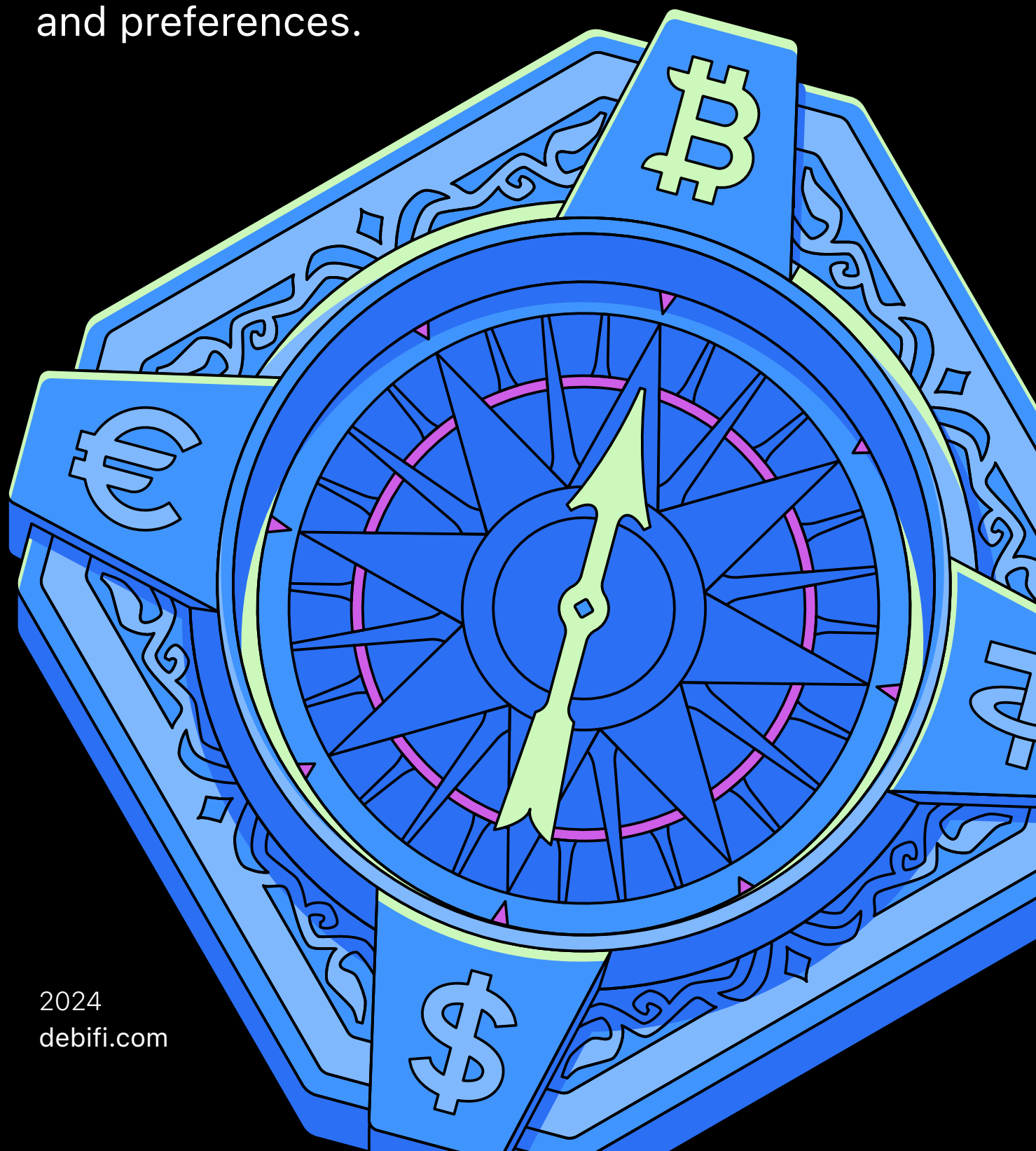


NAVIGATING BITCOIN FINANCIAL SERVICES

A survey on user behavior
and preferences.



ABSTRACT

This paper investigates user preferences and behaviors related to Bitcoin financial services through a survey conducted online and in-person at the Plan B Forum in Lugano. The survey targeted individuals within the Bitcoin community and aimed to capture a wide range of perspectives on custodial and non-custodial financial services, private key ownership, and the use of Bitcoin as collateral.

Although the sample was selected from the Bitcoin community, it should be noted that it was a random sample, which provides an essential foundation for generalizability within the community context. This approach allows for a better understanding of user preferences and trends, while acknowledging the potential limitations of extrapolating findings to the broader population of Bitcoin users.

The analysis explores the importance users place on custodial control, their willingness to use Bitcoin as collateral, and their preferences regarding transparency and rehypothecation in financial transactions. The findings are significant for informing the design and development of Bitcoin financial services that can align with user needs, emphasizing non-custodial, user-controlled solutions and practices that foster trust and adoption within the Bitcoin ecosystem.

1 • INTRODUCTION

In recent years, Bitcoin and other digital assets have seen a significant increase in adoption and interest, prompting the development of specialized financial services tailored to the unique characteristics of blockchain-based assets. One area of notable growth is Bitcoin-backed financial services, which enable users to leverage their digital assets for various financial needs, such as loans, while maintaining the security and principles of decentralization. However, to fully realize their potential, these services must align with the preferences and priorities of their users.

To better understand user preferences and behavior concerning Bitcoin financial services, a survey was conducted targeting Bitcoin enthusiasts and financial service users. The survey was distributed online

via X (formerly Twitter) and conducted in person at the Plan B Forum in Lugano, gathering insights from a diverse group of participants across different age ranges and geographic locations. The questions were designed to uncover user attitudes toward custodial versus non-custodial services, the importance of private key ownership, preferences for financial service providers, and attitudes toward collateral and rehypothecation.

This paper presents an analysis of the survey results, aiming to provide valuable insights that can inform the development and enhancement of Bitcoin financial services. By examining the responses, we seek to highlight key trends, user priorities, and areas where service providers can focus to better meet the needs of their customers.

2 • METHODOLOGY

The data for this study were collected through an online survey posted on X (formerly Twitter) and conducted in-person at the Plan B Forum in Lugano. Participants were selected from the Bitcoin community, and the sample was designed to be random to provide a representative view of user preferences within this subset of the population.

The survey included questions that covered demographic information, familiarity with Bitcoin-related financial concepts, and preferences related to financial services. The questions were carefully formulated to ensure they captured both qualitative and quantitative data that could inform the analysis.

2.1 • STUDY LIMITATIONS AND SCOPE

While the sample for this study is inherently biased, as it was collected within environments heavily populated by Bitcoin enthusiasts, this aligns with the broader objective of understanding the preferences of individuals who are already familiar with Bitcoin. Although the sample size is limited to 200 responses, it was randomly selected from within the Bitcoin community, making it reasonably representative of this specific group. Furthermore, the study serves as an initial exploration, with plans to expand the sample size and reach in future iterations to enhance the robustness and generalizability of the findings.

3 • SURVEY QUESTIONS

Below are the questions included in the survey:

1 What is your age range?

- Under 18
- 18-30
- 31-45
- 46-60
- 61 and over

2 Where do you live?

- Africa
- Asia
- Europe
- North America
- South America
- Oceania

3 Have you ever owned any amount of Bitcoin?

- Yes
- No

4 Are you familiar with the concepts of custodial and non-custodial ownership?

- Yes
- No

5 If yes, do you usually opt for custodial or non-custodial financial services?

- Custodial
- Non-custodial
- I don't mind

- 6 How crucial is it for you to have exclusive access to your Bitcoin private keys?**
- Not important
 - Somewhat important
 - Very important
 - Essential
- 7 If you need a financial service, such as a personal loan, would you first check the options from a traditional bank or from a Bitcoin lending platform?**
- Bitcoin lending platform
 - Bank
- 8 Collateral is an asset (Bitcoin, properties, etc.) that a borrower pledges to a lender as a guarantee that the borrower will repay the loan.**
- If needed, would you consider asking for a loan using a portion of your Bitcoin as collateral?**
- Yes
 - No
- 9 Interest rates are the fees that a borrower pays for borrowing money, calculated as a percentage of the total amount borrowed.**
- If you were to take out a loan using Bitcoin as collateral, which type of loan would you prefer?**
- 3% lower interest rate, and your collateral is held by a custodial service
 - 3% higher interest rate, and you keep control of your collateral using a non-custodial service
- 10 Rehypothecation is the practice by which a financial institution uses the collateral provided by a borrower to secure its own loans.**

The institution will re-pledge the borrower's collateral to third parties. If you decide to ask for a loan, would you choose:

- 8% interest rate, the institution can rehypothecate, and your collateral is held by a custodial service
- 11% interest rate, rehypothecation is not allowed, and your collateral is held by a non-custodial service

4 • RESULTS AND DISCUSSION

4.1 • DEMOGRAPHIC OVERVIEW

The survey gathered responses from participants of varying ages and locations, creating a sample that was randomly selected within the Bitcoin community.

Below are the demographic statistics:

- ▶ **Age range:**
 - 0.5% under 18
 - 31.7% aged 18-30
 - 43.9% aged 31-45
 - 20% aged 46-60
 - 3.9% aged 61 and over
- ▶ **Geographic Distribution:**
 - 67.8% Europe
 - 16.1% North America
 - 7.3% Asia
 - 3.9% South America
 - 2.9% Oceania
 - 2% Africa

4.2 • BITCOIN OWNERSHIP AND FAMILIARITY WITH FINANCIAL CONCEPTS

The survey revealed that the overwhelming majority of respondents (96.1%) have owned Bitcoin at some point, indicating a high level of engagement within the Bitcoin community. Additionally, 99.4% of participants were familiar with the concepts of custodial and non-custodial ownership.

4.3 • PREFERENCES IN FINANCIAL SERVICES

Participants were asked about their preference for custodial vs. non-custodial financial services:

▶ **Preference for Financial Services:**

- 78% preferred non-custodial services
- 12% preferred custodial services
- 10% had no preference

The results also showed that 66.3% of participants considered it essential to have exclusive access to their Bitcoin private keys, highlighting the strong desire for self-custody within the community.

When it came to choosing between traditional banks and Bitcoin lending platforms for financial services, 60.5% of participants would first consider a Bitcoin lending platform, while 39.5% would opt for a traditional bank.

4.4 • WILLINGNESS TO USE BITCOIN AS COLLATERAL

A significant 83.9% of respondents indicated they would consider using a portion of their Bitcoin as collateral for a loan, demonstrating a strong inclination towards leveraging their assets for financial services. The remaining 16.1% expressed that they would not use Bitcoin as collateral.

4.5 • INTEREST RATE PREFERENCES

When asked about loan types:

- 78% preferred a 3% higher interest rate and control of their collateral using a non-custodial service.
- 22% opted for a 3% lower interest rate and having their collateral held by a custodial service.

4.6 • REHYPOTHECATION PREFERENCES

Regarding rehypothecation, 81% of participants chose an 11% interest rate with rehypothecation not allowed and their collateral held by a non-custodial service. Only 19% opted for an 8% interest rate with rehypothecation allowed and their collateral held by a custodial service.

5 • CONCLUSION

The findings from this study provide valuable insights into the preferences of Bitcoin users regarding financial services. The high interest in non-custodial services and the importance of private key control suggest that financial service providers should prioritize transparency, user control, and non-custodial solutions to meet user expectations. The willingness to use Bitcoin as collateral, combined with a strong aversion to rehypothecation, highlights the importance of trust and control in the design of financial products within the Bitcoin ecosystem.

These insights underscore a significant shift in user expectations, where the traditional model of centralized financial services is being challenged by a demand for more autonomy and security. The overwhelming preference for non-custodial services indicates that users value the ability to retain control of their assets and avoid the risks associated with third-party custody. This trend aligns with the core principles of Bitcoin: decentralization, transparency, and financial sovereignty.

Moreover, the findings suggest that Bitcoin users are not only interested in financial products that align with their values but are also willing to trade off higher interest rate for more control and security over their assets. This willingness indicates a mature understanding among users about the potential risks involved with traditional financial practices, such as rehypothecation, where assets pledged as collateral can be reused by financial institutions to secure their own debts. The strong aversion to such practices highlights the necessity for service providers to design solutions that assure users of their assets' safety and exclusivity.

The study also reveals that financial service providers looking to engage with the Bitcoin community must recognize these preferences and incorporate features that resonate with users' demand for trust and transparency. This includes ensuring user privacy, safeguarding against the risks of rehypothecation, and providing robust, user-centric security measures. By understanding and integrating these preferences into their offerings, providers can build deeper trust and loyalty within the Bitcoin ecosystem, setting themselves apart in rapidly evolving market.

The implications of these findings extend beyond individual service offerings; they represent a broader call to the financial industry to rethink how services are structured, marketed, and delivered to a community that is increasingly digital-savvy and skeptical of traditional finance. Meeting the needs and expectations of Bitcoin users will be key for financial institutions and startups that seek to thrive in a world where financial freedom and user autonomy are not just preferred, but essential.