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## When Winter Comes to Bitcoin. How Brokers Can Convert Crypto Traders Into CFD Industry



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When Millennials and Gen Z representatives gather on social media to speculatively increase Dogecoin (DOGE) prices or Wall Street stocks (remember GameStop?), your CFD offering limited to the tired MetaTrader 4 may not be enough. Today's trading for younger generations is all about memes, simple mobile apps, gamification, following trends seen on TikTok and Twitter and seamlessly adapting to dynamic market changes.

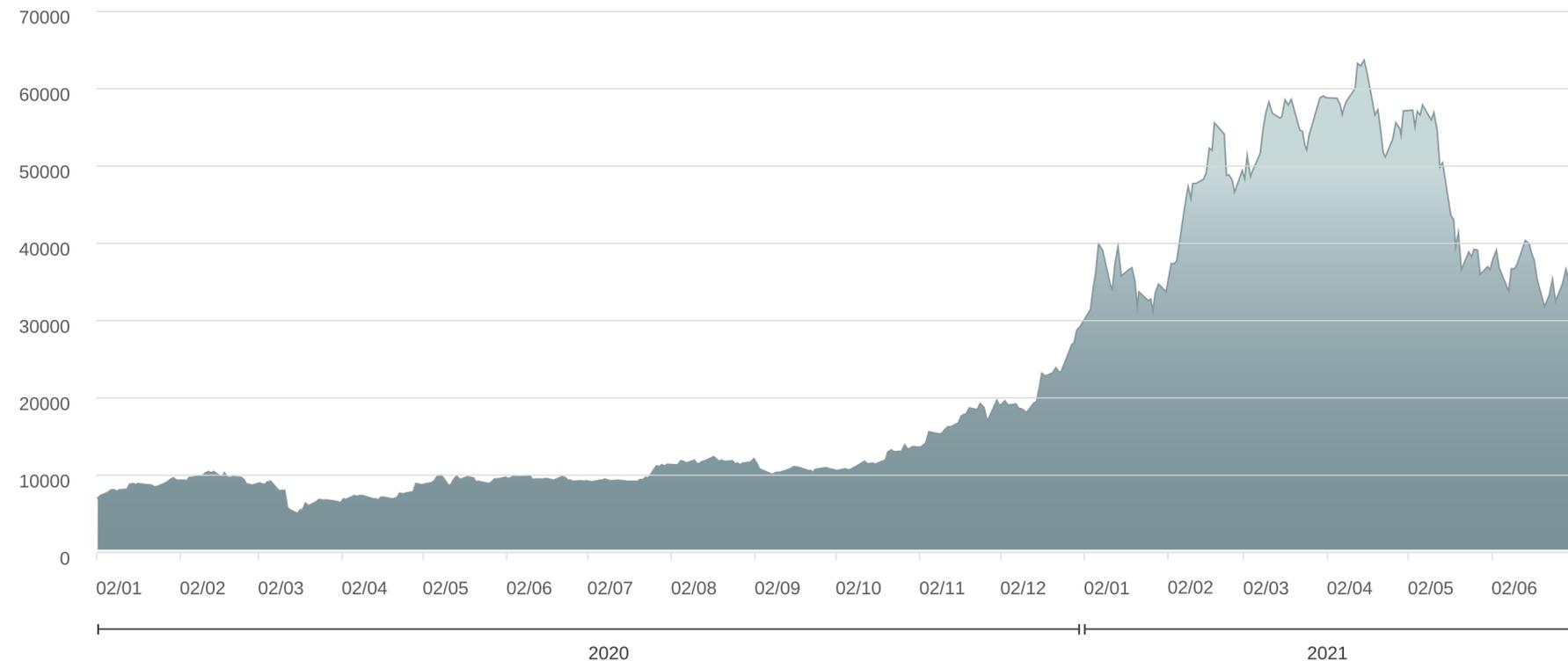
Check out what you can do to drag a new (and older) generation of traders who are only familiar with cryptos, Reddit, and Robinhood to your CFD offering!

The cryptocurrency mania that began in 2020 and peaked in the first half of 2021 attracted a massive number of new retail investors and a record amount of money into the industry. However, the digital asset market has slipped from its historical highs by an average of 50% and has been consolidating for the past three months without signs of much activity. For Contracts for Difference (CFD) brokers, this could be the perfect opportunity to take advantage of the cryptocurrency slowdown and capture customers of exchanges and platforms typically focused on digital assets, offering them a much wider range of instruments: currency pairs, stock indices, commodities, equities and more.

Finance Magnates Intelligence spoke with industry representatives, CFD brokerages and cryptocurrency exchanges. We were looking for an answer to a burning question: how the current stagnation of the cryptocurrency market can be used to attract new customers.

"Our data suggest that more than 50% of all clients who initially trade crypto CFDs go on to trade other leverage products or stocks. As such, we continue to aim to attract crypto clients with a view to introducing them to broader multi-asset opportunities on our award-winning platform,"

Fig. 34 **Bitcoin Price(\$)** in January-June 2021



Source: Stooq.pl

Marcin Niewiadomski, Head of Europe at OANDA and Chief Executive Officer at TMS Brokers, said.

### Brokers Adding Cryptocurrency CFDs to Their Offering or Expanding Their Instruments List

Over the past 12 months, many of the more traditional CFD brokers offering their services mainly through the popular MetaTrader 4 platform have



**Marcin Niewiadomski**  
Head of Europe, OANDA and Chief Executive Officer, TMS Brokers

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decided to take advantage of the growing popularity of cryptocurrencies and add them to their offerings or expand the existing range of instruments.

“The huge interest in cryptocurrencies in the last bull run forced brokers to add not only Bitcoin and Ethereum to their offer but also many altcoins that are gaining popularity, such as Cardano, Aave or Polkadot. Even the most reluctant brokers decided to introduce cryptocurrencies, which had to prevent the outflow of clients to brokers offering cryptocurrencies. Having cryptocurrencies in your offer is a must-have from the sales and marketing point of view,” Michael Karczewski, COO at Match-Trade Technologies, company offering technology solutions for Forex and crypto brokers, commented.

Among entities introducing crypto trading you can find such platforms as Dukascopy. The Swiss company announced that it had added CFDs contracts for Bitcoin, Ether and Litecoin. The broker added cryptocurrency trading for traders using the MetaTrader 4 platform: before, it was only offering crypto trading on jForex trading platform. These new services were added to both live and demo trading environments.



Michael Karczewski  
COO at Match-Trade Technologies

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UK-based brokerage ICM.com took a similar step a few months earlier and expanded its cryptocurrency offering by introducing CFDs on multiple virtual coins. The new pairings incorporate seven cryptocurrencies, representing the latest additions to a growing portfolio of cryptos available for clients. Over the past year, ICM.com has steadily added crypto instruments to its offering as client demand continues to see strong growth.

Elsewhere, a multi-regulated brokerage firm, ThinkMarkets has widened access to trading CFDs based on cryptocurrencies for its clients back in January. The broker extended trading hours for its CFD cryptocurrency products to be traded 24/7, including on the weekends. Before that, cryptocurrency CFDs traders at ThinkMarkets had their contracts expire each week on a Friday, and these were rolled over to the following week.

“We have also noticed a very large increase in the interest in accepting cryptocurrency payments by our clients, which is due to the fact that traders more and more often have cryptocurrencies in their wallets that they want to reinvest in other instruments,” Karczewski added.

The list of brokers is much longer. However, the aim is not to list all the companies but to show a trend: CFD brokers willing to take advantage of the growing mania on the cryptocurrencies market started to supplement their offer with them. Though, as it turns out, it is far too little in many cases.

“The only thing brokers should pay attention to when adding cryptocurrencies to the offer is a liquidity provider with whom we will be able to secure the exposure quickly because the broker may suffer significant losses with the next bull. Unfortunately, the availability of entities offering a wide range of cryptocurrencies with reasonable conditions is still pretty low

in our industry. That is why we decided to create a special offer for our clients. They can use the marketing advantages of cryptocurrencies without worrying about the related market risk,” Karczewski continued.

However, Marcin Niewiadomski, Head of Europe OANDA and Chief Executive Officer at TMS Brokers states, cryptos potentially come with several benefits that do not necessarily exist for more traditional FX/CFD instruments, “such as weekend trading, digital currency deposits, trading on digital assets as NFTs etc. Some of these benefits can already be implemented, while others are subject to regulatory approval. At TMS, we pay a great deal of attention to market trends and our current offering. Still, we also stay very focused on potential developments and our strategy for the future in order to optimise results.”

He also adds that based on this year’s results, TMS has seen significant growth in its active customer base. “Many of whom originally signed up to trade crypto CFDs but have since started trading additional asset classes, diversifying their portfolio and helping better manage their risk. As such, we do believe including crypto in our offering has helped us attract new clients and build trading volumes.”

### Outdated CFD Brokers Platforms vs Cryptocurrency Traders

When brokers want to compete with cryptocurrency exchanges, adding Bitcoin (BTC), Litecoin (LTC) and Ether (ETH) CFDs on the MetaTrader 4 platform will not be enough. Keep in mind that a good number of investors have never been in the market before the cryptocurrency mania, and the only forms of investment they know are straightforward mobile apps to buy Bitcoin or any other digital asset. An overly complicated or outdated trading platform will certainly not encourage potential customers.

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**Charlotte Day**  
Director at Contentworks Agency

“Digital asset platforms are based on powerful algorithms that aid decision making, such as for limit order, ladder order, stack order, split order or stop loss order trading. Traditional brokers can attract and retain clients by offering all this.”

“Many traditional brokers could benefit greatly from transitioning to a robust CRM for example. They could also consider multi device responsiveness, social trading and indeed online communities and forums for their traders,” Charlotte Day, Creative Director at Contentworks Agency, said.

“Robust APIs can help CFD brokers offer trading on multiple exchanges, transfer and rebalancing all with a single API. They can even save regulatory compliance time and costs with a single API. Digital asset platforms are based on powerful algorithms that aid decision making, such as for limit order, ladder order, stack order, split order or stop loss order trading. Traditional brokers can attract and retain clients by offering all this,” she added.

What CFD brokers can learn from cryptocurrency exchanges includes attention to user experience (UX), transparency and ease of use of the trading environment altogether with the integration of desktop and mobile solutions.

A great example of this is the Robinhood platform: thanks to its innovative offering, it has attracted many new clients during the cryptocurrency boom. Now, through gamification of trading, it retains them by offering

access to other asset classes and instruments. If you want to attract or keep a cryptocurrency client, it is not enough to show him an extensive list of trading products: you need to dress this list up with the right platform, offer and marketing.

Especially as a CFD broker, you have more opportunities to offer volatility so desired by cryptocurrency market traders. When ‘crypto winter’ is coming, and Bitcoin and altcoins have been almost stagnant for several months, volatility can be offered through other groups of assets: for example, the stock market or commodities.

According to Karczewski from Match-Trade Technologies, CFD brokers cannot compete with exchanges when it comes to trading conditions on cryptocurrencies, but they can try different approaches.

“First, brokers should make it easier for crypto exchange clients to transfer funds quickly between the exchange and the broker. In my opinion, the best way to achieve that is by starting accepting deposits in cryptocurrencies. Another thing I would focus on is providing a better user experience on brokers’ platforms, similar to that offered by cryptocurrency platforms,” Match-Trade Technologies COO explained.

He took Binance as an example. “It provides a flawless user experience. Everything, from onboarding through deposits, trading and more, is managed by one application without switching between different portals. What I’m trying to say is that users highly appreciate crypto exchanges, so brokers should copy their usability and UX solutions to be more attractive for traders.”

### Give Volatility to Those who Seek Volatility

Since November 2020, Bitcoin grew by an average of 30%, falling 35% in one month in May 2021, and the volatility spurred investor activity and boosted the earnings of cryptocurrency exchanges. However, June brought stagnation while BTC and other digital assets which were wildly volatile became very quiet: the oldest cryptocurrency closed the last month of Q2 with a decline of less than 6%, and in July, it went down again to the \$30,000 level completely resetting this year’s appreciation. According to Filip Kaczmarzyk from XTB “Cryptocurrency investors are divided into two groups. Let’s call the first one ‘crypto buyers’ and the second ‘volatility seekers’.” The second group is permanently looking for volatility.

“They might have been trading cryptos during turbulent times, or cryptos might have even been their first traded instrument, but now they have switched to the markets where the action is, such as bullion or indices. At XTB we feel it is of utmost importance to allow clients to swiftly move between all asset classes in seconds to exploit all possible chances for profit,” Kaczmarzyk added.



**Filip Kaczmarzyk**  
Director of Trading Department, Member of  
the Management Board of XTB

“Cryptocurrency investors are divided into two groups. Let’s call the first one ‘crypto buyers’ and the second ‘volatility seekers’.”

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Many other asset classes have turned out to be more volatile than Bitcoin during this period, e.g., the shares of the US stock giants (for example, Amazon rose by 6.7%), or the quotes of the commodity market (gold lost more than 7%, and oil rose by 9%). In the meantime, one of the most popular currency pair on the Forex market, EUR/USD, gave up 3% of its value, losing slightly less than Bitcoin itself. However, by adding leverage of 30:1 (or more, depending on the jurisdiction), a broker can offer much more dynamic price swings and volatility to a potential client than the cryptocurrency market, which has been dormant in recent months.

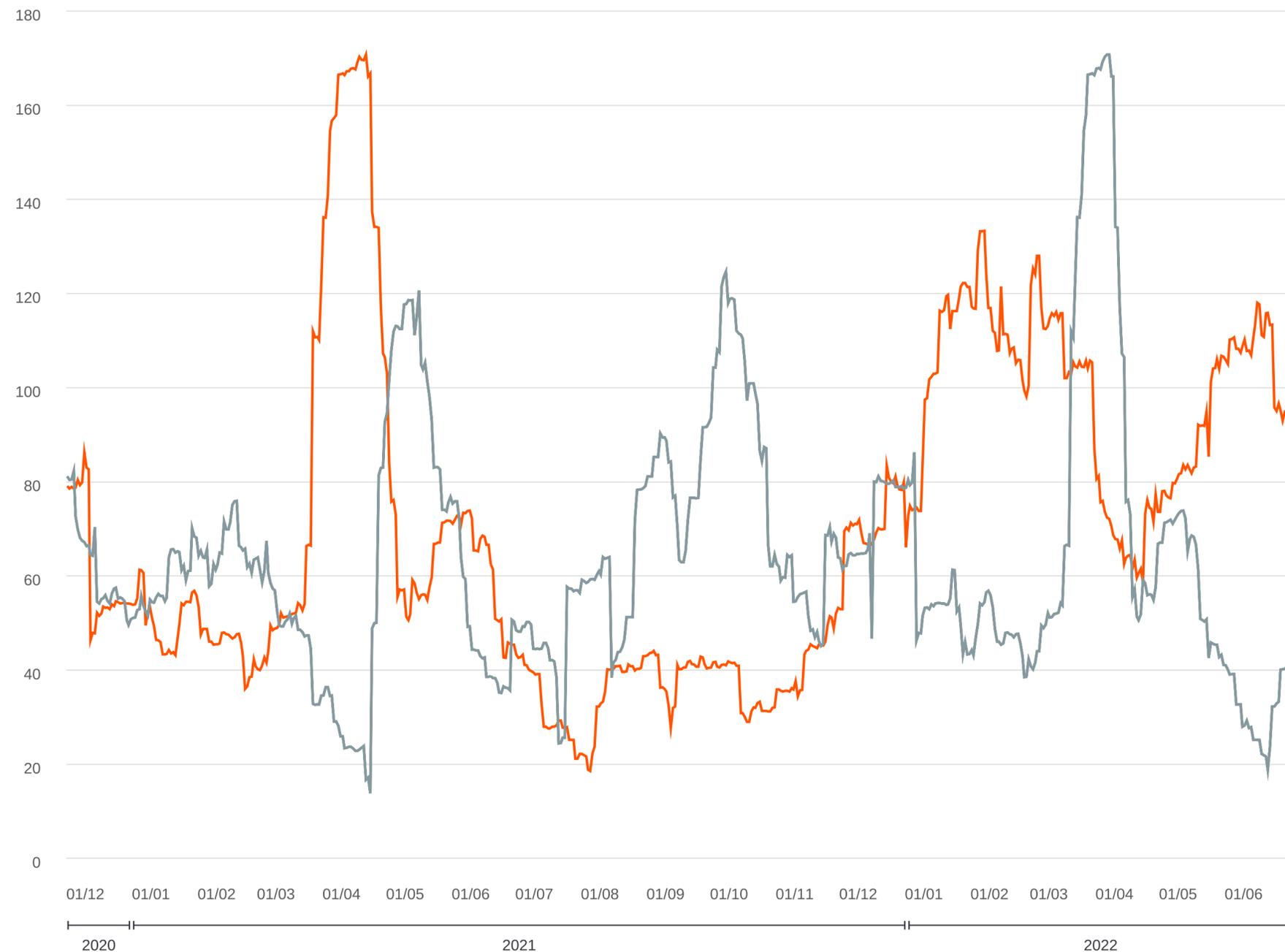
As Mike McGlone, BI Senior Commodity Strategist at Bloomberg noted in the July edition of the cryptocurrency market outlook, the 260-day volatility of BTC compared to the volatility of the S&P 500 index over the same period was at its lowest level ever in 2021. There are many indications that as the cryptocurrency network grows and the market matures, overall volatility metrics will continue to slide.

“Increasing depth and participation, exchange traded funds and notably more hedge funds getting involved should pressure Bitcoin volatility as it migrates into the mainstream,” McGlone commented.

### Indirect Exposure to Cryptocurrencies: Publicly Listed Companies Linked to Digital Assets

The stocks of publicly traded companies might be another good direction in the search for market volatility. They will undeniably encourage many investors to abandon the cryptocurrency exchanges offerings in favor of a CFD broker. The list of publicly traded companies (e.g., on Wall Street) that are indirectly or directly linked to the digital asset market is currently quite significant and still growing.

Fig. 35 **Bitcoin vs Gold Price(\$)** in H1 of 2021



Source: Tradingview.com

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One of the most famous examples besides Elon Musk's Tesla (which at one point in 2020 was more volatile than Bitcoin itself) is MicroStrategy (ticker: MSTR). The company, whose CEO is Michael Saylor, has invested billions of dollars in buying BTC in the last 12 months. Although it produces business intelligence (BI) software on a daily basis, it has become a barometer of the digital asset market condition for stock investors. When BTC was moving just 6% in June, MSTR stock was up 41%, gaining a similar amount of percentages since the beginning of the year.

MicroStrategy is not the only example: quite a few cryptocurrency mining equipment manufacturers or mining companies are publicly listed, including Argo Blockchain (ticker: ARB) from the London Stock Exchange (LSE). The company's shares are gaining more than 230% this year and have been much more volatile than BTC itself in recent months.

You can also add Riot Blockchain, Hut 8 Mining, Bitcoin group, Coinbase Global, Marathon Digital Holdings, Square, Voyager Digital, Galaxy Digital Holdings and many more to the long list. They are among the publicly listed companies that hold the most BTC in their accounts.

### Leverage Can be Another Edge

Earlier in this article, we mentioned the leverage available on CFD instruments. While it is heavily restricted in various jurisdictions, when combined with popular and highly liquid instruments, it will still be able to offer cryptocurrency traders the scale of movements they are familiar with from the cryptocurrency market.

Promoting leverage and focusing on education about what it is and how it works (a cryptocurrency trader often has less experience and knowledge

Fig. 36 **Bitcoin vs Gold Price(\$)** in H1 of 2021

Company	Number of Bitcoins	Share of bitcoins
MicroStrategy	106085	49.20%
Tesla	42902	20.10%
Galaxy Digital Holdings	16400	7.70%
Voyager Digital	12260	5.70%
Square	8207	3.80%
Marathon Digital Holdings	5518	2.69%
Coinbase Global	4482	2.69%
Bitcoin Group	3947	1.92%
Hut 8 Mining	3522	1.72%
Riot Blockchain	2000	0.97%
TOTAL	205323	100.00%

Source: Finance Magnates Intelligence

than a trader from a more traditional CFD market) can be an additional positive factor.

The issue of leverage on the cryptocurrency market looks very different: some platforms offer aggressively high leverage levels, while some, subject to stricter regulations, completely abandon margin trading. Offering sustainable leverage for other asset classes (combined with their periodically higher volatility) in a safe and regulated environment is one of the most important advantages a CFD broker can gain over a typical cryptocurrency platform.

Fig. 37 **Leverage Limits on The Opening of a Position by a Retail Client**

Asset	Leverage
FX Majors	30x
FX others	20x
Gold and major indices	20x
Commodities other than gold	10x
Non-major equity indices	10x
Individual equities and other reference values	5x
Cryptocurrencies	2x

Source: ESMA

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“Cryptocurrencies play an important role in today’s financial markets. That said, as cryptos have increased in popularity, we’ve also seen a rise in the number of unscrupulous platforms entering the playing field. As a result, non-leveraged, blockchain-based trading is becoming harder every day, not just due to the highly speculative nature of the product, but also because of issues such as security, trust and reputation.” Niewiadomski said.

### Regulation, Security and Higher Experience – Use Them to Your Advantage

Not so long ago, the CFD market was considered to be highly speculative and lacking proper regulation. However, the situation has changed in major jurisdictions, and years of its development have allowed it to reach maturity that cryptocurrency platforms lack due to their much shorter history.

“CFD brokers already have an advantage as CFDs allow traders to trade both rising and falling markets. CFDs essentially involve speculating on the future price of a specific asset, which means you can go long when you expect prices to rise and go short when prices are expected to fall. This means more trading opportunities. Millennials make up the largest demographic of traders today, with Gen Z hot on their heels. Once you understand your target audience and region, pitching your services to them becomes easier,” Charlotte Day added.

The mentioned maturity can be used in a simple and effective way: as a broker, you can draw a potential client’s attention to the fact that on a CFD account, funds are much more secure than on a cryptocurrency exchange or in crypto trading apps, which regularly fall victim to hacking attacks. At the same time, in selected jurisdictions, traders can protect

against a negative balance or use investor compensation funds provided by regulators focused on the safety of individual investors.

“Regulation and security are the most important factors investment firms can offer to traditional spot crypto traders. History shows that cryptocurrencies carry significant storage risk. CFDs obviously can give the same exposure to market risk but as the client does not purchase the underlying itself, all they are facing is counterparty risk with the broker. And, for regulated companies this risk is of course limited,” Mr. Kaczmarzyk said.

What is more, CFD platforms are much faster to buy or sell a cryptocurrency, especially on the thinner markets, as traders never own the underlying asset. When trading with a cryptocurrency exchange, the process is longer: the transaction must be put through the blockchain and verified. Mr. Niewiadomski thinks that cryptocurrency platforms will not start offering more CFD trading products in the future: “To do so, crypto platforms would need to acquire licences and stick to regulations that would probably limit their ability to be competitive in the digital currency market. Of course, this is a possible scenario, and we have already seen examples of this, but we believe having a true multi-asset offering that includes FX, CFDs, stocks, ETFs and other instruments, and which can be traded on a best-in-class mobile app at the best possible price is critical to our success right now.”

Adding to this generally better customer service and resulting from long experience in the market, the average CFD broker can be a much better choice for a cryptocurrency trader: the offer aimed at him needs to be packaged appropriately. The broker should focus on presenting the same experience as a crypto platform, with the addition of the elements described above.

“Crypto brokers and exchanges are usually young dynamic startups with no regulations limiting their actions. CFDs brokers are often well established entities, which need to closely follow and obey market rules. Some of them, like XTB for example, are also stock listed companies, which require them to follow an additional set of rules in terms of how they run their business, which in the end means a greater level of safety for its customers,” Kaczmarzyk concluded.

### Aim for Millennials and Gen Z

An E\*Trade survey conducted last year showed that 51% of millennials and Gen Z say that their risk appetite has increased in the past two years, compared to 28% in the total population. The survey also showed that these generations are looking at newer assets to trade at a rate that is almost double that of the broader investment community.

Fig. 38 **Generation Z Investors and Higher Risk Tolerance**

Asset	Gen Z	Rest of The Population
Risk tolerance	51%	28%
Moving out of cash	34%	19%
Trading more frequently	51%	30%

Source: E\*Trade

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According to Charlotte Day, Millennials make up the largest demographic of traders today, with Gen Z hot on their heels. CFD brokers must understand their targeted audience and according to our interviewee, there are three top segments that attract more traders to crypto exchanges and platforms. These are 'relevant videos', 'following trends' and 'getting on TikTok'.

"Mention TikTok and your mind may conjure images of teenagers eating Tide pods for views. But, an increasing number of brands are jumping on the TikTok trend to generate leads, with the finance industry being no exception. Finance influencers AKA 'fin-fluencers' or 'fin-influencers' are a relatively new phenomenon. But, it's looking more and more like they are here to stay. These influencers focus on investment, trading, money management and other finance-related topics," she added.

When discussing two other segments, Charlotte Day highlighted that "today's consumers don't want flashy sales banners and shouty promotions. Not in the finance space or anywhere else". Instead, potential clients seek helpful content that understands their needs, answers their questions and explains what they must do. According to Contentworks Agency, 86% of YouTube viewers say they have watched How To videos. Last but not least, financial trends among younger generations are viral-worthy. GME stock is a great example here, showing a considerable role of social media when making investment decisions: "It's fast moving and exciting for any broker really into social media. Twitter is a great place to follow crypto trends as well as Reddit, Telegram and TikTok. I'm also a fan of Medium for reading content from expert traders and crypto enthusiasts," Charlotte Day concluded.

### Summary

CFD brokers interviewed by Finance Magnates confirmed that adding cryptocurrency contracts to their offering or updating it with new instruments has helped them attract a fair amount of new clients during the frenzy of volatility in the digital asset market.

Often they have onboarded traders who had not dealt with other markets, but thanks to modern and intuitive platforms, security and the other instrument offering mixed with attractive volatility during the cryptocurrency winter, they have decided to adjust their trading profile and stay.

Interviewees confirmed that once the consolidation in the cryptocurrency market is over and strong price moves return, they will again look for ways and opportunities to attract more cryptocurrency traders before they get on a crypto exchange.