

# Mystery shopping: Investing in cryptocurrencies III Update



October 2022

A study carried out within the framework of the 2022 Financial and Digital Education program



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## About **ASUFIN**

**ASUFIN** is an association dedicated to the defense of financial consumers, founded in 2009. It is part of the **BEUC** (Bureau Européen des Unions de Consommateurs), the largest European organisation of consumer associations. Its president, Patricia Suárez, also represents consumers on the Advisory Board of BSG of the EBA (European Banking Authority), is part of the Investor Protection Committee (IPISC) of the ESMA (European Securities and Markets Authority) and is a member of the Financial Services Users Group (FSUG) of the European Commission's DG FISMA. In addition, she is a member of the Board of Directors of **Finance Watch**.

**ASUFIN** actively participates in the development of the digital economy as a partner of the **Alastria** network, and is part of the Finance for All program coordinated by the **Bank of Spain** and the **CNMV**.

The association develops educational programs, among other things, on finance and digital supports, over-indebtedness, responsible lending, housing, insurance, investment and sustainable finance, within the framework of the 2030 Agenda. For all these reasons, the **Bank of Spain** and the **CNMV** have awarded **ASUFIN**, within the framework of the Finance for All program, of which the association is part, the 2021 Financial Education Achievements Award.

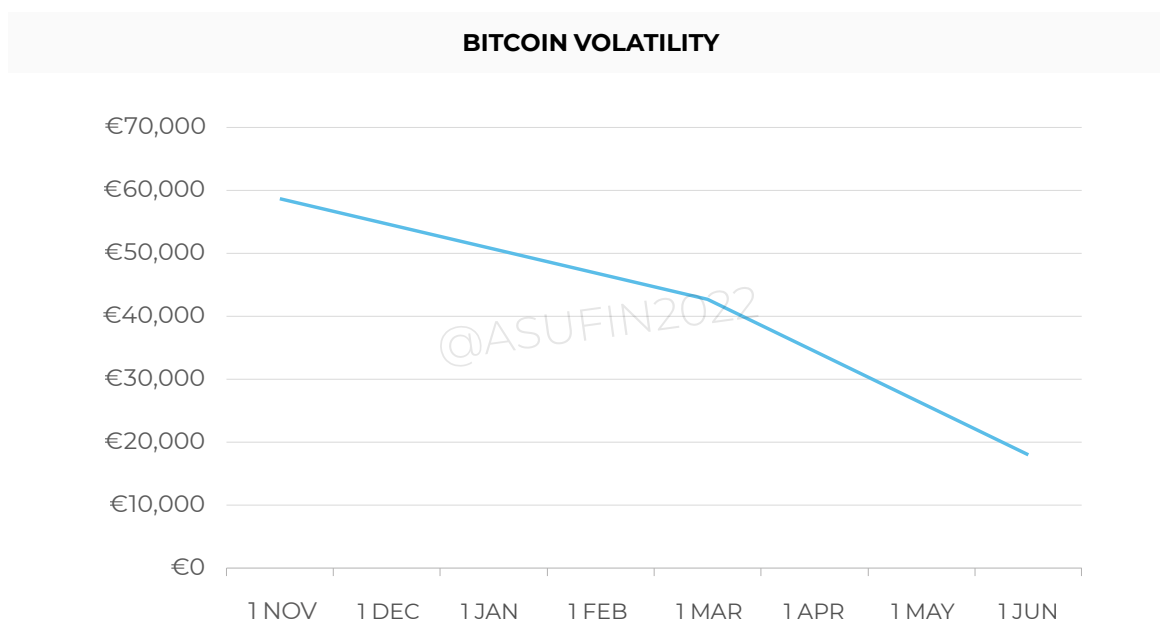
## About **the author**

Study carried out by **ASUFIN**'s Studies Department, in collaboration with Antonio Luis Gallardo Sánchez-Toledo. A graduate in Business Administration and Management from the Autonomous University of Madrid, specializing in Financial Management and Economic Research. After having worked in the securities company La Caixa (now CaixaBank) and in the Santander Group, he has been working for more than 18 years in the field of consumer protection and financial education, carrying out educational programs that includes the preparation of studies in the field of personal finance and insurance.

# Introduction

In September 2021, **ASUFIN** began its [crypto assets mystery shopping](#), by investing 100 euros in five of the main national and international platforms, to better understand the operation of an emerging market with evident risk for investors, both due to not understanding its high volatility and due to the deficiencies in its control and regulation.

In the first months there was a clear sense of optimism, if not euphoria, about the accumulated increases and the growing number of crypto asset launches, as we reflected in our November 2021 and March 2022 reports. However, **this situation has changed radically**. On November 8, 2021, bitcoin reached 58,723 euros; on March 29, 2022, after recovering part of a correction in its prices, it already stood at 42,742 euros, and in June it collapsed to 18,000 euros. In these four months, it failed to recover from a nearly 70% collapse from its all-time highs.



This not only shows the investor's attitude, but also how the platforms have reacted in what has been coined the "crypto winter." **Of the five with which we started this mystery shopping, one of them, 2gether, closed, after imposing the collection of an uninformed commission of 20 euros to all its customers**, in order to cover part of their losses. Another of the main platforms, Coinbase, also imposed temporary restrictions during summer's most difficult moments.

For all these reasons, in this new mystery shopping study we face a very different situation where platforms **no longer focus so much on attracting new customers as on not losing those they already have**, improving aspects such as security and usability, while facing a segment of customers who have more information and are more demanding.

## Objective and methodology

The fundamental objective of this study is to continue understanding not only the operation and performance of the various platforms in which we have invested, but also the evolution in these months.

The process, as stated earlier, is through mystery shopping in which, **after making the purchase of 100 euros** in bitcoin on five platforms, two national and three foreign, chosen for their representativeness both for business volumes, crypto assets they operate and seniority in the sector, **we not only follow-up on the investment but also analyze the behavior of these platforms: Binance, Crypto.com, Coinbase and Bit2Me**, since **2gether** closed its operations abruptly.

To this end, we have actively operated through the various channels they offer. The main channel is the mobile app, followed by a website, but other information systems have also been used. The different messages received (push) such as alerts in the apps and emails have been analyzed and reviewed. Messages (pull) have also been “forced,” in this case the different applications have preferably been used to communicate incidents among which online chats or the opening of incidents due to problems (tickets) stand out. Telephone support has been used to a lesser extent.

Therefore, **while in the first reports we focused more on the purchase process of one of its main assets, the bitcoin cryptocurrency, in this study we focus more on its changes**: how the customer is informed about their investments, incentives to purchase and marketing, new products such as tokens, but essentially the different forms of interaction with the customer have been tested in a less benevolent environment than in previous updates.

### BASIC CHARACTERISTICS OF THE 5 EXCHANGE PLATFORMS

	 <b>BINANCE</b>	 <b>bit2me</b>	 <b>coinbase</b>	 <b>crypto.com</b>	 <b>2gether</b>
FOUNDATION	2005	2014	2012	2016	2017
BASE	China	Spain	USA	Hong Kong	Spain
SUBSIDIARY/ SUPERVISOR	Spain (*)	Spain	Ireland	Malta	Spain
USERS	30,000,000	500,000	103,000,000	50,000,000	Closed operations in July 2022
OPERATIONS	194 countries	65 countries	190 countries	97 countries	
CRYPTO ASSETS	316	184	156	295	

\* Registered as a provider of virtual asset services by the Bank of Spain (Moon Tech Spain S.L.) since 7 July 2022, following an application on 28 January 2022.

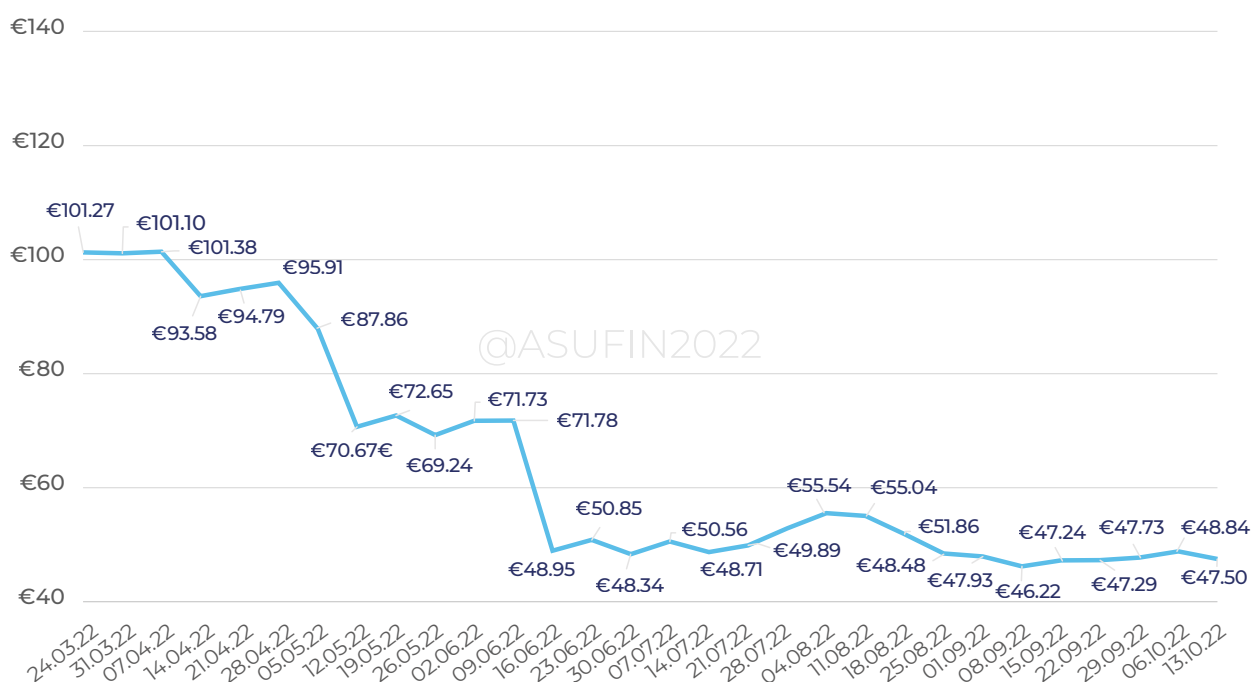
# Crypto Winter: Losses and volatility


The current period of analysis is marked by the sharp decline in the price, in general, of cryptocurrencies and bitcoin in particular, where we focused our investment in September last year.

It is what has been coined the “**crypto winter**”. If we take into account our investment, we have witnessed a **sharp drop of 52.50% since we started investing, and 66.10% from its maximum value of November last year**. In addition, the investment curve has moved “sideways,” that is, since June bitcoin has fluctuated between 18,000 and 22,000 euros in the mid-term, but with a lot of volatility in the short-term and large daily fluctuations. That is, although it has hardly generated movements in the last 18 weeks (from June 16 to October 13, in which the variation has been just -2.98%) there have been daily movements, **with significant increases and decreases, that have especially affected those who make short-term operations or trading**. In fact, if we measure volatility or weekly variations since when we started analyzing the market, it is 8.60%, clearly showing how unstable the market is.

The result is that those who have held positions since before June have accumulated losses; if they have bought more assets awaiting their revaluation, they **will hardly have made a profit** and if they have opted for trading to make profits in the short term, they will have faced very changing and abrupt trends, with large sums of money that “change” the rising or falling prices quickly.

## AVERAGE INVESTMENT PERFORMANCE



	 BINANCE	 bit2me	 coinbase	 crypto.com	 2gether	AVERAGE	VARIATION
14.09.2021	€97.87	€98.01	€98.01	€96.88	€96.99	€97.55	-2.50%
07.10.2021*	€114.34	€114.44	€114.23	€113.99	€112.79	€113.96	27.6%
04.11.2021*	€132.52	€131.71	€132.19	€134.21	€127.27	€131.57	2.50%
02.12.2021*	€124.56	€123.79	€124.25	€126.14	€119.62	€123.67	-5.10%
06.01.2022*	€95.09	€94.51	€94.85	€96.30	€91.32	€94.41	-8.40%
03.02.2022*	€82.76	€82.26	€82.56	€83.82	€79.49	€82.18	-0.50%
03.03.2022*	€97.96	€97.36	€97.72	€99.21	€94.08	€97.26	12.00%
07.04.2022*	€102.10	€101.48	€101.85	€103.41	€98.06	€101.38	0.30%
05.05.2022*	€88.49	€87.95	€88.27	€89.62	€84.99	€87.86	-8.40%
02.06.2022*	€72.25	€71.80	€72.07	€73.17	€69.39	€71.73	3.60%
07.07.2022*	€50.92	€50.61	€50.79	€51.57	€48.90	€50.56	4.60%
04.08.2022*	€55.48	€55.14	€55.35	€56.19	-	€55.54	5.10%
01.09.2022*	€47.88	€47.59	€47.76	€48.49	-	€47.93	-1.10%
06.10.2022*	€48.79	€48.49	€48.67	€49.41	-	€48.84	2.30%
FINAL RESULTS (%)	-52.55%	-52.84%	-52.67%	-51.95%	-67.49%	-52.50%	8.6%
FINAL RESULTS (€)	€47.45	€47.16	€47.33	€48.05	€32.51		

\* First Thursday of each month.



### Investment in crypto plummeted

Of €500.00 invested, we have €222.50 left

 BINANCE	 bit2me	 coinbase	 crypto.com	 2gether	RESULT INVESTMENT
€47.45	€47.16	€47.33	€48.05	€32.51	€222.50

# Closing of 2gether: Victim of the “crypto winter”

On July 6, the **2gether platform** notified all users of the impossibility of maintaining its free **cryptocurrency trading and custody service**, which would entail the charging of a commission of 20 euros to all its customers on July 10 as the closure of their accounts for the 20th of the same month.

This unilateral collection (it was deducted from the equivalent value of cryptocurrencies) and the subsequent closure of accounts, and therefore of **the platform, represented the final chapter of one of the pioneer and most important exchanges in Spain** and coincided with one of the most complex moments in the short history of crypto asset trading. Two days earlier, on July 4, Binance, one of the most relevant platforms internationally, also announced that it restricted futures and derivatives trading in Spain.

These facts have shown one of the great weaknesses of an exchange model whose income is derived mainly from commissions for carrying out operations. When these fall, the smaller exchanges encounter great economic difficulties. This has precipitated, as we will see later, into looking for **other ways of income such as commercializing payment methods** (bank cards) or mainly creating their own tokens.

The process of closing **2gether** was not orderly, with access difficulties, since the web version was inoperative, only allowing operating with the app. The responses of the technical service in those days were non-existent, preventing many transfers. There was also an initial agreement for a transfer over to the Bit2me **trader** that fell through.

## 2gether closing chronology

- **6 July, 2022**  
**2gether** announces the collection of a commission of 20 euros and the liquidation of its accounts.
- **July 10, 2022**  
Unilateral collection of a commission of 20 euros for each account charged to the cryptocurrencies balance.
- **13 July, 2022**  
**2gether** announces that due to the impossibility of maintaining the operation of the App they will proceed with the sale of the balances in Ethereum and Bitcoin.
- **13 July, 2022**  
An agreement is announced with **Bit2me** that would allow the transfer without having to sell the cryptocurrencies. Bit2me undertakes to return the commission of 20 euros charged by **2gether**.
- **July 19, 2022**  
The breaking of the agreement with **Bit2me**.
- **20 July, 2022**  
The balance in euros is sold and transferred to a Pecunpay wallet.



# More promotions and advertising to customers at a time of less contracting

One of the most important responses to this decline in trading is the increase in commercial offers, not on all platforms, aimed at customers seeking an increase in operations that, as we have indicated, are the main source of income via commissions or with the promotion of new products. The strategy of the different exchanges has had key differences:

## **BINANCE**

It has been very active, especially since the close of futures trading in Spain. Its two main lines have been:

- **The launch of drawings** to attract new customers (for example, of an iPhone).
- **Marketing its credit card** (Visa Binance) also accompanied by drawings (1 bitcoin gift, for example).

## **crypto.com**

**It has not made any promotions**, its credit card is not marketed in the European Union. Their messages, as will be discussed later, focus on the currencies in which they are invested.

## **coinbase**

Its main forms of recruitment and promotion are tutorials and courses in which you can get small rewards. These have decreased compared to the end of 2021 and the start of 2022.

## **bit 2 me**

Very active in their customer communications focusing on different aspects:

- **Contracting a proprietary Token** (\$B2M Token) with commission discounts on some services.
- **Increased number of crypto assets to contract.**
- **Improvement in security: double check system.**

# The commissions policy is maintained despite the lower contract volume

The cost policy in the purchase and sale of cryptocurrencies has hardly changed, also defining more clearly the two large groups of operators or Exchange according to the type of operations:

## More focused on trading

 **BINANCE** y  **crypto.com**

They define low commissions on purchase/sale, 0.10% per operation, for **Binance**, and 0.40%, for **Crypto.com**, in its highest tranches.

They establish discounts and lower rates if volumes are higher.

In the case of **Binance**, it starts at VIP level 0, the most common, up to 50 Bitcoins at 0.10% and descends to VIP level 9, more than 150,000 bitcoins at only 0.02%.

**Crypto.com** acts in a similar way, with nine levels, ranging from the most basic, or 1, for operations of less than 25,000 dollars, at 0.40%, going down to 0.04% in purchases and 0.10% in sales at level nine for volumes accumulated in 30 days over 200 million dollars.

## More focused on long-term operations

**coinbase** y **bit(2)me**

On the opposite side, there are **Coinbase** and **Bit2me** with much higher commissions. In the case of **Coinbase**, there are two options, a variable commission and a fixed commission, being the most economical variable as long as it is applied in operations less than 200 dollars, while the fixed option penalizes small purchases. Its strategy is clear, to make bulk and long-term purchases much more attractive. For example, it charges from 0.99 euros up to 10 dollars in collateral (the equivalent of 9.99%) and up to 2.99 euros in purchases between 50 and 200 dollars (from 12.00% to 3.00% commissions).

There have been no changes in commissions in recent months despite lower purchase and sales volumes.





# Penalties for the use of a card and promotion of the use of Wallets

On all platforms, a commission is applied for the use of a debit and credit card for transactions, mainly purchases but also in the reimbursement of funds.

The average rate is 2.00% on all platforms (1.99% on **Bit2Me** for European Union cards). **Coinbase** applies a minimum for low volume operations: 0.55 euros. The smallest fee is in **Binance**, which uses as a form of promotion for its own card reducing this fee to 0.90%.

On the contrary, the use of wallets at the time of purchase and sale is widely promoted. **Binance** and **Crypto.com** apply commissions that, depending on the wallet used, do not exceed 0.35% in the case of Binance and 0.25% in the case of **Crypto.com**. The most reduced fees are in Coinbase, with a fixed commission of 0.15% for all wallets, while **Bit2Me** offers free access to Tikebit and Euro Wallets. The transfer is a very limited option, which only **Coinbase** actively offers with a cost of 0.15% to be added to the possible cost (commission) of the financial institution itself.

Finally, an exchange and conversion option, transforming balances from one cryptocurrency to another is a rising option, especially due to the liquidity and price problems of some cryptocurrencies. The cost varies. The cheapest is the Spanish **Bit2me** at 0.95%, applying the same purchase and sale rate. **Coinbase** and **Crypto.com**'s are more than double (2.00%) and a special case is **Binance** which applies a fixed price of 0.0005 bitcoins, which at the current exchange rate would entail a cost of around 9.6 euros per operation.

PURCHASE COMMISSIONS				
	 <b>BINANCE</b>	 <b>crypto.com</b>	<b>coinbase</b>	<b>bit 2 me</b>
PURCHASE COMMISSION	0.10%	0.40%	1.49%	0.95%
ADDITIONAL CHARGES CARD PURCHASE	2.00% (0.90% on the Binance card)	2.00%	2.00% (minimum €0.55)	1.99% EU card/ 4.99% credit card Other countries
COST OF PURCHASE WITH WALLET	Variable according to Wallet up to 0.35%	Variable according to Wallet up to 0.25%	0.15%	No additional cost
ADDITIONAL TRANSFER FEE	-	-	0.15%	-
CRYPTOCURRENCY EXCHANGE AND CONVERSION	0.0005 BTC	2.00%	2.00%	0.95%
SALE COMMISSIONS				
	 <b>BINANCE</b>	 <b>crypto.com</b>	<b>coinbase</b>	<b>bit 2 me</b>
SELLING CRYPTOCURRENCIES	0.10%	0.40%	1.99%	0.95%

# Better response from customer services



Progress has been made both in terms of information and customer service for the four operators that have continued to operate.



Its authorization to operate as a virtual asset service provider by the Bank of Spain has led to **important changes**, such as:

- ✓ Inclusion of Terms of Use in Spanish
- ✓ Customer Service channel in Spanish
- ✓ That the new claims can be made through Spanish courts and not with an arbitration service in Hong Kong, which also prevented collective claims.

**Communication mechanisms have also improved**, with responses and chats in Spanish:

-  **Online chat:**  
Waiting time is very short, less than 5 minutes for a response.
-  **Email Address:**  
A reply was received within 24 to 48 hours.



One of its main shortcomings is the **non-inclusion of risk warnings**.



This **one is most deficient in providing the information for and treatment of customers:**

- ✓ Not only does it not warn about investment risk,
- ✓ It has the information in English and its policy of terms of use in English as well (as well as its entire website/app).

**Customer service is equally poor for the Spanish customer:** responses in Spanish have only been obtained in email queries with a response between 48 and 72 hours after the consultation.

-  **Online chat:**  
Waiting time is reduced, from 5 to 10 minutes in the response in English, not in Spanish, at least in the 3 tests performed.
-  **Email Address:**  
The reply has been received within 48-72 hours, in Spanish.

It is not registered in Spain and its claims and regulation depend on Malta.

## coinbase

- ✓ An improvement, given that much of the information is already in Spanish, including a warning about investment risk.
- ✓ Although its terms of use are still in English referring to it being an entity supervised by Ireland.

Its **level of customer service** has improved.



### Online chat:

Waiting time is short, from 5 to 10 minutes in the English response. In Spanish it is a specialized operator who contacts you with an additional wait of about 5-10 minutes.



### Email Address:

The reply was received in Spanish quickly (on the same day).

## bit 2 me

The Spanish Exchange **offers the most complete information with all its website/app in Spanish:**

- ✓ Including risk warnings,
- ✓ Terms of Use in Spanish,
- ✓ And fast customer service.

Customer service:



### Opening of incident tickets:

Quick response, with contact in less than 15 minutes.



### Contact telephone:

Even if there are more limitations in availability, the waiting times are reduced: less than 5 minutes.



### Email Address:

Reply within the day.

### INFORMATION AND CUSTOMER SERVICE

	BINANCE	bit 2 me	coinbase	crypto.com
WARNING/ RISK	No	Yes	Yes	Yes
TERMS OF USE	Spanish	Spanish	English	English
SUPERVISION	Spain	Spain	Ireland	Malta
CUSTOMER SERVICE	Spanish	Spanish	English/Spanish	English/ Spanish
LEGAL CLAIM	Courts in Spain	Courts in Spain	Courts in Ireland	Arbitration in Malta

## More information about price variations of your assets

Another field of improvement has been to report, by default, the price variations of portfolio assets, without the need to customize alarms or generate buy/ sell positions (stop loss). Although this information can be used to incentivize operations (long purchases or short sales), it helps to be informed.

Bit2me and Binance do not offer this option by default, but both Coinbase and Crypto.com do.

### coinbase

By default, it notifies any variation in the price of portfolio assets (positive or negative) when it exceeds 4.00%. In its basic information it notifies the price changes, the current price (when the notification was sent) and the time between which the price variation has occurred.

For example, there has been a price decrease of -4.50%, bitcoin 20,550.40 euros, in the last 3 hours.

### crypto.com

The procedure is similar, but all the messages are in English, their usefulness is somewhat reduced since both the current price and the variation are reported as variations in the last 24 hours, so when you receive the upward or downward trend it may have changed.

# Conclusions

The cryptocurrencies' market situation has been decisive. **In recent months, upward or downward movements in the mid-term have been limited, but not on a daily basis, with fluctuations of even more than 10% between intraday highs and lows.** This has led to the volume of operations dropping, generating different responses. Some, such as 2gether, have closed their business due to a drastic reduction in their income, or have restricted it due to their higher risk, as is the case with Binance futures. Others have focused more on trading, promoting the daily swings we have pointed out. And, finally, those who seek promotions and attractions have also grown, from associated credit cards to encouraging the marketing of their own tokens.

But this fact **has also been reflected in a positive aspect: a greater focus on the customer.** It is true that customer service mechanisms remain inadequate and there is no clear commitment to transparency in most cases, but these positive changes in the information and response processes are always a positive aspect.

However, **there are also negative points that increase the risk:**

1

**A greater promotion of trading that we have pointed out, and therefore for the short-term and more risky operations in the case of [Binance](#) and [Crypto.com](#)**

The case of the former is particularly striking, since although it does not allow leveraged and debt operations, which can involve a shared risk for the entity and the client (the volume of potential losses and profits is greater than the money invested), it encourages a practice that can clearly harm only the client.

2

**Stability in commissions**

Especially penalising card transactions and thereby cash withdrawals, all on the rise.

3

**Increase in promotions**

Both for the contracting of cross products, and to attract new customers.

Cryptocurrencies still do not have an adequate level of regulation and are therefore a high-risk product that must continue to be highlighted in order to achieve a higher level of awareness by the user, especially of their risks, but also of the protections offered by regulators.

## Addendum.

This addendum discusses the developments that have occurred in the sector up to the closing date of the study, November 21, 2022.

### FTX BANKRUPTCY AND CRYPTO ISSUES

On **November 7**, **Binance** reported the sale of its position in FTT, FTX's native token, initiating a spiral of events that led to FTX's declaration of bankruptcy four days later. The reason for the sale of an investment valued at \$500 million was information calling into question the solvency of the company.

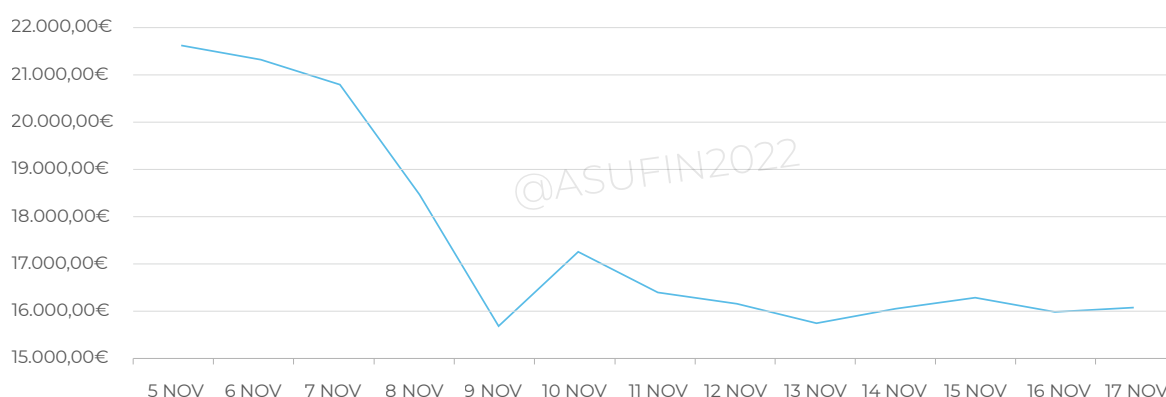
This triggered a massive sell-off of many investor's FTX positions which led to a **November 8** withdrawal cap, while the value of their Token plummeted by 80%. Being in a free fall, as reflected in the graph, led to bitcoin going below 16,000 euros while **Binance**, on **November 9**, withdrew its offer to buy FTX.

On **November 10** the FTX website ceased to be operational and information arose showing that they had used funds deposited by customers for other investments, initially valuing the minimum deficit at \$8 billion, which would have been transferred to the company of its CEO, Alameda Research.

Finally, on **Friday, November 11**, it declared bankruptcy, which spread to Alameda Research, its investment vehicle, and 130 other companies. The bankruptcy of FTX has exposed the lack of control of the companies in points such as:

- Lack of external control by regulators.
- The use of client funds that should only be held for investments.
- There was also an absence of internal regulations and no compliance policy, with the CEO and his inner circle signing investments without a proper evaluation process.

**EVOLUTION OF BITCOIN DURING FTX BANKRUPTCY**



**Crypto.com**, one of the largest operators, is also starting to show signs of trouble due to a lack of liquidity. Some specialists have reported that they have dismissed 40% of their workforce (2,000 workers) while the value of **their own token, Cronos**, has fallen by 60%.





A close-up photograph of a white computer keyboard. The keys shown include Q, W, E, R, T, A, S, D, F, G, Z, X, C, V, and B. A gold Bitcoin coin is placed on the right side of the keyboard, partially covering the G, F, and B keys. A black cable is visible in the foreground, curving around the right side of the keyboard.

