant inflation and dysfunctional politics.

P2P Volume



By region

P2P volume by region

In the **first half** of the report we looked at some of the main global trends in the P2P market. We showed how LocalBitcoins lost its dominant position, largely due to the introduction of KYC requirements, and how Paxful has grown to become the largest player by focusing on frontier markets.

We also showed how there has been three distinct geographical waves of adoption in the P2P market.

1. Initially it was mainly utilized in the developed economies as a way to get access to bitcoin.
1. Then, during the speculative mania of 2017, relatively more participants from the emerging markets jumped onto the P2P platforms.
2. Now, we see most of the growth in frontier markets. This can both be linked to weaker competition from centralized exchanges and to the usage of P2P platforms to conduct remittances.

In **this last part** of the report, we dig deeper into the geographical data and look at developments in specific countries in addition to the different regions.

By going down to the country level, we identify how some of the countries are driving the overall development of the region. In addition, we can better explore some of the underlying economic drivers of the observed changes market activity.

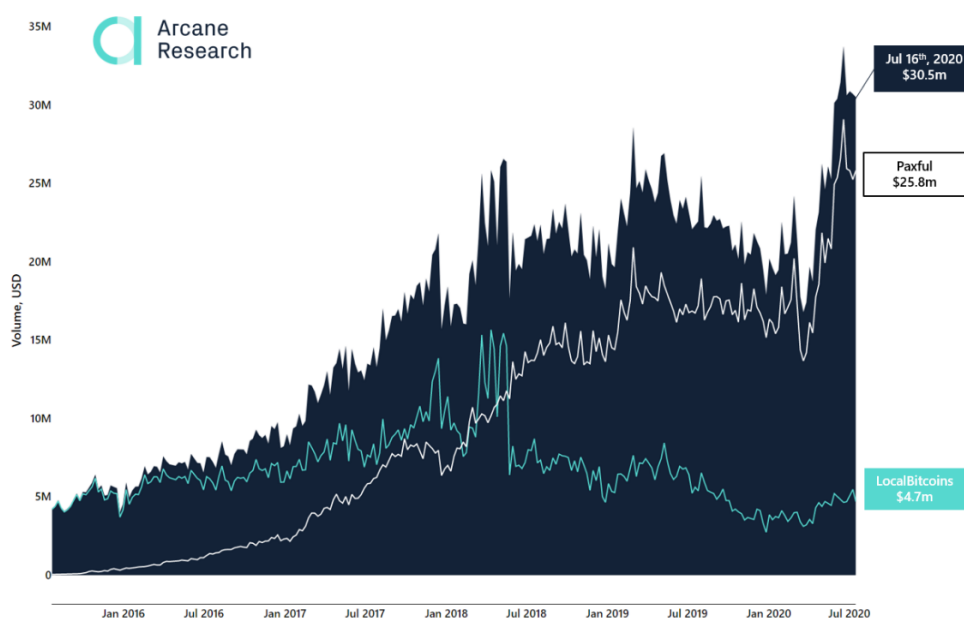
North American volume growing steadily

The North American P2P trading volume has seen a steady growth rate over the years. Recently, weekly volumes have actually been higher than during the bitcoin bull run of late 2017. This is only the case for two other regions, Sub-Saharan Africa and Latin America.

As shown in the first half of the report, in 2016, the North American trading volume accounted for 53% of the entire P2P market. This dominance fell sharply in late 2017 with the North American volume only accounting for 15% of the total market. The dominance has recently picked up again, and currently sits at 35%.

In the figure below we report the total weekly volume in the P2P market in North America (dark blue) and the volumes on Paxful (white line) and LocalBitcoins (teal line) separately.

Figure 6: Weekly P2P Volume, North America



Clearly evident from the chart above, the LocalBitcoins volume of the region rose significantly during the 2017 rally and started declining as bitcoin entered the 2018 bear market.

Paxful, on the other hand, has seen steadily rising volume throughout the entire 5-year sample.

This might be driven by two factors in parallel:

1) The gift card market on Paxful

Dropshipping is a large industry in North America. Through Paxful, dropshippers gain the ability to purchase gift cards at rebated prices, which helps vendors lower the costs of the process.

2) Remittances

The gift card trade helps undocumented immigrants to transfer value to friends and family back home, as described in the first half of this report.

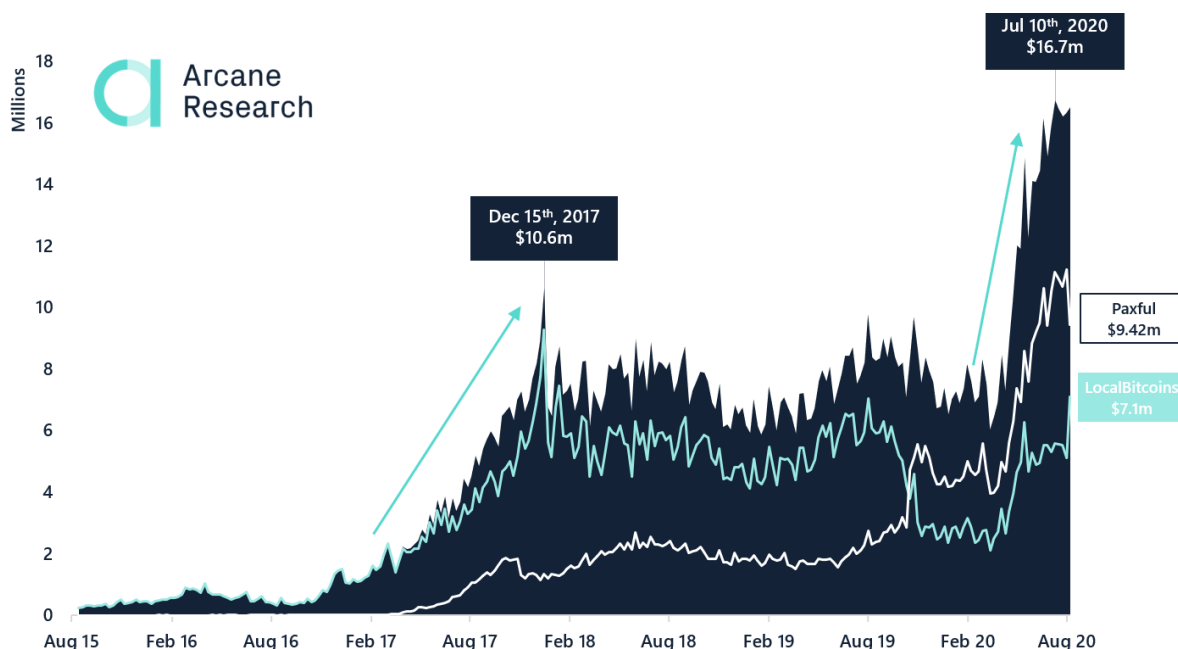
P2P volume in Sub-Saharan Africa at all-time high

Sub-Saharan Africa has been one of only three regions with higher P2P volume in 2020 than during the peak in 2017. The region has seen a recent uptick in volume. In addition, Paxful has taken large market shares from LocalBitcoins following the KYC implementation on LocalBitcoins.

The P2P volume of Sub-Saharan Africa rose sharply during the bitcoin bull run of 2017, and quickly stabilized at around the volumes of the peak, as seen in the chart below.

2020 has seen a new rise in the P2P volumes of Sub-Saharan Africa with the weekly volume doubling from around \$8 million towards its current level around \$16 million. Paxful holds the majority of the weekly volume at \$9.4 million.

Figure 7: Weekly P2P Volume, Sub-Saharan Africa



To understand why countries in Sub-Saharan Africa are seeing a growth in terms of P2P adoption, one must understand the underlying conditions of the region. A large share of the population is living in poverty, as the region is heavily influenced by economic instability, as summarized in the report "[The State of Crypto - Africa](#)" by Arcane Research. As of 2014, the World Bank stated that 350 million adults in Sub-Saharan Africa were unbanked.

Remittances

Many Africans are heavily dependent on receiving remittances from friends and family abroad. Remittances via the most common services, such as Western Union, are a time-consuming effort, involving several middlemen capturing significant shares of the transfer value through fees. In addition to the loss of funds via fees, the process of acquiring the remittances involves

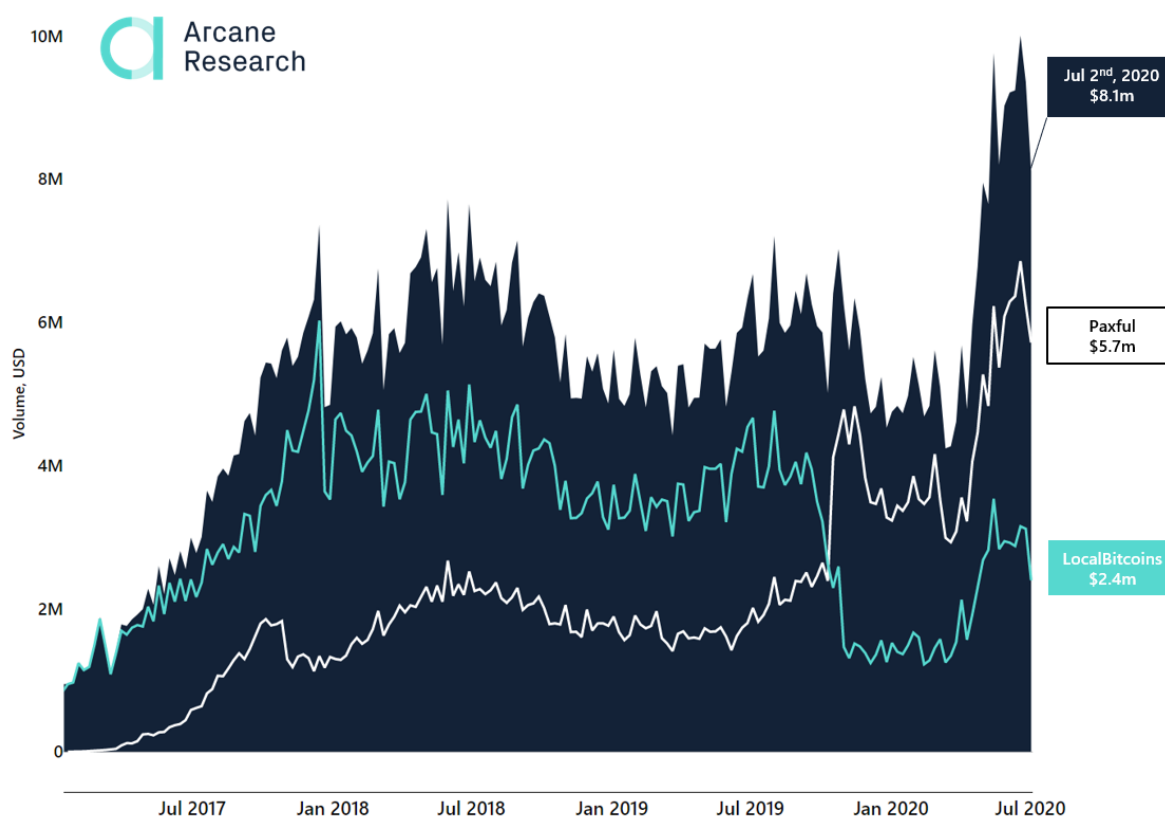
long travels for the parts of the population living in remote rural areas. Due to COVID-19, the World Bank estimated that remittances would decline by 23% in 2020, by part due to lockdowns in urban areas complicating the process.

By studying the volume of the region in detail, it is clear that Sub-Saharan Africa has seen a significant rise of the P2P volume following the COVID-19 pandemic.

Nigeria is the largest volume driver in Sub-Saharan Africa

Nigeria has long been the dominating country in terms of P2P bitcoin volume in Sub-Saharan Africa. As of now, the country accounts for 48.5% of the total weekly P2P volume in the region, and it is currently the second largest nation in terms of weekly volume globally, only behind the U.S.

Figure 8: Weekly P2P Volumes, Nigeria

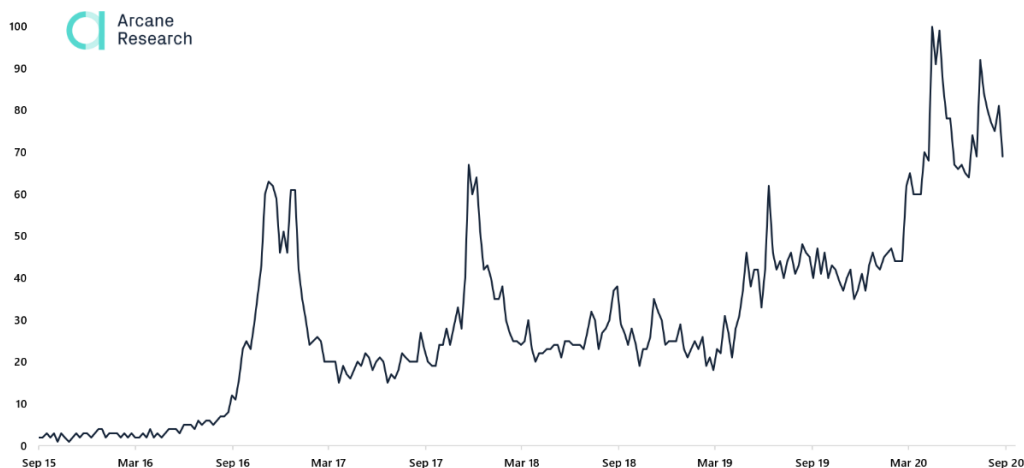


According to PWC, Nigeria saw \$22 billion worth of migrant remittances in 2017, which translates to 83% of the Federal Government Budget. Following the KYC implementation of LocalBitcoins, the Paxful volume quickly surpassed LocalBitcoins', and has since remained the dominating platform in the country. Paxful currently accounts for 70% of the total P2P trade volume in Nigeria.

Google trends indicates increased awareness

Data from Google Trends, as can be seen in the chart below, shows that the bitcoin awareness reached all-time highs in Nigeria this spring. This suggest that there still is room for more growth. In addition to the large interest into bitcoin in the region, the Nigerian Securities and Exchange Commission has started regulating crypto.

Figure 9: Google Searches for Bitcoin in Nigeria.



Source: Google Trends

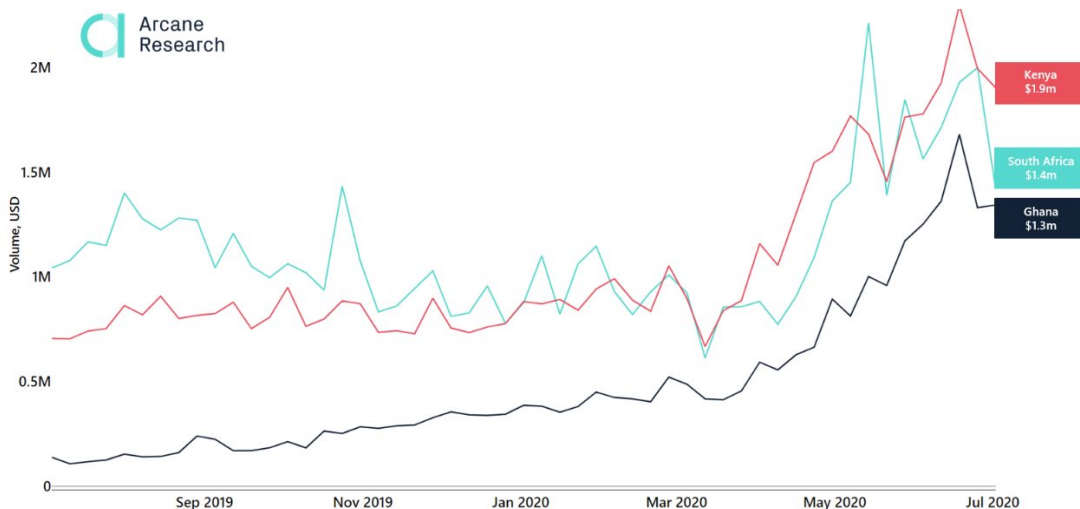
Large growth in P2P volumes in Kenya, South Africa, and Ghana

Following the COVID-19 outbreak this spring, the P2P volumes of South Africa, Kenya and Ghana have seen significant increase.

South Africa has for a long time been the second largest Sub-Saharan African country in terms of P2P volume but was recently surpassed by Kenya.

The rapid increase in Ghana’s P2P volume, could indicate that Ghana is also about to surpass South Africa.

Figure 10: Weekly P2P Volumes, Kenya, Ghana and South Africa



South African P2P users prefer LocalBitcoins

The majority of the volume in South Africa is based on LocalBitcoins (78%) while Paxful dominates in Ghana and Kenya. With South Africa being one of the most developed economies in the region, bitcoin gained traction earlier than in Kenya and Ghana. LocalBitcoins was the de facto P2P platform in the earlier days, which could explain the continued stronghold of LocalBitcoins in the region despite the KYC implementation.

Kenyan and Ghanaian users prefer Paxful

In Kenya and Ghana, the adoption bloomed later than in South Africa. Paxful has put down a coordinated effort to gain traction in the region, focusing on marketing and visibility as well as serving educational courses and financing new schools.

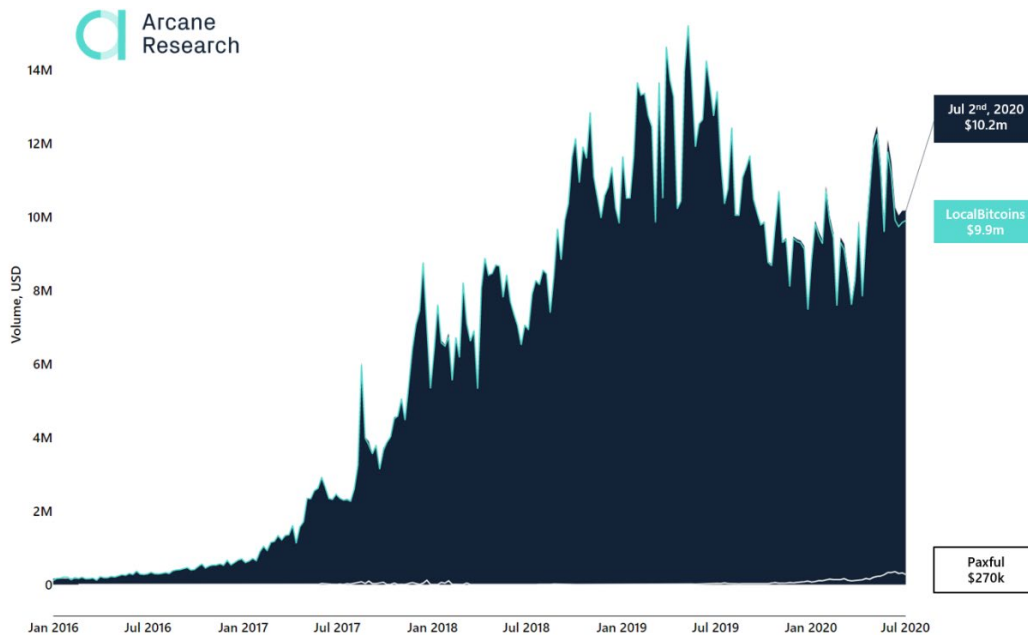
Kenya started the year with weekly volume around \$900k, which has doubled to \$1.9m now. Ghana has seen an even more impressive growth, growing from \$300k of weekly volume to \$1.3 million, over the span of 3 months. Paxful holds 63% of the Kenyan volume while 96% of the volume in Ghana is found on the platform. The recent uptick in volumes could indicate that the countries are on a path to become significant players on the P2P scene.

Strong P2P volume in South and Central America

South and Central America is the third largest region in terms of P2P volume globally. The volume rose steadily up until last fall, reaching a peak of \$14 million during the short-lived bull market during the summer of 2019.

In the chart below, we show the weekly volume of the P2P market in South and Central America.

Figure 11: Weekly P2P Volumes, South and Central America

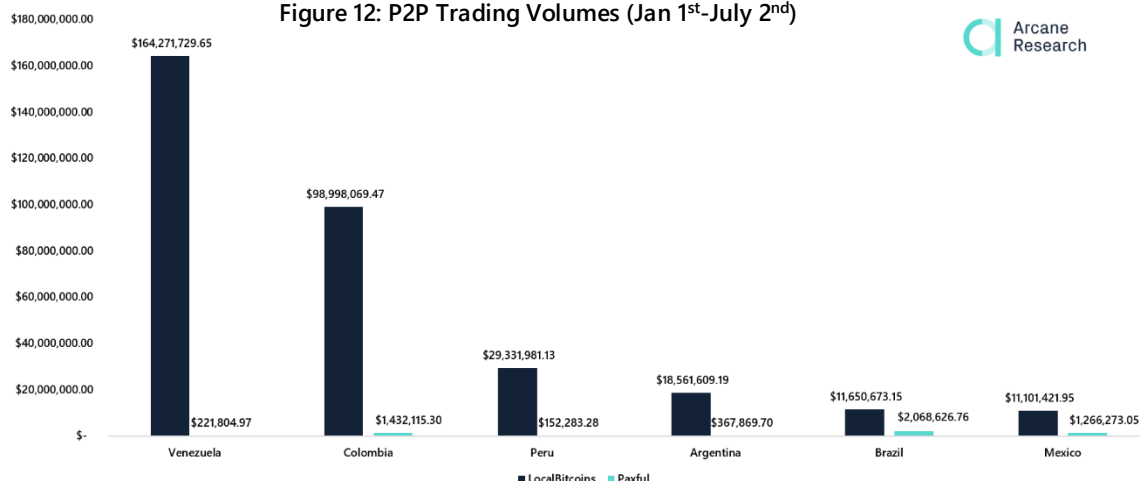


As can be seen in the chart above, there has been a strong volume growth all until mid-2019. Since then, the volume first fell during the fall but has since picked up again this year.

LocalBitcoins dominates in South and Central America

The entire region is completely dominated by LocalBitcoins. Most vendors use LocalBitcoins, and Paxful only holds a negligible share of the market in most countries, as seen in the chart below, comparing the volumes on LocalBitcoins and Paxful in the region for 2020.

Figure 12: P2P Trading Volumes (Jan 1st-July 2nd)

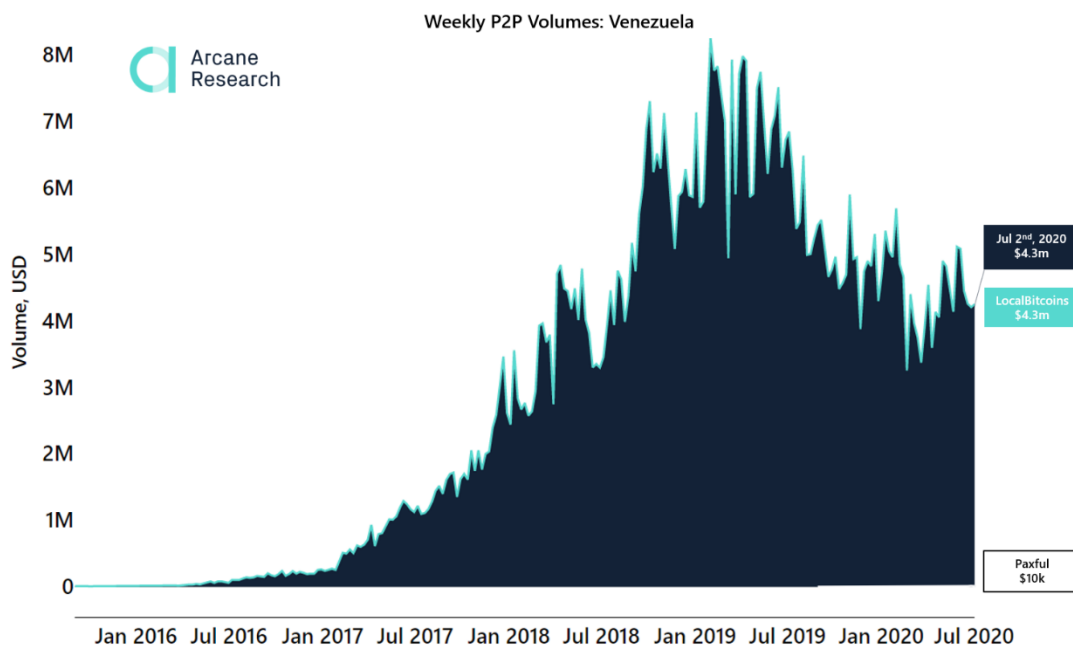


Venezuela accounts for 42% of the Latin American P2P volume

Venezuela is by far the largest volume contributor of the region, accounting for 42% of the total volume in Latin America. The country saw a steady rise in volume, with a sharp peak during the spring of 2019, at \$8 million of weekly volume.

Since then, the volume has declined and now sits at \$4.3 million. LocalBitcoins is by far the dominating platform in the country.

Figure 13: Weekly P2P Volumes, Venezuela



The declining volume could be driven by the KYC implications on LocalBitcoins.

Paxful has held an insignificantly low volume in the region, and recently announced a shutdown of the Paxful operations in the country, likely driven by US compliance issues.

The diaspora

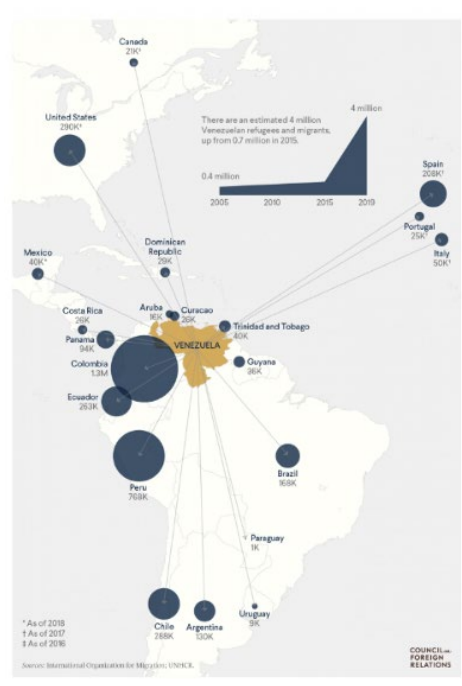
Venezuela has struggled hyperinflation, political chaos and economic restrictions, both from the US and from the local government, for a long time.

Between 2016 and June 2019, the Venezuelan Bolivar saw an overall inflation rate of 53,798,500%, as the currency hyperinflated.

In such an extreme situation, bitcoin can be used as a capital flight tool for Venezuelans. The hyperinflation is a huge problem for Venezuela and have caused over 10% of the population to leave the country.

The Venezuelan expatriates actively send money back to their relatives in Venezuela. Despite various clamp downs on cryptocurrencies and strict currency control in Venezuela, some people have found workarounds and utilized BTC and P2P platforms to perform remittance payments back home to the struggling relatives.

Figure 14: The Exodus from Venezuela



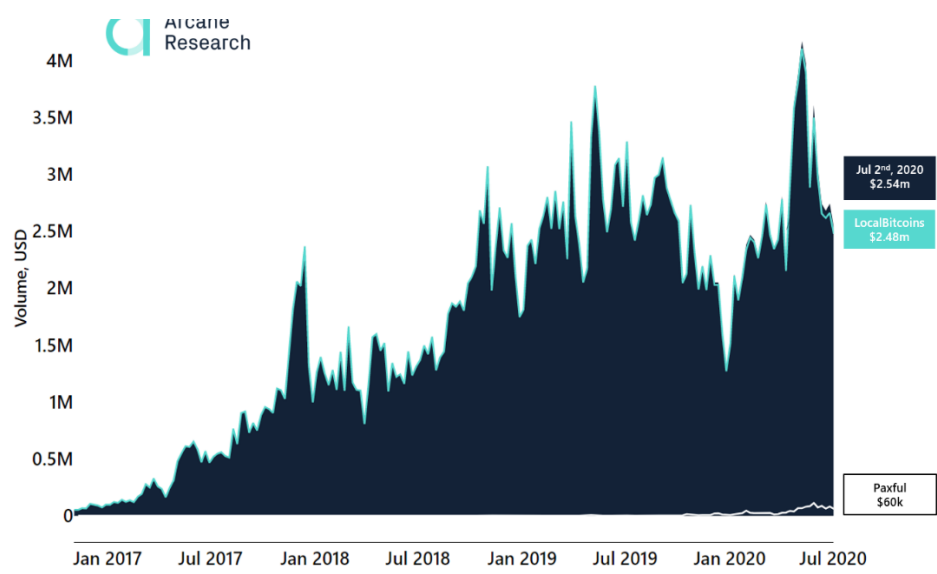
Source: Cfr.org

Colombia – Latin American runner up

Colombia is the second largest volume driver in the region, accounting for 25% of the total Latin American P2P volume, totaling \$2.54 million. The volume has seen a steady increase since January 2017, all though it saw a sharp decline in the beginning of 2020.

The Colombian volume is mainly driven by remittances towards Venezuela, and start-ups such as Valiu has enabled larger scale services utilizing LocalBitcoins to enable efficient remittance transfers in the region.

Figure 15: Weekly P2P Volume, Colombia

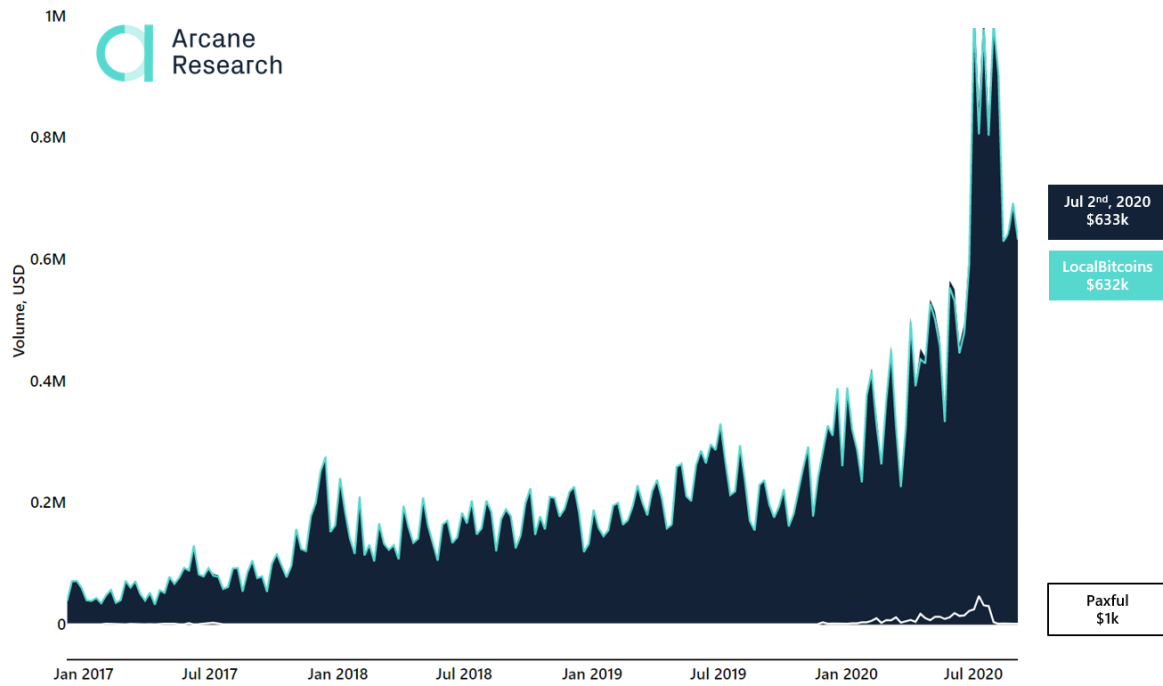


Sharp increase of the Argentinian P2P volume

Argentina is the third largest volume driver in the region, accounting for 8.5% of the total Latin American P2P volume. The Argentinian Peso has also seen a high inflation rate lately, as the currency experienced a 54% inflation rate in 2019.

Argentina has a relatively large Venezuelan diaspora in addition to a soaring inflation rate. Thus, both the store of value properties of bitcoin and the remittance activity generate larger volume in the country.

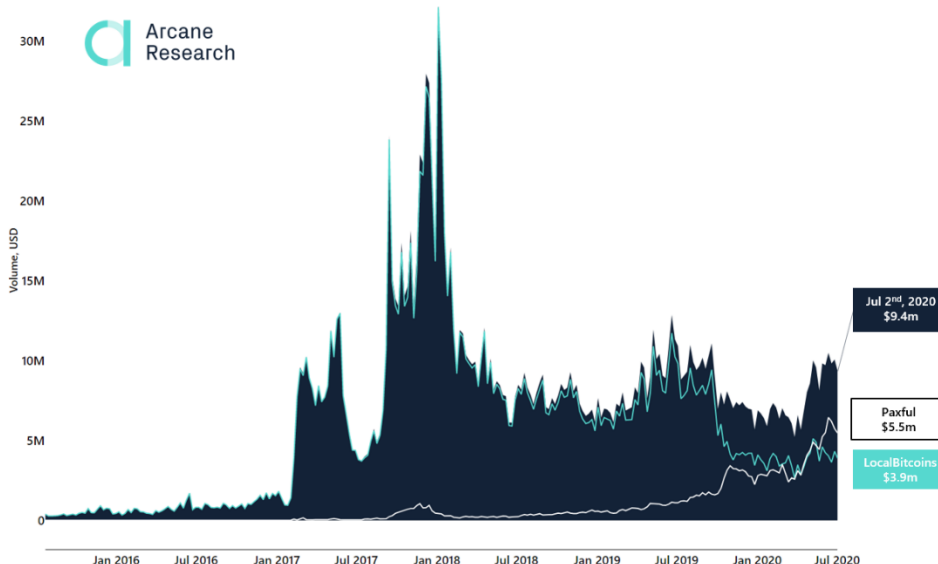
Figure 16: Weekly P2P Volume, Argentina



Asian P2P volume climbing in 2020

The P2P volume of Asia-Pacific peaked during the 2017/18 bull market and is currently 66% lower than at its peak. At that time, China absolutely dominated the regional volume, accounting for more than two thirds of the total volume. At the peak of 2017, LocalBitcoins was by far the dominating player, with Paxful holding low volumes.

Figure 17: Weekly P2P Volume, Asia



As seen in the chart above, the LocalBitcoins dominance lasted up until September 2019, when it fell sharply as LocalBitcoins transitioned to KYC compliancy. Paxful took significant shares immediately following the KYC implementation, but the overall trading volume in Asia fell.

However, in the last couple of months, the volume in the region has returned to the 2019 levels, but now with Paxful as the largest P2P platform in the region.

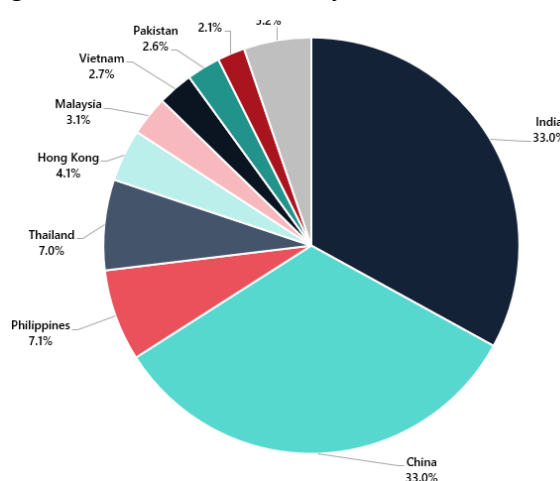
Regional Distribution

India and China each hold 33% of the total P2P volume in Asia Pacific. The remaining third is distributed among the rest of the Asian countries, with the Philippines and Thailand both pushing weekly volumes above \$800,000.

The Philippines has seen a sharp growth in its P2P volume lately, as the country started the year with weekly volumes around \$50,000.

The Filipino adoption of bitcoin has been evident in other figures as well, as the largest national centralized exchange, coins.ph, has above 10 million users on the platform.

Figure 18: Distribution of Weekly P2P Volume, Asia*



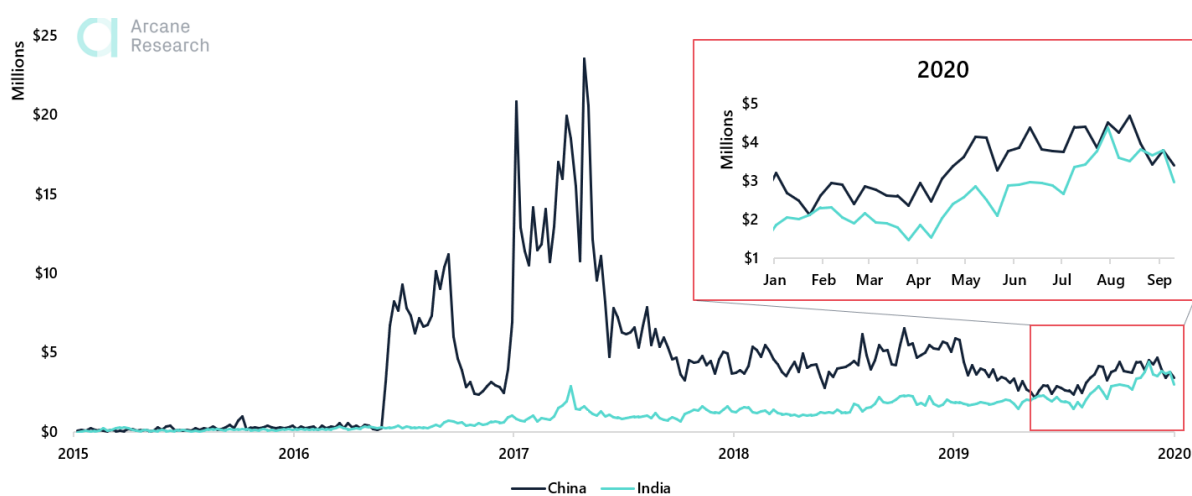
*As of July 2, 2020

India P2P volume about to surpass China

China has long been the largest contributor to the Asian P2P volume, but is about to be surpassed by India, who has seen a strong and stable growth throughout 2020.

China was the dominating country in Asia in terms of P2P volume in the early days of the P2P trading market. The volume was highly volatile the middle of 2017, but saw a sharp spike as Xi Jinping forbid buying bitcoin for Chinese Yuan. Under these circumstances the P2P exchanges were the simplest feasible option for investors seeking to get hold of bitcoin via their national currency. This likely caused the enormous spike in the beginning of 2017, alongside the strong bull market later that year.

Figure 19: Weekly P2P Volume, China and India



However, as the bitcoin price crashed, the volume fell sharply and stabilized around \$5 million of weekly volumes throughout the last half of 2017 and up until September 2019, as LocalBitcoins turned KYC compliant. P2P participants in the Chinese market have later shifted towards Paxful, and Paxful now holds the position as the Chinese market leader.

As the volume has halted in China, the story has been vastly different across the Himalayas in India. The volume has seen a steady rise over the last few years and has currently surpassed China as India has become the largest contributor to the Asian P2P volume during the summer of 2020.

Several catalysts might have driven this increased adoption:

1) Distrust in the financial system

In 2016, prime minister Narendra Modi announced that high value banknotes would be withdrawn from the financial system over night in order to prevent illicit activity. This led to large queues outside of ATMs as Indians sought to exchange their high value banknotes.

The decision was met with protests and strikes against the government. The Indian Rupee has underperformed compared to the US Dollar since and is currently 10% weaker compared to the dollar than prior to the demonetization of the high value currency notes.

2) Remittances

India is the top recipient of remittances, according to the World Bank, with its diaspora sending \$83 billion worth of remittances in 2019, equaling 2.9% of the total Indian GDP. The World Bank estimated that the COVID-19 outbreak will reduce the remittances by 23% in 2020, a significant and devastating loss for the economy.

3) Supreme court of India overturned banking restrictions for crypto exchanges March 4th, 2020

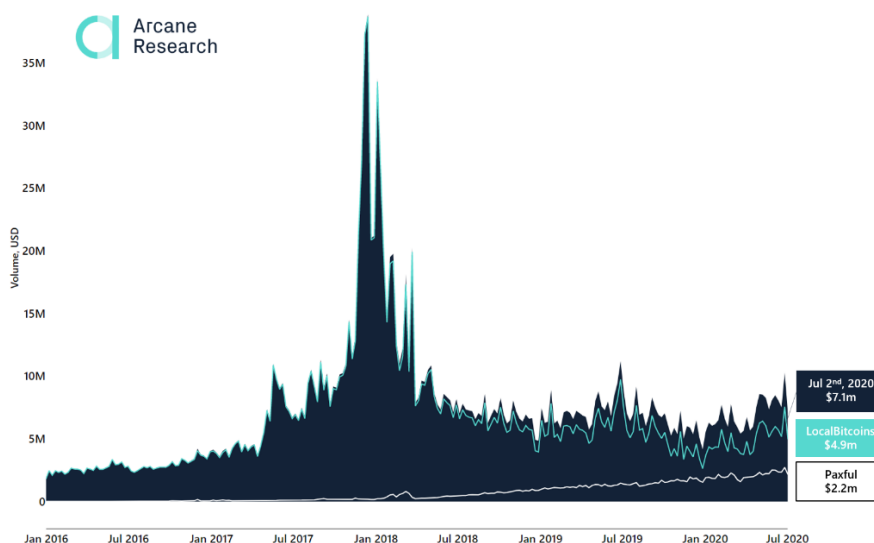
Since the lift of the banking restrictions, the weekly P2P volume in India has seen an 87% boost.

Western European volume far below 2017 highs

The Western European P2P volume had a sharp peak during the 2017 bull run, with the weekly volume reaching \$38 million. The volume quickly fell as bitcoin tumbled and has never been close to revisiting its former highs, as market participants most likely have moved over to centralized exchanges.

In the chart below, we report the weekly P2P volume in Western Europe. As can clearly be seen from the chart, there was a substantial spike during the hype of 2017, followed by a collapse in volume. The Western European P2P market has not recovered since.

Figure 20: Weekly P2P Volume, Western Europe



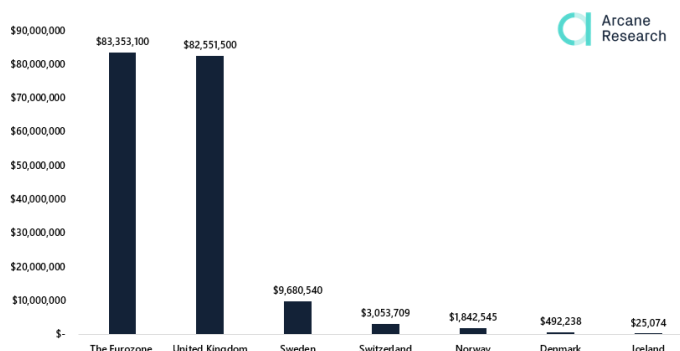
The lack of a recovery in the Western European P2P market is likely due to the high living standards of the Western European population, with proximity to trusted financial institutions as well as a high rate of banked inhabitants.

The effect of the KYC implementation of LocalBitcoins has also been negligible as LocalBitcoins is still dominating in terms of market shares. This is probably affected by Western Europeans having more trust in the financial systems, as well as the relative ease of becoming KYC compliant.

The UK and countries within the Euro zone are by far the largest volume drivers in the P2P markets among the Western European "countries".

The two regions have pulled monthly volumes above \$10m ever since July 2017 and have maintained relatively stable volumes over past two years.

Figure 21: Monthly P2P Fiat Volume (YTD), Western Europe

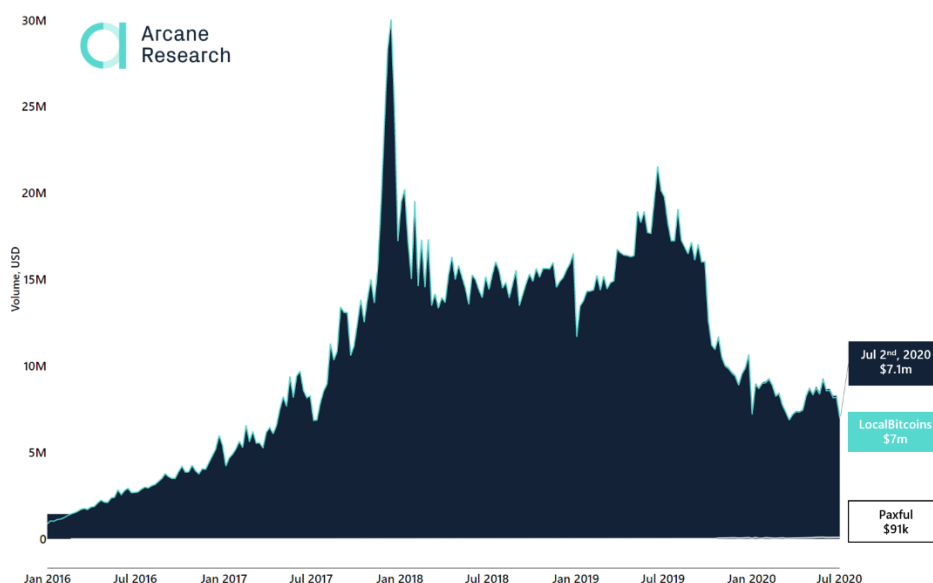


Eastern European volume is dominated by Russia

In Eastern Europe, the P2P volume has been vastly dominated by Russia, and the country has held a significant majority of the volume in the region for all the five years analyzed.

In the chart below, we report the weekly P2P volume in Eastern Europe. As can clearly be seen from the chart, there was a significant spike during the hype of 2017, followed by a sharp fall, but not a collapse, as seen in Western Europe. Instead the volumes remained elevated until the introduction of KYC on LocalBitcoins.

Figure 22: Weekly P2P Volume, Eastern Europe



Interestingly, LocalBitcoins still hold a strong grip on the regional trading volume, with LocalBitcoins accounting for 98.5% of the total volume in the region.

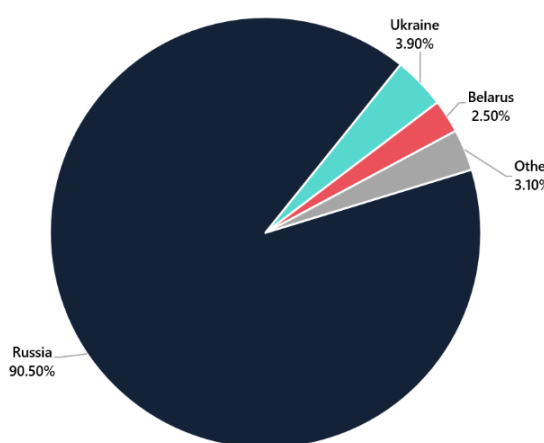
Regional distribution

Russia accounts for 90.5% of the total trading volume in Eastern Europe and has dominated for the entirety of the sample.

Ukraine accounts for 3.9%, and according to a recent report [published by ChainAnalysis](#), Ukraine is the global leading country in terms of crypto adoption.

Belarus accounts for 2.5% of the Eastern European volume. The country is currently experiencing political turmoil as President Lukashenko is experiencing opposition to his power. This could be a catalysator for further growth of the crypto adoption in the region.

Figure 23: Distribution of Weekly P2P Volume, Eastern Europe*



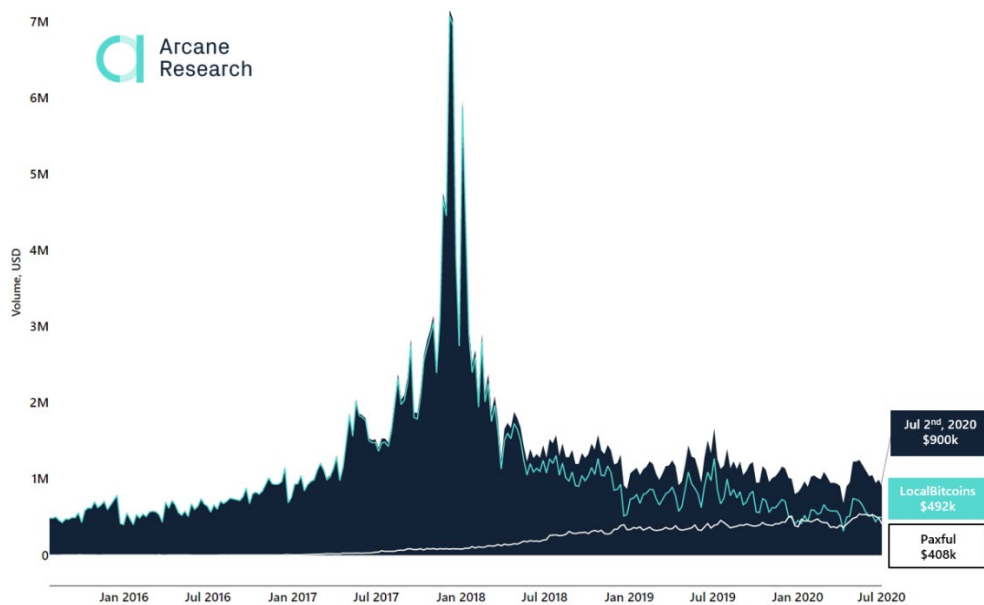
*As of July 2, 2020

Low P2P volumes in Australia and New Zealand

Australia and New Zealand also saw a clear spike in transaction activity in the P2P market during the 2017 bull run but have since seen volumes completely flattening out.

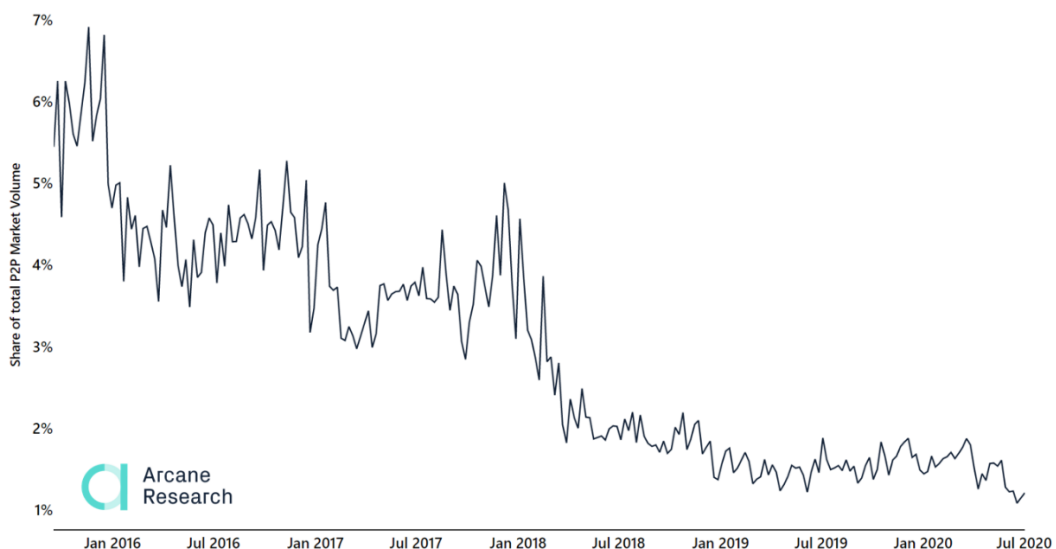
In the chart below, we report the weekly P2P volume in Australia and New Zealand. As can clearly be seen from the chart, there was a significant spike during the hype of 2017, followed by a collapse in volume. The Australian and New Zealand P2P markets have, as for the West European, not recovered since.

Figure 24: Weekly P2P Volume, Australia and New Zealand



From 2016 throughout 2017, the region on average accounted for 5% of the total global P2P volume. However, this is no longer the case as the region currently accounts for a mere 1%.

Figure 25: Share of the Total P2P Market Volume, Australia and New Zealand



Australia and New Zealand are among the most well-developed economies, with both countries ranked as very highly developed on the [HDI Index](#). Access to centralized exchanges are abundant, both international, but also national exchanges. Trades through centralized exchanges have likely taken over the volume in the market, as they allow users to invest in digital assets via national currency with high liquidity and tight spreads.

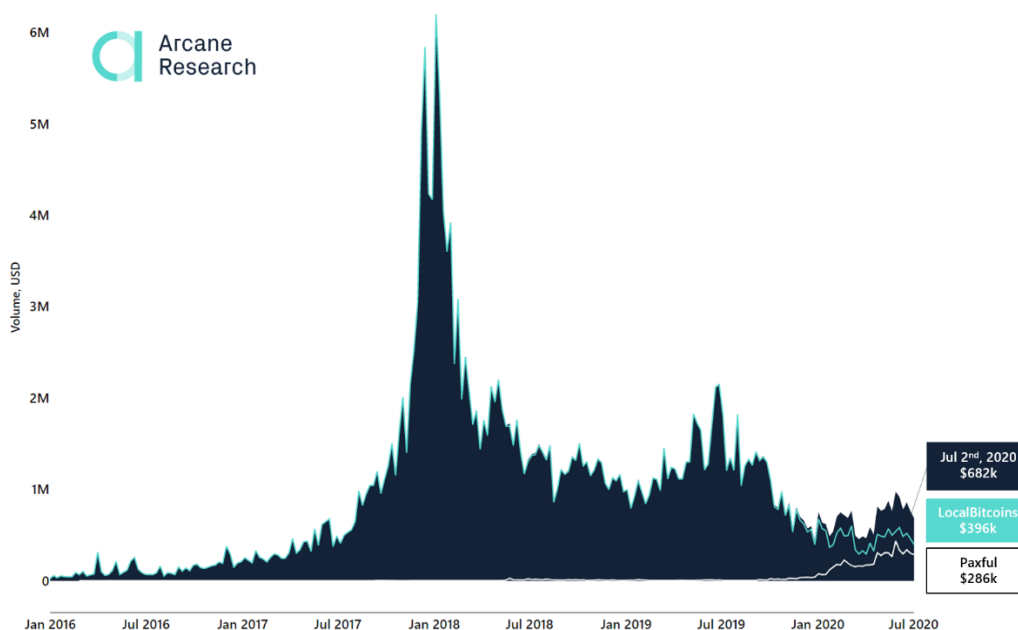
[Independent Reserve](#) is one example of such a national exchange, and it averages well above \$10 million in weekly volume, according to [CoinGecko](#).

Middle East and Northern Africa see declining P2P volume

The Middle East and North African P2P volumes are the lowest regional volumes globally.

The P2P volumes of the Middle East and Northern Africa peaked during the 2017 bull run, and since declined sharply. The current P2P volume of the region is at 15% of the size during the peak, and is on a falling trend, as visible in the chart below.

Figure 26: Weekly P2P Volume, Middle East and North Africa



Following the narrative of this report, the findings are surprising. Many of the countries in the region are deemed as frontier markets or emerging markets, and remittances account for 2.036% of the total combined GDP in the region according to the World Bank.

There might be several possible explanations behind this conundrum. In general, there are several centralized exchanges providing services in the more developed Arab states.

However, other countries in the region do not have this exchange infrastructure, and also lack financial and political stability, but has not seen any notable crypto adoption on the P2P market.

To exemplify: Both Lebanon and Iran are struggling with rampant inflation of their national currencies, and the countries are finding themselves on shaking political ground. Poor Internet infrastructure and political regimes being negative towards bitcoin have complicated the process and made it difficult for even the P2P exchanges to establish themselves in the market.

However, less sophisticated methods of P2P trading have grown. Using WhatsApp and other chat services, a small group of buyers and sellers are exchanging bitcoin.

Currently, UAE and Saudi Arabia are the two countries dominating the P2P volume of the region, but we expect to see larger adoption in more unstable economies such as Lebanon, Iran and Egypt.



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