



**University of Bahrain**

**College of Information Technology**

**Project Title:** The Bahraini Crypto Paradox

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## <sup>1</sup>Abstract:

This research investigates the "Bahrain Crypto Paradox": the phenomenon where the Kingdom of Bahrain possesses one of the most advanced, regulated cryptocurrency infrastructures in the Middle East, yet suffers from remarkably low retail and active-trader adoption.

To uncover the actual barriers blocking cryptocurrency adoption in the kingdom, this project relied on direct platform testing alongside primary data from University of Bahrain student surveys and informal interviews with exchange insiders and retail cashiers.

The research points to three major obstacles.

First, when it comes to daily micro-transactions, digital assets simply cannot compete with the free (Payments upto 100 Bd) and the instant nature of BenefitPay and Apple Pay. Second, strict Central Bank of Bahrain regulations and weekly compliance audits force local exchanges to charge higher fees and restrict key features. As a result, active traders often bypass the local ecosystem entirely, taking their capital to offshore options like Binance Global.

Finally, the lack of knowledge among consumers and retail staff results in widespread fear and missed investment opportunities.

The paper concludes by recommending that the CBB ease compliance burdens, local businesses pivot away from micro-transactions toward high-ticket items, and universities implement dedicated cryptocurrency-related education programs.

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MERCHANT ADOPTION

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Crypto Bahrain Awareness Gap Study [ The Bahraini Crypto Paradox Study

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## **List of Abbreviations**

- **AML:** Anti-Money Laundering
- **BHD:** Bahraini Dinar
- **CBB:** Central Bank of Bahrain
- **CBDC:** Central Bank Digital Currency
- **DeFi:** Decentralized Finance
- **GCC:** Gulf Cooperation Council
- **KYC:** Know Your Customer
- **P2P:** Peer-to-Peer
- **POS:** Point of Sale
- **SGB:** Singapore Gulf Bank
- **UAE:** United Arab Emirates
- **USDT:** Tether (Stablecoin)
- **VARA:** Virtual Asset Regulatory Authority (Dubai)
- **VASP:** Virtual Asset Service Provider
- **FATF:** Financial Action Task Force

- **FSB:** Financial Stability Board
- **MiCA:** Markets in Crypto-Assets
- **NIST:** National Institute of Standards and Technology

## Chapter 1: Introduction

### 1.1 Background: Cryptocurrency in the Gulf

When people think of cryptocurrency, they usually imagine day-traders trying to get rich quick, money laundering or citizens in struggling countries using it to save their money from hyper-inflation.

However, in the Gulf Cooperation Council (GCC), the story is completely different. Countries like the UAE and Bahrain already have strong, stable currencies pegged to the US Dollar.

They are looking at digital assets as the next major step in technology, a way to build a modern, "post-oil" digital economy.

The UAE, specifically Dubai, opened its doors wide. They wanted to attract global platforms and billions in foreign investment.

Bahrain decided to play it safe. To become the most trusted place for crypto in the Middle East, the Central Bank of Bahrain (CBB) stepped in early.

Bahrain was among the first countries in the GCC to introduce a formal regulatory framework for cryptocurrency businesses, supported by early initiatives such as a regulatory sandbox and licensed exchanges ([Central Bank of Bahrain, 2019](#)).

Continuing this legacy of regulatory leadership, Bahrain recently set a global benchmark by introducing the GCC's first comprehensive Stablecoin Issuance and Offering (SIO) framework ([TahawulTech, 2026](#)).

This new framework proves that balancing innovation with investor protection remains critical to Bahrain's digital finance strategy. This regulatory push is heavily championed by national ecosystem builders like Bahrain FinTech Bay. Their official mandate is to shape the future of digital finance by driving adoption and increasing public awareness across topics such as stablecoins, tokenization, and artificial intelligence. Their stated goal is to ensure Bahrain remains a strong, well-regulated hub where "innovation and investor protection go hand in hand" ([TahawulTech, 2026](#)).

Because of this heavily monitored environment, local exchanges like Rain and CoinMENA opened, and payment gateways like EazyPay even integrated crypto options on standard retail credit card machines.

## 1.2 The Bigger Picture: Geopolitics and Digital Currencies

You cannot look at Bahrain’s crypto environment in isolation. The broader Middle East is actively turning digital currencies into a geopolitical tool. Instead of just retail investors swapping coins, actual governments are now using blockchain to navigate the global economy.

For instance, some countries facing financial restrictions have been using cryptocurrencies as an alternative payment system to bypass traditional banking channels.

For example: Iran (which had been facing restrictions financially) has considered mechanisms such as charging oil tankers transit fees through the Strait of Hormuz, estimated at around \$1 per barrel, payable in stable cryptocurrencies (Usdt & Usdc) or the Chinese yuan ([Moneycontrol, 2026](#)), as per the reports.

At the same time, the neighbouring countries of Bahrain,

Saudi Arabia (KSA) and the UAE, are investing heavily in central bank digital currencies (CBDCs).

Initiatives such as “mBridge” aim to grow the cross-border trade using blockchain-based settlement systems, potentially reducing reliance on the US dollar ([Bank for International Settlements, 2023](#)) and creating new channels.

When Bahrain has focused primarily only on building a strong regulatory foundation for local crypto activity, and is aiming to increase the adoption among the citizens, other countries in the region are experimenting with large-scale applications of blockchain in international trade and finance.

## 1.3 The Problem: The Bahrain Crypto Paradox

Despite having clear regulations, licensed platforms, and available payment infrastructure, the cryptocurrency adoption among everyday users in Bahrain remains limited. This leads to what can be described as the “Bahrain Crypto Paradox.”

This disconnect can be understood through three key dimensions:

### **The Coffee Shop Problem (Economic Practicality)**

When we compare cryptocurrency payment to other payment methods, they are rarely used in daily life. People prefer benefit pay over it. The workers are not aware, such system even exists.

Although people found it difficult in the beginning to adapt to BenefitPay application.

Even in places like cafes, fast food restaurants, and retail establishments where cryptocurrency purchases are technically possible, the majority of patrons prefer to use pre-existing systems like BenefitPay, Apple Pay, or cash. Even when there is eazypay, people don’t want to pay using cryptocurrency.

Since paying cryptocurrency may require extra procedures, wallet management, and transaction fees, which makes it less feasible for regular transactions.

For micro transactions, unless you are paying in stable coins or litecoin, the fees used to be a hassle for many people in past.

### **The Trader's Problem (Platform Limitations)**

The regulatory framework of Bahrain has improved security and trust, but it has also introduced operational constraints for local exchanges.

Limited access, missing features, etc.

Compliance requirements increase costs, which are often passed to users through higher fees and wider spreads.

In addition, certain features available on global platforms, such as peer-to-peer trading or advanced financial instruments, are restricted in locally regulated versions. Deposit and withdrawals time on the local platform, such as Binance Bahrain, when compared to the international version.

Hence the users prefer international platforms instead, even if this involves operating outside the local regulatory environment. They prefer p2p rather than controlled deposit and withdrawal, which requires wait time (1-3 days). You also miss out on small profits of the fees that can be made in P2p by selling usdt to other customers, as a merchant.

### **The Education Gap (Awareness and Understanding)**

One of the most important factors is the lack of public interest, no exposure, and understanding of digital assets. Many individuals associate cryptocurrency primarily with scams, rug pulls, volatility, or speculation, and therefore avoid engaging with it altogether, to not end up losing their hard-earned money. The public is not taught about blockchain, the advantages and disadvantages of cryptocurrency, so the understanding remains limited.

This suggests a gap not only in awareness but also in financial literacy related to emerging technologies.

Without sufficient education or guidance, both consumers and businesses may be hesitant to adopt systems that are already in place.

### **Conclusion of Introduction**

Overall, this research focuses on the disconnect between Bahrain's well-developed regulatory framework and the relatively low level of real-world adoption, examining how economic, regulatory, and educational factors contribute to this gap.

## 1.4 Research Aim, Objectives and Hypotheses

Most existing research only looks at the "macro" level—what banks, billionaires, and governments are doing with blockchain. Therefore, this project explicitly focuses on the "ground reality."

The main goal is to figure out what is actually happening with regular people and their money in Bahrain. To get a realistic picture, this research gathers data from both ends of the spectrum: from senior-level management at local exchanges dealing with compliance, all the way down to frontline cafe cashiers running the checkout machines.

This project focuses on three main objectives:

1. To explain exactly why local payment methods like BenefitPay easily beat cryptocurrency at the cash register. Even though modern terminals like EazyPay have minimized direct checkout fees, the hidden friction of wallet funding, conversion spreads, and extra app steps still makes crypto micro-transactions economically flawed compared to direct bank-linked apps.
2. To show how strict CBB regulations have made local platforms (like Binance BH) highly restrictive, which ends up driving fully verified Bahrainis to use offshore, peer-to-peer (P2P) markets on international platforms instead.
3. To measure the "literacy gap" by gathering real opinions from university students and retail workers, showing how a lack of basic education leads to fear and massive missed investment opportunities.

To empirically test the variables driving the "Bahraini Crypto Paradox," this study establishes three core hypothesis pairs:

### Formulated Hypotheses

#### Hypothesis 1: Economic Practicality and UX Friction

- **Null Hypothesis (H0\_1):** There is no significant difference in consumer preference between local fiat mobile payments (e.g., BenefitPay) and cryptocurrency for daily micro-transactions.
- **Alternative Hypothesis (H1\_1):** Consumers significantly prefer local fiat payment methods over cryptocurrency for daily micro-transactions due to the friction of wallet funding, network fees, and transaction latency.

#### Hypothesis 2: Regulatory Arbitrage

- **Null Hypothesis (H0\_2):** Strict Central Bank of Bahrain (CBB) regulations do not significantly impact consumer choice of exchange platforms, and users do not prefer offshore platforms.
- **Alternative Hypothesis (H1\_2):** Strict CBB regulations restrict retail features (e.g., P2P, Futures) and increase compliance costs, directly driving active traders to engage in regulatory arbitrage by utilizing offshore, international platforms.

### Hypothesis 3: The Educational Deficit

- **Null Hypothesis (H0\_3):** A lack of formal cryptocurrency education does not significantly impact retail adoption or merchant-level integration in Bahrain.
- **Alternative Hypothesis (H1\_3):** A systemic deficit in formal digital-asset education creates operational paralysis at the merchant level and psychological barriers (e.g., the gambling stigma) at the consumer level, serving as the primary blockade to infrastructure utilization.

## 1.5 Scope of the Study

To keep this research highly focused and relevant, the scope is strictly defined by location, comparison, and the people involved.

The project takes a close look at the ground level reality of the Kingdom of Bahrain, regarding cryptocurrency usage with a special focus on the local retail scene.

The project ranges from fast food places like Jasmi's, cafe's like 668 cafe & Lilicha to knowledge among students in educational places, such university campuses. It also explores digital asset platforms, the local exchanges that are regulated locally, such as Rain, CoinMENA, and Binance BH.

To give some context, let's take a look at how Bahrain and the UAE are working with digital assets, promoting blockchain. Bahrain is really strict about safety, it's their top priority, whereas the UAE is more about growth and getting things done quickly. This study will briefly compare these two different approaches.

This study focuses on three main groups of people: ordinary consumers, especially young people and university students, local businesses like exchanges and cafes, and regulators who make rules that affect the other two groups, particularly the Central Bank of Bahrain.

## 1.6 Significance of the Study

There are plenty of massive, global reports written about cryptocurrency in the Middle East. However, those reports almost always focus on billionaires, institutional bank transfers, and macro-economics. They completely ignore what happens when a normal person tries to buy lunch in Riffa or Manama.

This research is highly important because it exposes the "street-level" truth. It proves that simply dropping a new payment technology into a store will fail if the cashiers do not know how to use it and if universities are not teaching the next generation about it. It also highlights a critical reality for regulators:

over-regulation does not stop high-volume trading; it just pushes users to bypass local oversight and move their money to offshore platforms.

## 1.7 Structure of the Report

This senior project is systematically organized into seven distinct chapters to ensure a rigorous empirical investigation of the research problem:

- **Chapter 1 (Introduction):** Establishes the research background, outlines the "Bahraini Crypto Paradox," and defines the core objectives and formal hypotheses to be tested.
- **Chapter 2 (Literature Review):** Examines existing academic frameworks, global adoption trends, and the current state of crypto-asset regulation within the GCC.
- **Chapter 3 (Methodology):** Details the triangulated mixed-methods research design, outlining the collection of quantitative survey data (N=119), qualitative on-field assessments, institutional expert interviews, netnography, and comparative platform audits.
- **Chapter 4 (Data Analysis):** Presents the raw quantitative and qualitative data extracted from the primary research, visual audits, and consumer surveys.
- **Chapter 5 (Empirical Findings & Hypothesis Testing):** Synthesizes the triangulated data to formally test the three core hypotheses, explicitly rejecting the null hypotheses to objectively explain the economic, regulatory, and educational realities of the Bahraini market.
- **Chapter 6 (Strategic Recommendations):** Provides strategic, evidence-based policy and operational recommendations for the Central Bank of Bahrain (CBB), payment providers, and local universities based on the confirmed alternative hypotheses.
- **Chapter 7 (Conclusion):** Summarizes the empirical findings, provides a final evidence-based answer to the overarching research questions, and outlines avenues for future research.



# Chapter 2: Literature Review

## 2.1 Cryptocurrency Fundamentals and Global Adoption

Before diving into Bahrain's local scene, it helps to look at how the rest of the world handles cryptocurrency. Fundamentally, digital assets run on decentralized blockchains. The original goal was to process transactions peer-to-peer, cutting out traditional banks to theoretically make payments faster and cheaper.

But if you look at global adoption, the market is splitting into two completely different realities. In developing countries dealing with hyperinflation, regular people use crypto just to survive and protect their purchasing power. However, in wealthy, economically stable regions like the GCC, the motivation flips completely.

Nobody here needs it to survive. Instead, digital assets are treated almost entirely as high-risk tech investments rather than actual money for daily use.

While big institutions are pouring money into the market, everyday retail spending remains incredibly low. Between the network friction, high fees, and constant price volatility, buying daily goods with crypto simply does not make practical sense ([Chainalysis, 2025](#)). This directly mirrors the "Coffee Shop Problem" we see locally. It proves that the hesitation to spend crypto at the cash register isn't just a Bahraini quirk—it is a global economic reality.

## 2.2 UAE vs. Bahrain: Investment vs. Regulation

When you look at digital finance in the Middle East, the conversation almost always turns into a comparison between two completely different strategies: the UAE's push for rapid growth versus Bahrain's strict focus on safety.

Dubai went all-in on expansion. By setting up a dedicated Virtual Asset Regulatory Authority (VARA) and pushing specialized financial free zones, their main goal was to attract as much foreign capital as possible. They offered flexible, aggressive licensing to pull in massive trading platforms, basically turning into the region's high-volume crypto hub overnight.

Bahrain went the complete opposite route. Rather than setting up a flashy, separate crypto authority, they handed everything straight to their traditional banking regulator. The Central Bank of Bahrain (CBB) built a highly centralized system strictly focused on global anti-money laundering rules.

Legal experts point out exactly what this does to the market. While Bahrain's setup offers the highest level of institutional safety and predictability in the region, that safety comes at a steep price: they completely miss out on the explosive retail growth happening next door ([Muhami Legal, 2025](#)). By prioritizing absolute compliance and preventing financial crime, Bahrain accidentally created a sluggish retail environment. Local exchanges are so tightly bound by the rules that they struggle to offer the flexible, competitive features that active traders want.

## 2.3 The CBB Crypto-Asset Framework: Safety vs. Growth

Bahrain did not just casually open its doors to cryptocurrency; they built a regulatory fortress. The CBB's Volume 6 Crypto-Asset Module mandates some of the strictest Know Your Customer (KYC) and Anti-Money Laundering (AML) checks in the world ([Central Bank of Bahrain, 2019](#)). For regulators, this is a massive win. It ensures complete transparency, keeps the financial system safe from bad actors, and perfectly aligns with global standards.

But running a fortress is expensive. To keep their licenses active and survive constant audits, local exchanges like Rain and CoinMENA have to spend heavily on compliance. Naturally, they pass those massive operational costs straight down to the consumer through higher trading fees and wider spreads. On top of the costs, the CBB restricts features they view as high-risk—meaning no local Peer-to-Peer (P2P) trading and longer processing times for basic deposits and withdrawals.

This leads to the ultimate irony of the CBB's framework. In efforts to make the local market hyper-safe for everyday users, they accidentally drove the most active traders away. Frustrated by the restricted features, high fees, and waiting periods, fully verified Bahrainis simply bypass the local system entirely. They take their capital straight to offshore options like Binance Global, meaning the strict local rules don't stop the trading; they just push the money right out of Bahrain's local economy.

## 2.4 The BenefitPay Monopoly and Mobile Payments

If you want to understand why cryptocurrency struggles to gain traction at checkout counters in Bahrain, you cannot just look at the crypto market itself. You have to look at the absolute dominance of BenefitPay.

In behavioral economics, consumers almost always choose the path of least resistance. BenefitPay has essentially created a frictionless monopoly on daily payments in Bahrain. According to recent official reports, the platform has over 1.3 million registered users—which covers practically the entire adult population of the country—and processes hundreds of millions of micro-transactions every single year ([BENEFIT Company, 2026](#))

Because BenefitPay links directly to a user's local bank account via the national Electronic Fund Transfer System (EFTS), payments are instantaneous and completely free for everyday consumer purchases. When you put cryptocurrency up against this deeply entrenched system, it simply cannot compete on an economic or practical level.

Even though modern retail terminals like EazyPay technically allow crypto payments, the consumer still has to go through the extra hassle of funding a separate digital wallet, paying hidden conversion spreads to acquire USDT or Bitcoin, and navigating a secondary app. The academic literature surrounding mobile payment adoption constantly emphasizes one core rule: unless a new payment technology is significantly cheaper, faster, or more convenient than the existing standard, retail consumers will not switch. In Bahrain, BenefitPay already holds the ultimate advantage in all three categories, leaving no room for crypto to squeeze in.

**Emerging Infrastructure:** The technological foundation continues to outpace ground-level awareness. Most recently, Crypto.com announced a strategic collaboration with BENEFIT, signaling an imminent integration of digital assets with Bahrain's most widely used national payment network ([Crypto.com, 2024](#)).

## 2.5 Financial Literacy and the Trust Deficit

Beyond regulations and payment infrastructure, the literature surrounding emerging technologies highlights a deeply psychological barrier: the "trust deficit." According to the Technology Acceptance Model (TAM)—a widely used framework in behavioral economics, consumers will only adopt a new system if they believe it is both useful and safe.

In the realm of digital assets, this sense of safety is completely shattered by a lack of financial literacy. Global behavioral studies show that when the general public is not formally educated on how blockchain actually works, they base their understanding entirely on sensationalized media. Because the crypto space has been plagued by highly publicized collapses (such as FTX) and constant headlines about hacks and "rug pulls," the uneducated consumer naturally defaults to fear ([OECD, 2024](#)).

This creates a massive literacy gap. Instead of understanding the difference between a highly regulated, CBB-licensed exchange and an anonymous decentralized scam, the average consumer lumps all cryptocurrency into the same high-risk category. The literature suggests that until a baseline of formal

financial education is established, particularly in schools and universities, everyday consumers will actively avoid digital assets, simply to protect their hard-earned money from what they perceive as guaranteed fraud.

## 2.6 Competitive Market Theory: Two-Speed Markets

To understand why the local crypto economy feels so disjointed, we have to look at the economic theory of "Two-Speed Markets." When a financial ecosystem is heavily regulated, it naturally splits into two different speeds based on what the consumer actually needs.

The first speed is built for institutions and wealthy long-term investors. For this group, Bahrain's strict CBB rules are perfect. They do not care about a three-day withdrawal delay or a slightly higher exchange fee because they are moving large amounts of capital and prioritize absolute legal safety.

The second speed is the retail market, the everyday traders and consumers. This group operates on a completely different set of rules. They demand instant gratification, zero-friction micro-transactions, and low-cost trading. As global financial researchers have noted, when local regulations force retail users into a slow, expensive "institutional" system, those users will actively search for loopholes, a concept known as regulatory arbitrage ([Financial Stability Board, 2023](#)). In Bahrain, this two-speed clash is exactly why the retail market fails locally. Everyday users either fall back to BenefitPay for their daily purchases, or they engage in regulatory arbitrage by moving their trading capital to offshore platforms like Binance Global. The local exchanges are simply stuck in the wrong "speed" to capture the retail audience.

## 2.7 Identifying the Research Gap

After reviewing the existing literature, a massive gap in the research becomes obvious. The vast majority of academic studies, government reports, and financial analyses focus purely on the "macro" level of digital assets in the GCC. They analyze institutional investment, compare regulatory frameworks like VARA and the CBB, and discuss the theoretical future of blockchain technology.

What is entirely missing from the literature is the actual, ground-level reality of retail crypto adoption in Bahrain. No existing studies are asking the cashier at Jasmi's why nobody uses the crypto option on their EazyPay terminal. There is almost zero published data on the financial literacy of university students who avoid digital assets because they only hear about "rug pulls" on social media. Furthermore, current research ignores the reality that adoption often stalls immediately after a user completes their KYC (Know Your Customer) onboarding. While local platforms have invested heavily in referral programs and infrastructure to get users through the door, there is no literature tracking why those same users immediately stop engaging due to a lack of exposure and ongoing education.

This project specifically targets this glaring research gap. By stepping away from high-level institutional theory and focusing on everyday micro-transactions, local platform friction, and youth financial literacy, this study aims to uncover the real barriers blocking digital asset adoption on the streets of Bahrain.

# Chapter 3: Methodology

## 3.1 Research Design:

A **Mixed-Methods Approach** is used to comprehensively investigate the barriers to cryptocurrency adoption in Bahrain.

This study utilized mixed-methods exploratory research design.

Because the "Bahrain Crypto Paradox" involves both broad consumer trends and complex regulatory frameworks, relying on a single data collection method would be insufficient.

A quantitative approach was required to measure the scale of consumer payment habits and financial literacy gaps among the local demographics.

Also, a qualitative approach was required to understand the underlying psychological behaviors of consumers and the operational friction experienced by industry insiders.

*While the survey data highlights the theoretical awareness gap, a live transaction was analyzed to provide qualitative, real-world evidence of this disconnect.*

Secondary evaluation of online community behavior (e.g., analyzing sentiment on local financial forums such as r/Bahrain) was utilized to contrast public fintech expectations with actual grassroots consumer sentiment and capital migration trends.

A heuristic UI/UX evaluation was conducted comparing locally regulated applications (e.g., Binance BH) directly against their international counterparts (e.g., Binance Global) to objectively document the feature deficits imposed by local compliance frameworks.

[Figure 4.0](#) in the data analysis is the perfect example of qualitative data.

To achieve the desired results, the study formally triangulates **five distinct data streams**

1. Surveys, 2. Field Tests, 3. Expert Interviews, 4. Netnography, and 5. Platform Audits

By triangulating quantitative survey data, qualitative interview insights, and real-time visual platform analysis, this research design ensures a holistic and evaluate the ground reality of Bahrain's digital asset ecosystem.

## 3.2 Primary Data: Surveys and Informal Interviews

The division of primary data collection happened into two distinct channels, which are given below: A mass consumer survey (quantitative) and targeted sector interviews (qualitative).

**Quantitative Data Collection (Consumer Surveys):** To measure the ground-level penetration of retail crypto payments, a digital questionnaire was deployed targeting the local youth demographic, specifically university students and young professionals in Bahrain.

The survey was sent via digital communication platforms (such as WhatsApp groups).

The utilization of a snowball sampling technique enabled the research to secure 106 valid responses successfully.

The questionnaire was specifically designed to capture data on daily payment preferences (e.g., BenefitPay vs. Apple Pay vs. Card/Cash), awareness of existing crypto infrastructure (e.g., EazyPay's Binance integration), and the psychological barriers preventing micro-transactions (the "Coffee Shop Problem").

**Qualitative Data Collection (Targeted Interviews):** Qualitative interviews were conducted to complement the statistical data with expert context, purposive sampling was used to conduct informal interviews across two critical sectors:

**The Retail Frontline (F&B Cashiers):** Informal inquiries were conducted with cashiers and floor staff at highly trafficked local venues, including Jasmi's, 668 Cafe, Lilicha, the Ritz Carlton and electronics retailers such as Sharaf DG. The goal of these interactions was to verify the operational reality of crypto POS (Point of Sale) integrations, to assess the staff's awareness of the system, and determine the actual frequency of consumer requests to use digital assets for retail payments.

**Exchange Insiders (Compliance & Operations):** To understand the institutional challenges of the CBB's Volume 6 framework, feedback was collected from industry professionals holding current and former positions at locally regulated crypto exchanges (e.g., Rain).

These insights provided important data on operational costs, the impact of strict KYC regulations on user

onboarding, and the resulting migration of advanced traders to international platforms.

### 3.3 Secondary Data and Netnography

To build a clear and complete picture of Bahrain's digital asset ecosystem, this research integrates primary data with a deep dive into existing records. I used a 'netnographic' approach to capture the real-world sentiment of the online community.

**Secondary Data Collection:** To understand the rules and the current economy, I looked closely at the official government frameworks, specifically the CBB's Volume 6 regulations ([CBB, 2023](#)). This helped me understand exactly what crypto companies are allowed to do in Bahrain.

I also reviewed reports from [The BENEFIT Company \(2026\)](#) to get a real sense of how much people rely on traditional mobile payments today.

To find out where other researchers stopped and where my study needed to begin, I pulled information from academic journals, financial news, and industry reports across the wider GCC market.

**Netnographic Research:** Since cryptocurrency is a digital-first technology,

I used a netnographic approach, the study of online community behavior to track the lifecycle of crypto adoption in Bahrain.

I focused on two major areas to see if the "hype" matched the ground-level reality: **Tracking the**

**"Expectation" (The LinkedIn Hype):** I analyzed a high-profile corporate milestone from 2022: a viral LinkedIn post by [Abdulla Alogqab \(2022\)](#), where he demonstrated a successful purchase of Jasmi's fries using Binance Pay at an EazyPay terminal.

This was my "Source of Truth" for what was promised to the public. A future, where paying with crypto was as easy as scanning a QR code. I used this to understand the official narrative being pushed to the professional and business community.

**Tracking the "Reality" (The Reddit Friction):** To see if everyday users were actually having this smooth experience, I monitored local public forums like [r/Bahrain on Reddit \(2025\)](#). Users reported that while shops like Sharaf DG, Lulu, or Jasmi's are officially listed as accepting crypto, the actual staff on the ground were often clueless, told them the system was shut down, or even looked at them with suspicion as if they were trying to "scam" the store.

By comparing these two digital worlds, I was able to see a clear gap between corporate marketing and the everyday retail experience in Bahrain.

This helped me prove that while the infrastructure might exist on paper and in promotional videos, it has largely failed to translate into a usable service at the point of sale.

**Analytical Framework: Corporate PR vs. Retail Reality** By comparing these two digital worlds, I was able to identify a clear gap between corporate marketing and the everyday retail experience in Bahrain. This comparison was anchored by the official celebratory narrative found in the regional business press,

which heralded the Binance and EazyPay partnership as a nationwide breakthrough for the digital economy ([Economy Middle East, 2022](#)).

Contrasting this high-level "Corporate PR" with the "Retail Reality" found on r/Bahrain helped me prove that while the infrastructure might exist on paper and in promotional videos, it has largely failed to translate into a usable service at the point of sale. This "PR vs. Reality" lens allowed me to categorize the barriers to adoption not as a lack of technology, but as a failure in operational execution and staff education.

### 3.4 Visual Evidence: Platform Comparisons & Corporate Inquiries

To prove that regulatory restrictions actually hurt the user experience, I conducted a visual audit comparing localized and international platforms. This evidence helps visualize the "gap" between what a regulated user in Bahrain can access versus what is available globally.

**Comparative UI/UX Analysis (Binance BH vs. Binance International):** I performed a side-by-side visual comparison of **Binance BH (regulated by the CBB)** and **Binance International**. By utilizing screenshots of both interfaces, I documented the missing features on the local platform that are standard on the global one. This includes:

- **The Absence of P2P and Futures:** Using visual proof, I documented that while the International version offers robust Peer-to-Peer (P2P) trading and Futures markets, these are often restricted or entirely absent in the regulated Bahrain version.
- **Deposit/Withdrawal Friction:** I captured the simplified, yet more restrictive, interfaces for deposits and withdrawals, highlighting how the "regulated" path adds more steps or fewer options for the user.
- **Feature Parity Gap:** The screenshots serve as "Exhibit A" to show that a user in Bahrain is essentially using a "lite" version of the global economy, which acts as a major incentive for traders to find ways back to international platforms.
- **Direct Corporate Inquiries:** In addition to the digital audit, I conducted "mystery shopper" style inquiries at major retail locations officially listed as crypto-ready. I physically visited venues including **Jasmi's, Sharaf DG, 668 Cafe, Lilicha**, and the **Ritz Carlton** to attempt or inquire about paying with cryptocurrency.

These visits were designed to test the operational reality on the ground. I documented whether the frontline staff even knew the system existed or if they had been told the service was "shut down." By comparing these real-world failures to the high-level corporate promises made in 2022, I was able to prove that having a license from the CBB does not mean the technology is actually functional for the public.

### 3.5 Ethical Considerations and Limitations

To ensure the integrity of this research, I followed strict ethical guidelines during the data collection process and remained mindful of the study's scope and potential boundaries.

#### **Ethical Considerations:**

- **Participant Anonymity:** All **119 survey respondents** in the *Crypto Adoption and Payment Habits Survey (University of Bahrain Students)* participated voluntarily and anonymously. No personal identifiers, such as names, email addresses, or contact details, were collected. This ensures that their personal financial habits and opinions remain entirely confidential.
- **Protection of Key Informants:** During the qualitative phase, I engaged in discussions with **senior employees, ex-employees, and industry insiders** from local digital asset exchanges. To protect their professional standing and encourage the candid sharing of institutional data, these individuals have been anonymized. Their insights are referenced based on their professional roles rather than their names, and any survey data collected from them is recorded under anonymous identifiers.
- **Transparency in Retail Inquiries:** For the inquiries at retail venues (Jasmi's, Sharaf DG, etc.), no personal data from staff members was recorded. The focus remained strictly on assessing their operational knowledge, technical readiness, and the extent of their institutional training.
- **Data Security:** All digital evidence, including platform screenshots and raw survey data, has been stored securely and will be used solely for the purposes of this thesis.

#### **Limitations of the Study:**

- **Demographic Focus:** The sample is primarily composed of university students and young professionals. Consequently, the findings may not fully represent the payment habits of older or less tech-oriented demographics across the wider population of Bahrain.
- **The Volatility of the Market:** The cryptocurrency sector moves rapidly. The "Reality" documented during my 2026 field inquiries is a snapshot in time; future regulatory shifts or platform updates from the CBB or Binance could alter the landscape after this study concludes.
- **Sampling Bias:** Using a snowball sampling method likely reached individuals with a baseline interest in technology. I balanced this by including "I have no idea" options in the questionnaire to accurately capture and quantify the awareness gap.

# Chapter 4: Data Analysis

## 4.0 Practical Retail Experiment and Behavioral Observation

To test the practical application of existing crypto-payment infrastructure, a live field test was conducted at a local retail café using an active EazyPay terminal.

Behavioural interaction was recorded. The active worker, taking the order, making the drinks was unaware of the existence of such payment system, although the EazyPay pos machine was in front of him.

When asked to process the crypto payment, the staff member exhibited evasive behavior, claiming the system was obsolete and insisting on traditional cash or card payments, highlighting a severe lack of training. Fortunately, a second staff member familiar with the technology intervened.

With their permission, the complete process was screen-recorded.

The transaction successfully integrated the Unipal application discount with Binance Pay, executing seamlessly in seconds and proving the technical viability of the infrastructure

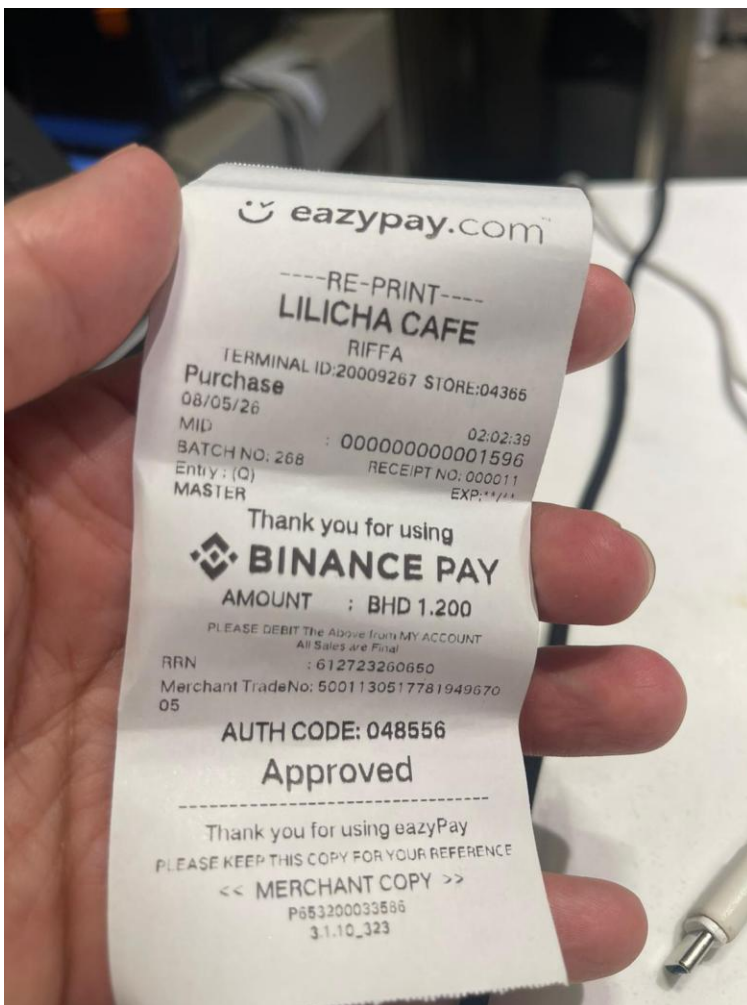


Fig4.0: Receipt of coffee paid using EazyPay/Binance pay



Figure [4.0.0]: Qualitative Observation Data – Scan the QR code or visit [<https://tinyurl.com/2vsyfhfj>] to view the recorded transaction demonstrating the merchant awareness gap despite successful technical execution.



Figure [4.0.1]: Demonstrating that the unipal was used at the same time, real-time easily and quickly

## 4.1 Survey Results (Youth & University Students)

This section analyzes the primary data collected from 119 respondents, primarily university students and young professionals in Bahrain (See [Appendix A](#) for full Student Survey results). As the "digital native" demographic, their habits provide a window into the future of Bahrain's economy.

**The BenefitPay Monopoly & The Need for Speed:** The data confirms that the biggest competitor for cryptocurrency in Bahrain isn't other coins, but **BenefitPay**. When asked for their go-to payment method for daily items (under 5 BHD), **42.9%** chose BenefitPay, while Apple/Samsung Pay and traditional cards split the remainder.

This dominance is driven by a demand for instant results. A staggering **50.4% of respondents** rated transaction speed as a "5/5" in importance (paying in under 3 seconds). This creates a "Speed Barrier" for crypto; while a BenefitPay transaction is near-instant, a typical crypto wallet-to-POS transaction can take significantly longer, creating friction that most students are unwilling to accept for a cup of coffee or a meal on campus.

**Platform Preferences: The Local vs. Global Split:** More than half of the respondents (**58.8%**) do not use crypto platforms at all. However, among those who do, there is a telling split:

- **CoinMENA** leads the local regulated market at **23.5%**.
- **Binance Global** follows at **16%**.
- Notably, **Binance BH** (the CBB-regulated version) sits at only **10.9%**.
- Rain sits at **15.1%**

This suggests that while users appreciate the security of a local license, keeping their assets dormant, the advanced users still gravitate toward international versions to access features (like P2P or Futures) that are restricted in the local version.

**The "High-Ticket" Potential (Stablecoins):** Beyond small daily purchases, the survey revealed a potential "middle ground" for crypto adoption: **High-Ticket Transactions**. While respondents are hesitant to use volatile Bitcoin for coffee, **24.8%** agreed that using **Stablecoins** (USDT/USDC) would be a fast and easy way to pay for large expenses like university fees or cars. Furthermore, **29.9%** stated they would consider this if a **discount** was offered. This suggests the future of crypto in Bahrain may lie in large-scale transfers where traditional bank delays are a current pain point, whereas **45.3%** preferred a traditional bank transfer, since they are accustomed to that.



#### 4.1.2 Qualitative Sentiment: Thematic Analysis of Consumer Barriers

While the quantitative data establishes the dominance of BenefitPay, the open-ended responses regarding "Final Thoughts" reveal the underlying psychology of the Bahraini consumer. The report identifies five recurring themes that define the current threshold for crypto-adoption:

1. The "Frictionless" Requirement: Users demand an experience identical to the "BenefitPay Standard." Comments such as *"Just tap the card reader and go"* and *"Scan QR code and pay quickly"* indicate that any technical "headache" is a deterrent.
2. Universal Acceptance: A consensus exists that crypto is not "real money" if it is limited to novelty shops. Respondents noted: *"You won't call it 'real money' until you can pay groceries, pay bills, and shop anywhere."*
3. Price Stability & The BHD Peg: Volatility remains the primary fear. Multiple participants suggested a "Stablecoin pegged to the Bahraini Dinar" to ensure that purchasing power does not fluctuate during a transaction.
4. The Trust Deficit: There is a significant reliance on official validation. Users stated they would only switch if there was *"clear government regulation"* and if they were *"taught how these things work"* in a formal setting.
5. Economic Rationality: The report identifies a "utility wall" where users ask: *"BenefitPay is also digital, so why bother?"* This suggests crypto must offer a unique benefit (e.g., bypassing the 1,000 BHD Fawri+ limit) to be adopted.

## 4.2 Survey Results (General Retail & Business Awareness)

While Section 4.1 focused on the habits of digital natives, this section examines the "**Awareness and Competency Gap**", analyzing what the public knows versus the operational reality at the cash register. This analysis is supported by data from 119 students ([Appendix A](#)) and 8 retail professionals working in Bahrain's F&B and hospitality sectors ([Appendix B](#)).

### The Knowledge Gap: Consumers (The People)

The data reveals that the primary obstacle for the public is a complete lack of visibility. Despite significant corporate infrastructure:

- **66.7% of respondents** had absolutely no idea that crypto payments were an option at local retailers.
- Only **11.9%** reported being aware of and having successfully used the feature.
- **45.3%** of respondents believe the issue isn't complexity, but rather that users "**don't see a reason**" to switch from BenefitPay, indicating a utility gap alongside the awareness gap.

### The Knowledge Gap: Retailers (The Workers)

The data from retail workers confirms that this "invisibility" is worsened by a lack of technical competency among the staff.

- **Operational Blindness:** 62.5% of retail workers reported that their workplace does not have the crypto-payment feature, while **25% were unsure** of its existence.
- **Technical Incompetence:** A critical finding from the physical inquiries was that even in venues where the technology was present, workers often lacked the basic knowledge required to process a transaction. Staff members frequently reported that the system was "down" or simply looked at the terminal with confusion, unable to locate the "Binance Pay" or "Crypto" option.
- **Zero Demand:** 87.5% of cashiers (7 out of 8) stated they have "**Never**" had a customer ask to pay using cryptocurrency.
- **The "Gambling" Stigma:** 87.5% of retail respondents believe the average customer does not understand cryptocurrency at all, often viewing it as a high-risk gamble rather than a usable currency.

**The "Tourist Solution":** One of the most insightful findings from the retail data was the identification of a specific target market: **Tourists and Expats**. Retailers noted that travelers without local bank accounts or **BenefitPay** profiles often struggle with currency conversion.

For these individuals, paying in crypto is "easier than converting money" and serves as a vital bridge

between foreign funds and local merchants. This suggests that tourist hubs, such as the **Ritz Carlton**, have a much higher incentive for adoption than local campus cafes.

**The "Utility" Argument:** Perhaps the most "human" finding of the survey was the response to crypto literacy. While many experts argue that people don't use crypto because it's "too confusing," the students disagreed. **45.3%** stated that people actually understand crypto well enough—they simply **"don't see a reason to use it instead of BenefitPay."** This confirms that crypto in Bahrain is not facing a "knowledge" problem, but a **"utility"** problem. It currently offers no advantage over the existing fiat system for daily life.

**The Visibility Paradox:** The results highlight a severe disconnect between high-level infrastructure and ground-level awareness. While EazyPay terminals across Bahrain are technically capable of processing Binance Pay, this capability is virtually "invisible" to both consumers and workers:

- **Consumer Side:** **66.7%** of university students had no idea that crypto payments were an option at local retailers.
- **Retail Side:** This was mirrored by the retail worker data, where **62.5%** of cashiers (5 out of 8) stated their workplace does not have the feature, and **25%** were not even sure. Only **one respondent** confirmed their workplace was crypto-ready. Even though they are crypto-ready, nobody cares about paying using eazypay cryptocurrency option, confirming the visibility crisis.

**The "Novelty" vs. "Utility" Barrier:** The data suggests that for a payment method to succeed in Bahrain, it must beat the speed and ease of Apple Pay and BenefitPay.

- **Daily Dominance:** Retail workers confirmed that **Apple Pay** and **BenefitPay** are the primary methods used today.
- **Zero Demand:** When asked if customers actually ask to pay in crypto, **87.5%** (7 out of 8) of cashiers reported **"Never."**
- **Stigma:** The "General Awareness" is hindered by a cultural perception problem. **87.5%** of retail workers noted that most people simply "don't understand it at all," while the student survey highlighted that majority people (**46.5%**) view it strictly as a high-risk investment rather than "real money" to be spent on coffee or food. While (**31.9%**): Approximately one-third of users responded with **"Yes, it sounds cool and futuristic,"** suggesting that current interest is driven by novelty rather than economic necessity, if given chance to pay for their meal using a crypto wallet,

### 4.3 Interview Insights (Exchange Operations & Cashiers)

This section explores the root causes of the retail failure by using qualitative feedback from **senior exchange employees** to explain why the "Retail Reality" remains so disconnected from the "Corporate PR."

Even though they are hopeful that cryptocurrency will become widely adopted by the audience in the future, they have some insights to share, which are given below:

**The "Security Tax" and Hidden Costs:** The **Exchange Insider Survey (Appendix C)** reveals that the high cost of CBB regulation impacts the end-user.

- **The VIP Focus:** Insiders agreed that the main advantage of CBB regulation is making "**high-net-worth individuals**" and large institutions feel safe.
- **Compliance Over Training:** One expert noted that the heavy burden of compliance, including constant "compliance checks every week", leaves little room for exchanges to focus on merchant education or staff training. The specific emphasis on the technical knowledge gap of the retail workers and the institutional reasons behind it.
- **Price of Security:** Experts confirmed that maintaining local banking ties and strict compliance leads to "**wider buy/sell spreads,**" which are essentially the "**price the user pays for local CBB security**".

**The Failure of Implementation:** The interviews suggest that the current adoption strategy is "Top-Down" but fails at the "Bottom-Up" level. While exchange CEOs sign deals with retail chains:

- **KYC Friction:** The "Know Your Customer" process is described as "too long" and "frustrating" for new users, which prevents the mass adoption needed to make retail crypto payments a habit. Even after the user does it for security, they don't have the plethora of tokens, yield options for them to use their investment effectively to earn profits.
- **Stagnant Asset Selection:** Because it "**takes too long to get new coins approved,**" local exchanges cannot offer the "altcoins" or "Futures" that advanced traders desire, pushing 12.6% of users toward international platforms.
- **The Training Void:** The experts admitted that while the POS machines are "ready," the retail employees have been left without the necessary training to operate them. This results in the "Mystery Shopper" findings where staff effectively block crypto payments because they do not know how to "make it work".

## 4.4 Visual Data: Geo-Fencing and the "Alpha" Project Gap

While the student survey showed that only **8.4%** of respondents use the CBB-regulated **Binance BH**, the visual evidence clarifies that this preference is driven by a lack of access to early-market opportunities and liquid exit ramps. By conducting a side-by-side audit, a clear "Regulatory Feature Gap" was documented.

### The Discovery Barrier: "Alpha" Projects

The most significant disparity found in the visual audit is the presence of the "**Alpha**" tab on the international version, which is entirely absent in the BH version.

- **Defining Alpha:** In the crypto context, "Alpha" refers to high-potential, early-stage projects and under-the-radar tokens that offer the opportunity to discover high-growth "gems" before they gain mainstream attention.
- **Regulatory Siloing:** Because the CBB has a rigorous and lengthy approval process for every coin, **Binance BH** is restricted to listing only highly established, "stable" assets. Consequently, Bahraini users are geo-fenced out of the high-growth "Alpha" market, forcing them to use the International version to discover new projects before they reach full maturity.

### The Efficiency Gap: P2P vs. Traditional Bank Transfers

- **The P2P Advantage:** Screenshots confirm that the **Peer-to-Peer (P2P)** trading gateway—the primary method for local users to move funds—is missing from the BH interface.
- **Liquidity and Speed:** The International P2P market features active traders ready to settle transactions via **BenefitPay** in **15 to 360 minutes**.
- **Regulated Delay:** In contrast, regulated local platforms are funneled through standard banking rails, which frequently take **1 to 3 business days** to clear. This multi-day delay creates a significant hurdle for active traders, further pushing them toward the near-instant liquidity of unregulated global P2P markets.

**To provide a clearer perspective, a technical comparison of both platforms was conducted to differentiate their operational capabilities. This audit identifies the specific 'Feature Gaps' that influence user migration, explaining why participants either move between platforms or abandon the regulated ecosystem entirely.**



**Binance Global v/s Binance International is given below:-**

### **Binance International account**

Binance International interface provides a global standard of account utility. Simple “Verified”

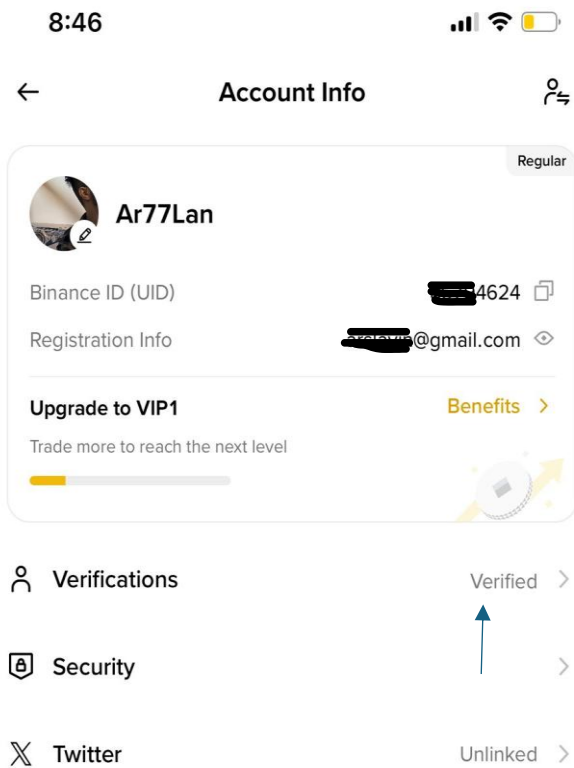


Figure 4.4(a)

### **Binance Bahrain account**

Binance Bahrain interface displays specific "Binance BH" verification badge

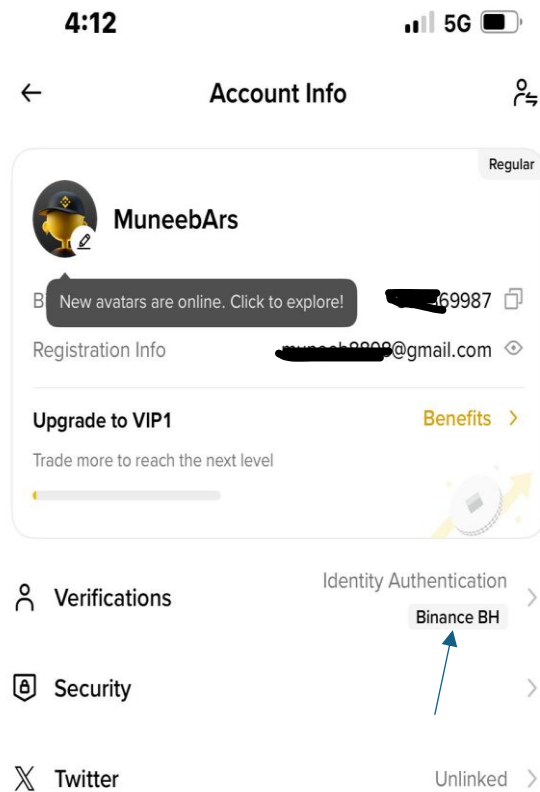


Figure 4.4(b)

While the International version provides a gateway to Alpha (early-stage Web3 project discovery)

The contrast in Figure 4.4(c) illustrates the "Innovation Lag" created by local regulatory siloing.

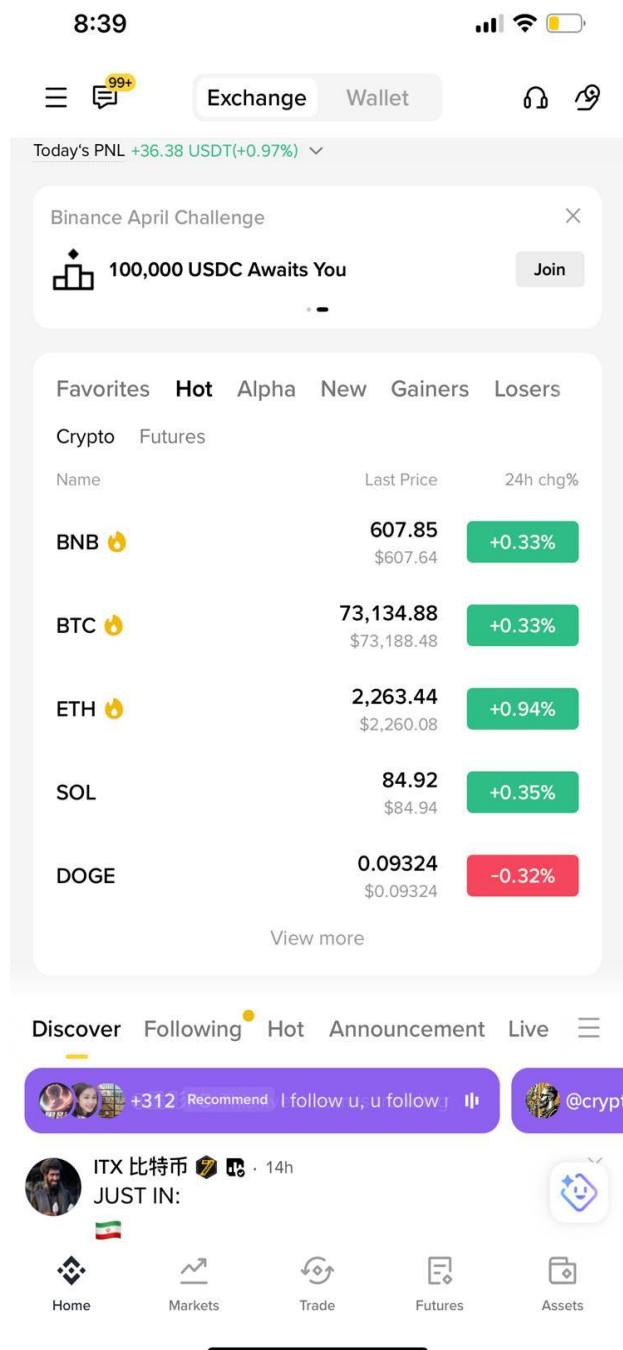


Figure 4.4(c)

The Binance BH interface is missing this section completely.

This visual evidence confirms that Bahraini users on the regulated platform are technically barred from participating in alpha projects, effectively limiting their investment utility to "mature" or "stable" assets only.

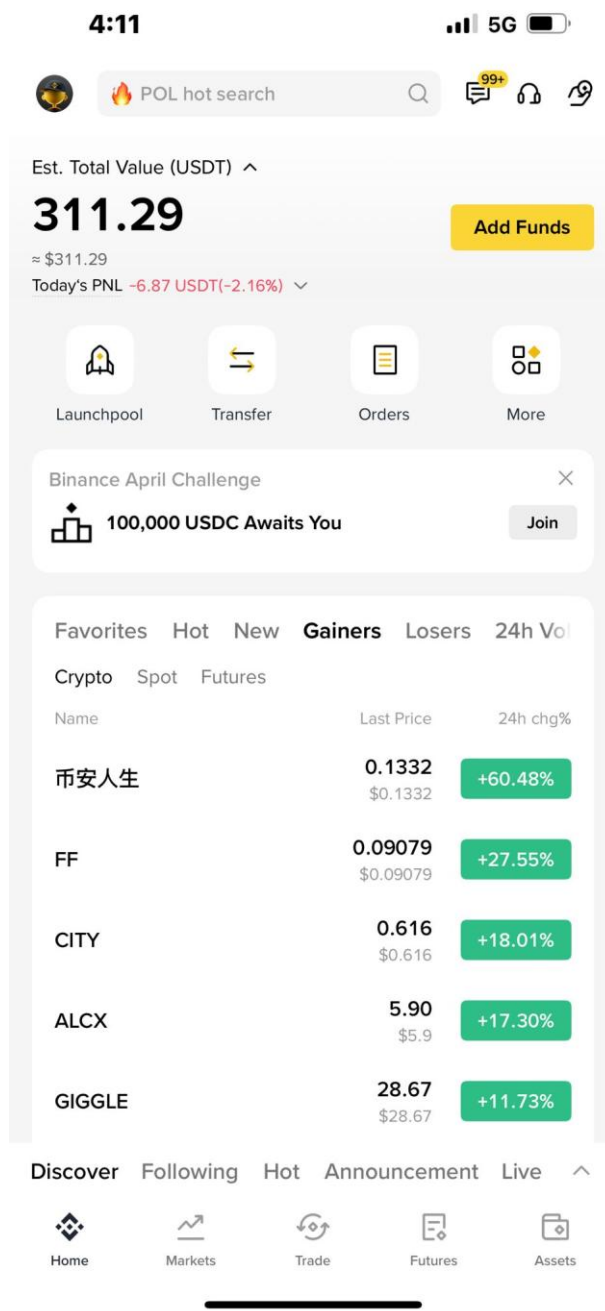
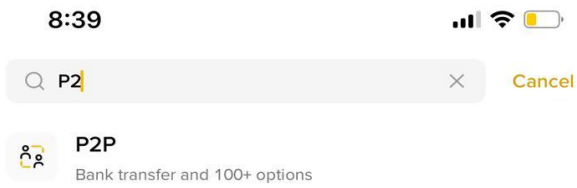


Figure 4.4(d)

The most definitive proof of the "Regulatory Feature Gap" is captured in the search functionality audit. The presence of Peer-To-Peer network



The total absence of the P2P Marketplace in the BH interface search results represents a complete deactivation of the most popular liquidity engine used by local retail traders

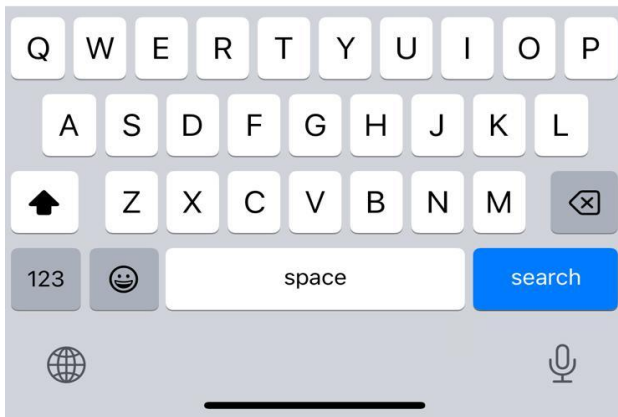
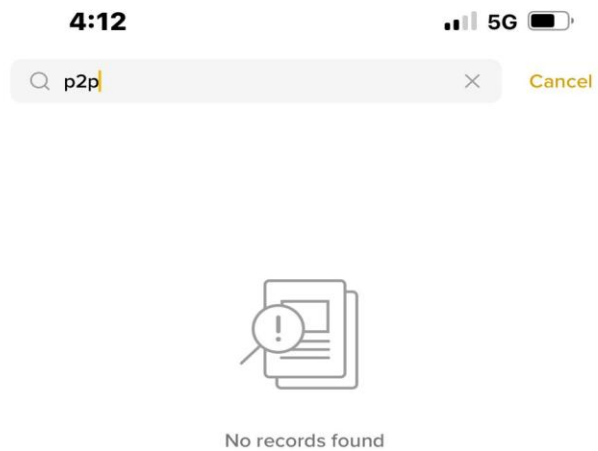


Figure 4.4(e)

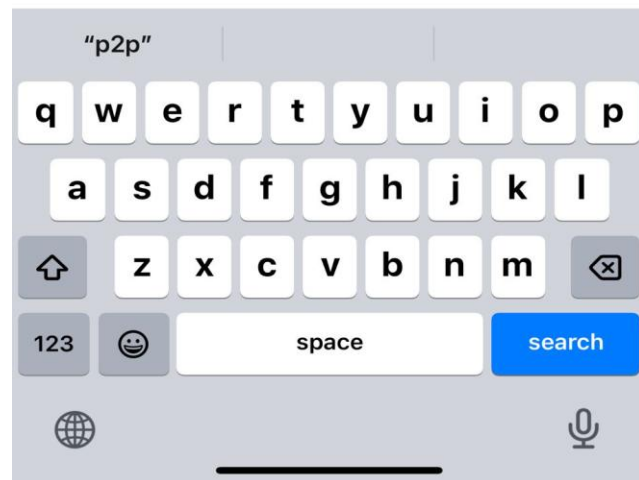


Figure 4.4(f)

Binance uses a system called Escrow to protect both the buyer and the seller. When you open a "Buy" order, the seller's USDT is immediately locked by Binance. If they try to vanish or refuse to release the coins after you've sent the BenefitPay or bank transfer, Binance Support can intervene, verify your proof of payment, and manually release the funds to you or penalize/freeze the seller's account.

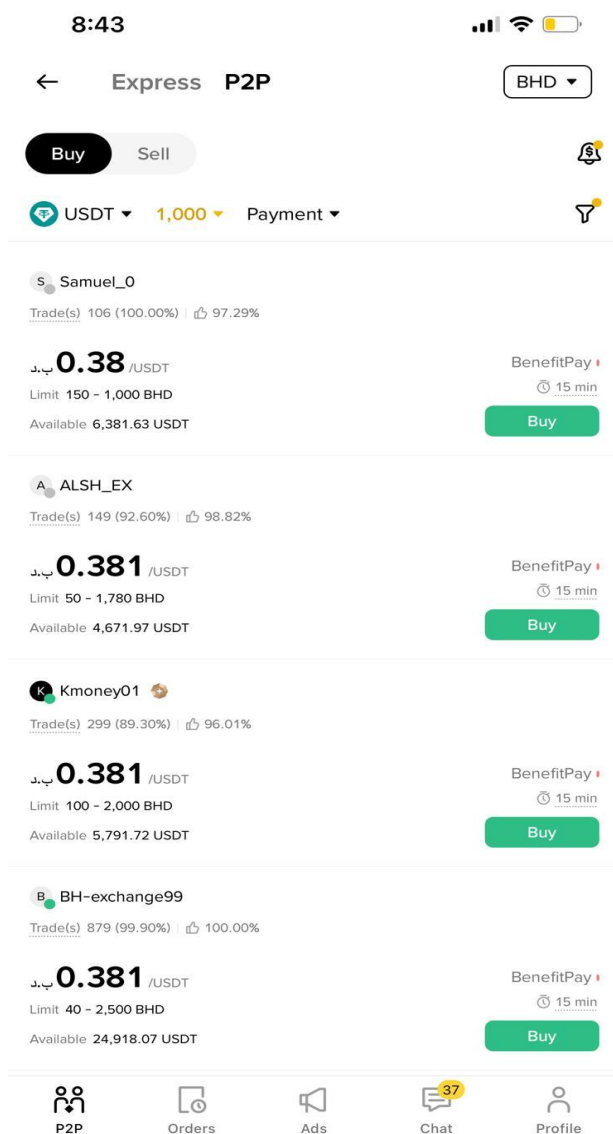


Figure 4.4(g)

This forces users into the "Regulated Delay", the 1–3 business day banking cycle seen in the deposit/withdrawal menus, or the 2% Bank Card (BENEFIT) fees, explaining why active traders continue to prefer unregulated global versions for instant BHD-to-USDT settlement.

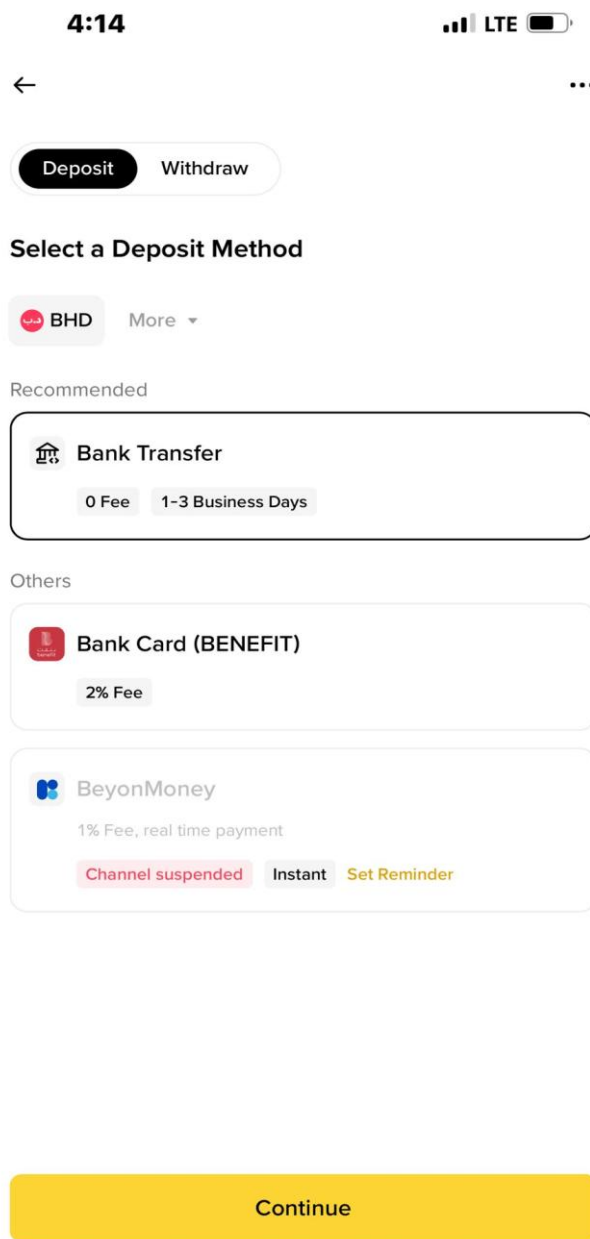


Figure 4.4(h)

Binance International (P2P Sell)  
 Method: Peer-to-Peer (P2P) Express.  
 Payment Rails: Direct integration with BenefitPay and local Bahraini banks.

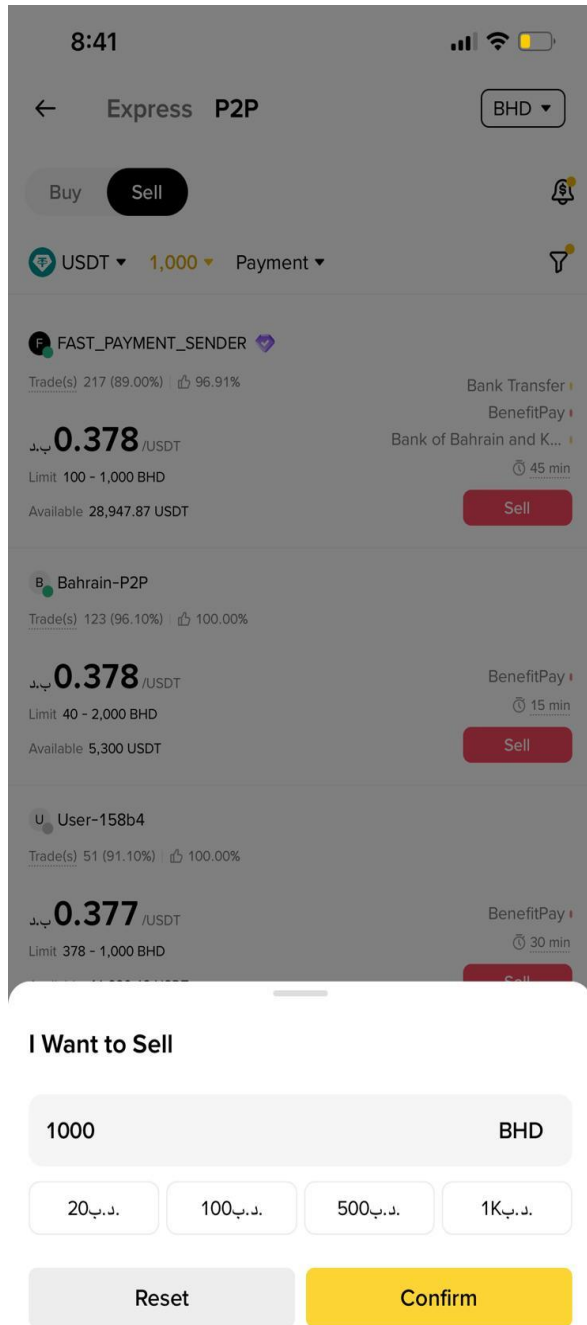


Figure 4.4(i)

Binance BH (Bank Withdrawal)  
 Method: Traditional Bank Wire Transfer.  
 Payment Rails: Swift/Local clearing house rails.

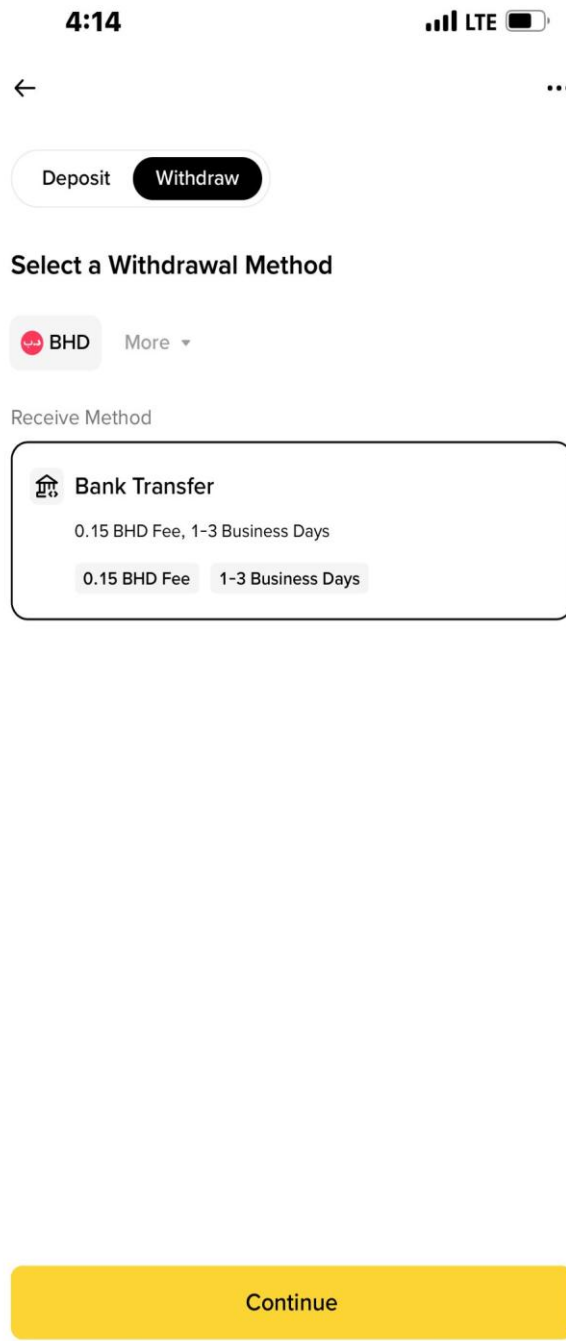


Figure 4.4(j)

Market Depth: Access to Perpetual and Quarterly contracts with leverage up to 125x.  
 Utility: Allows for advanced hedging strategies and profit generation in both bull and bear markets

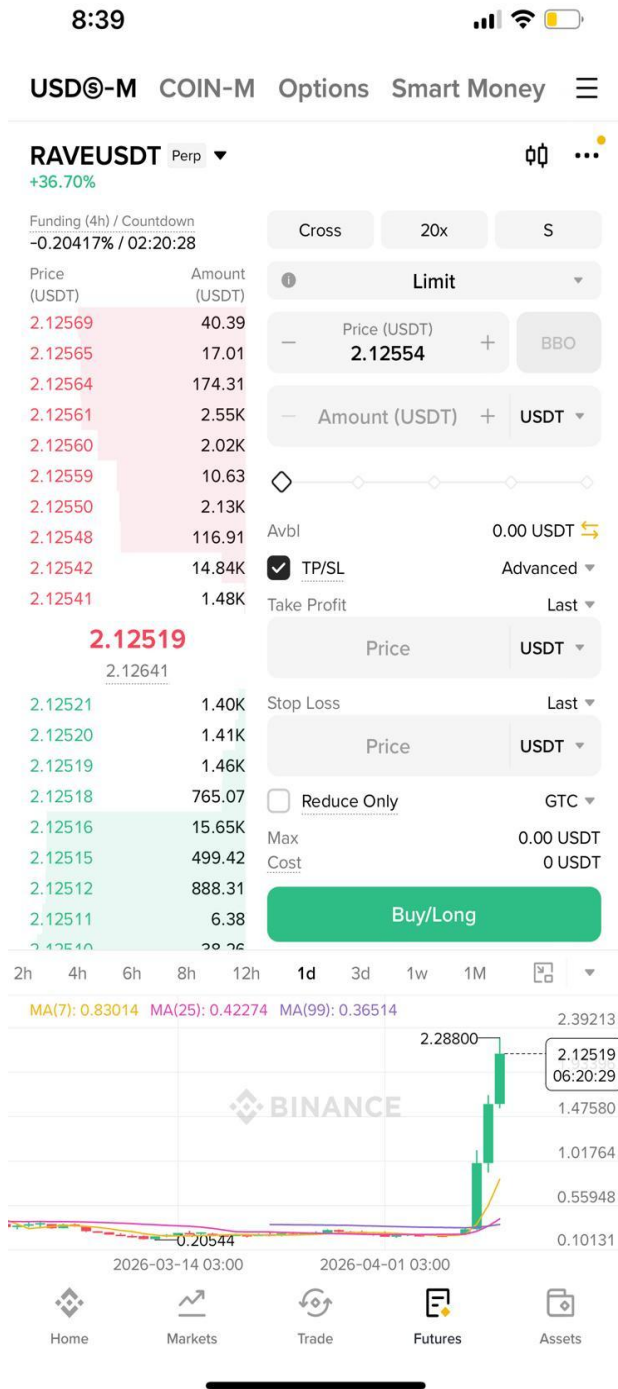


Figure 4.4(k)

Compliance Barrier: Access is restricted until a "Start Test" is completed to prove professional competency.

Maybe it's a bug, but this start test leads you nowhere. So no futures trading for advanced crypto users.

Utility: Primarily serves as a "Retail Protection" barrier, limiting the platform to basic spot trading only.

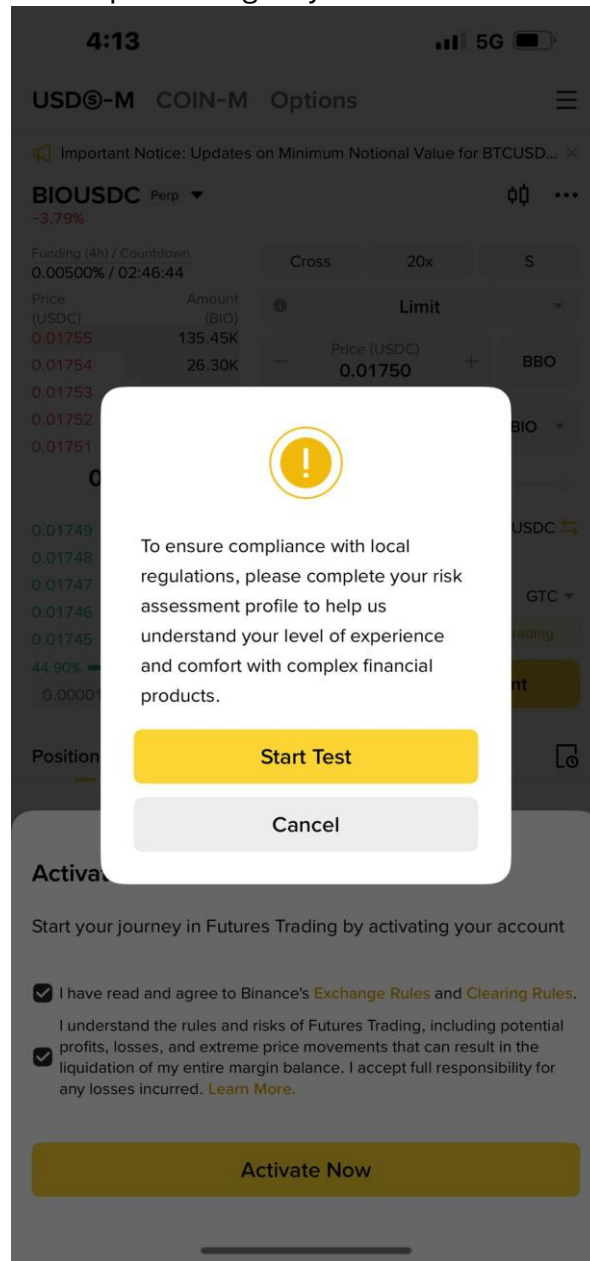


Figure 4.4(l)

**Figure 4.4:** Visual comparison of account verification and regional ecosystem identification on Binance International (a) vs. Binance Bahrain (b).

**Figure 4.4(a) vs. Figure 4.4(b): Account Ecosystem Identification**

- **The Distinction:** The standard "Verified" badge on the **International account (a)** symbolizes global feature access. The unique "**Binance BH**" badge on the **Bahrain account (b)** is a *technical delimiter*. This visual badge confirms the hard-coding of the local geo-fence, signaling that compliance checks (identity authentication) are strictly siloed from the broader global platform and its advanced product suite.

**Figure 4.4(c) vs. Figure 4.4(d): The Innovation Gap (Alpha)**

- **The Disparity:** **Table (c)** shows multiple tabs for asset discovery, including "**New**" and "**Alpha**." **Table (d)** only shows "**Gainers**" and "**Losers**" lists. The key point to document here is that Bahraini users on the regulated app ([Figure 4.4\(d\)](#)) receive market data *passively* (seeing what has already gained value, until listed in spot and approved), zero update on alpha projects, which are the hot topic, nowadays, meanwhile international users ([Figure 4.4\(c\)](#)) receive market data *actively* (discovering projects *before* they mature), having complete access to spot buy or trade alpha projects.

**Figure 4.4(e) vs. Figure 4.4(f): P2P Deactivation Audit**

- **The Failure Point:** A direct search for "**P2P**" on the international version ([Figure 4.4 \(e\)](#)) immediately reveals the network gateway and payment options (e.g., "Bank transfer and 100+ options"). A search for the same critical liquidity keyword on the BH version ([Figure 4.4\(f\)](#)) returns the definitive "**No records found**" message. This confirms the complete operational deactivation of the primary retail P2P payment rails by the CBB.

**Figure 4.4(g) vs. Figure 4.4(h): Operational Liquidity Friction (Deposit/Buy)**

- **The "Bridge" Barrier:** The international interface (g) shows thriving merchants (e.g., *Samuel\_0*) accepting **BenefitPay** with a **15-minute** settlement time and a 100% completion rate. The BH regulated method recommends a "**Bank Transfer**" with a **1–3 Business Day** delay. This is the visual proof of your "Banking Bridge" friction. it quantifies the exact difference between near-instant local liquidity (BenefitPay) and the multi-day latency of traditional bank settlement.

**Figure 4.4(i) vs. Figure 4.4(j): Operational Liquidity Friction (Sell/Withdraw)**

- **The Exit Delay:** When a user wants to liquidate \$USDT to \$BHD instantly, they can use P2P Sell (i) for sub-hour settlement to BenefitPay. The official regulated path (j) for the same action is a "**Bank Transfer**" which incurs a mandatory **0.15 BHD fee** and the same **1–3 Business Day** delay. The pointer here must emphasize "**Exit Latency**" as a major disincentive for high-frequency traders.

**Figure 4.4(k) vs. Figure 4.4(l): The Compliance Wall (Futures)**

- **The Professional Exclusion:** [Figure 4.4\(k\)](#) shows unrestricted access to derivatives (Futures) and complex trading screens with multiple tabs (Options, Smart Money). [Figure 4.4\(l\)](#) shows the immediate activation of a mandatory "**Compliance Test**" pop-up, deactivating Futures trading entirely until a risk test is completed. While meant for "Retail Protection," the pointer should analyze this as "**Professional User Friction**," driving advanced local traders back to unregulated platforms to avoid compliance barriers.

## 4.5 Visual Data: Traditional Brokerage Adaptation (CFI)

Traditional financial institutions in Bahrain are rapidly evolving to capture market share from unregulated international platforms. My investigation into **CFI (Credit Financier Invest)**, a firm regulated by the Central Bank of Bahrain, reveals a strategic push toward full digital asset integration to resolve existing "Banking Bridge" inefficiencies.

### The "Integration" Proof: WhatsApp Field Evidence

Unlike the stagnant retail adoption observed in the F&B sector, traditional brokerages are actively modernizing their payment rails to meet user demand.

- **Direct Confirmation:** As documented in my direct communication with a **CFI Representative (Figure 4.3)**, the firm has officially confirmed they are in the process of **integrating cryptocurrency as a direct deposit and payment method**.
- **Strategic Shift:** This evidence proves that regulated brokers are moving toward direct wallet-to-broker transfers to compete with the speed of international exchanges.



Figure 4.3 (a)

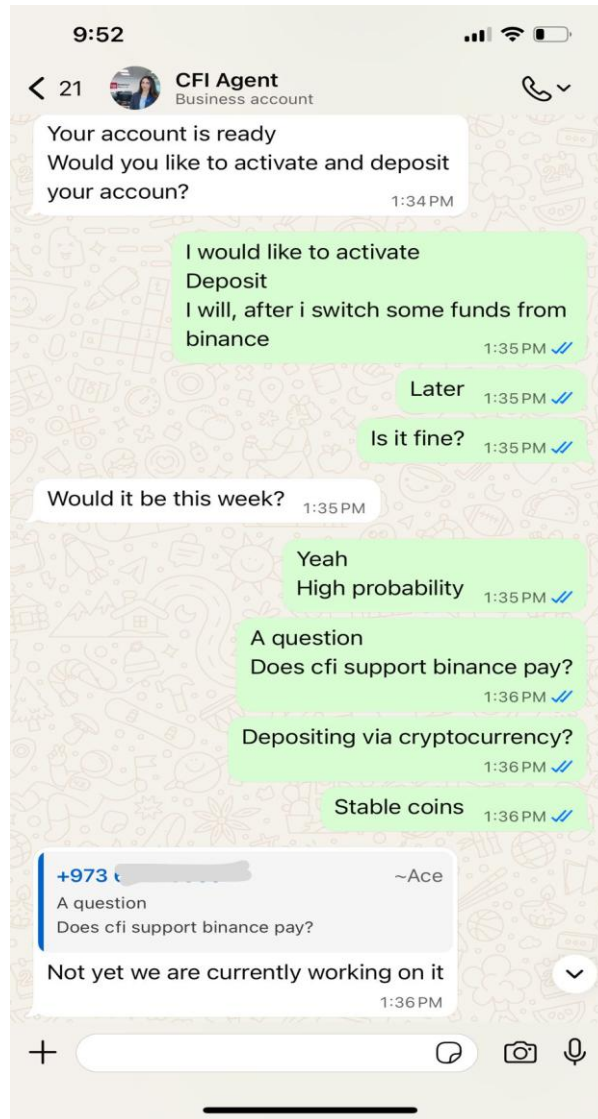


Figure 4.3 (b)

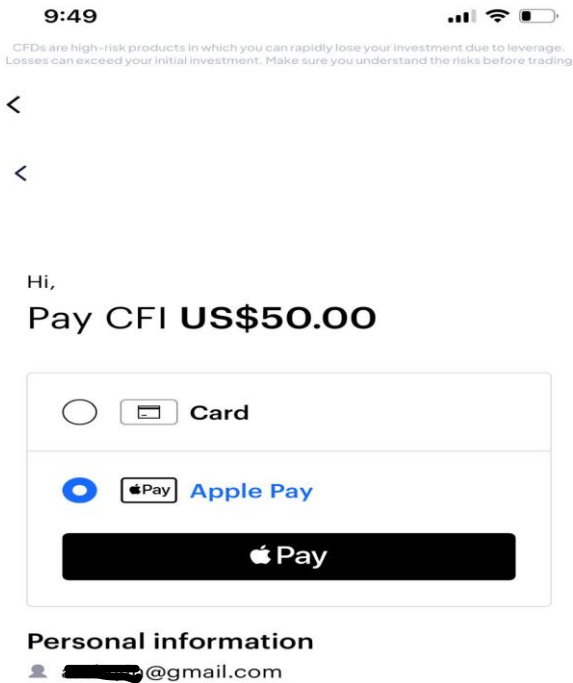
**Figure 4.3:** Primary field evidence documenting the imminent integration of cryptocurrency deposits at CFI; (Left: [Figure 4.3\(a\)](#)) Direct inquiry regarding crypto-to-BHD rails; (Right: [Figure 4.3\(b\)](#)) Official confirmation from a licensed representative regarding the upcoming feature.

### Operational Inefficiency: The "Withdrawal Loop" and Banking Delays

While CFI offers modern deposit methods like **Apple Pay** ([Figure 4.5](#)), current operational protocols reveal significant friction compared to the instant nature of P2P markets.

- **Refund to Original Source:** In compliance with anti-money laundering (AML) protocols, withdrawals must be refunded to the original source if the deposit was made using credit/debit cards or digital wallets like Apple Pay ([CFI Financial, 2026](#))

- **The Profit Barrier:** A critical operational hurdle is that profits cannot be returned to a card or digital wallet as these are strictly processed as refunds; instead, all profits must be withdrawn via bank wire transfer ([CFI Trading, 2026](#))
- **Time Disparity (Bank vs. P2P):** While CFI aims to process requests within 30 minutes, bank wire transfers generally take 1 to 3 business days to arrive in a user's account ([CFI Trading, 2026](#)). Furthermore, refunds to Apple Pay can take several days to appear on a card statement depending on the issuing bank ([Apple Support, 2026](#)).
- **The P2P Contrast:** This multi-day settlement cycle stands in stark contrast to the **15 to 360 minute** liquidity found in international P2P markets, where users move BHD and USDT instantly via BenefitPay without being trapped in "Refund Loops."



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**Figure 4.5:** CFI’s current deposit interface, highlighting the presence of Apple Pay but illustrating the limitations of traditional fiat rails.

## 4.6 Technical Validation & Institutional Strategy

While the frontline communication confirms the *intent* to integrate, technical data gathered directly from CFI's technology department confirms the *methodology*. As detailed in [Appendix D](#), CFI is bypassing the volatility risks of Bitcoin by focusing entirely on fiat-pegged stablecoins (USDT/USDC).

Furthermore, they are building proprietary, CBB-compliant payment gateways to handle real-time AML/KYC checks, proving that strict regulation is not stopping innovation, but rather guiding it into secure channels.

# Chapter 5: Findings & Discussion

## 5.0 Empirical findings and Hypothesis testing

This section evaluates the primary data against the formulated hypotheses to establish academic conclusions regarding the Bahraini digital asset ecosystem.

### Testing Hypothesis 1: Economic Practicality

- **Empirical Evidence:** Quantitative data from the consumer survey reveals that 42.9% of respondents utilize BenefitPay as their absolute go-to method for micro-transactions, while 50.4% rated sub-3-second transaction speed as critically important (5/5). Qualitative field tests at retail venues (e.g., Jasmi's) demonstrated that crypto-wallet latency cannot compete with the frictionless nature of local fiat QR payments.
- **Academic Decision:** The empirical evidence definitively contradicts the null hypothesis. Therefore, we **reject the Null Hypothesis (H0\_1)** and **accept the Alternative Hypothesis (H1\_1)**.

### Testing Hypothesis 2: Regulatory Arbitrage

- **Empirical Evidence:** Visual platform audits confirm a severe feature deficit on local platforms, notably the complete deactivation of the P2P marketplace and "Alpha" project discovery. Furthermore, interviews with CBB-regulated exchange insiders confirmed a 100% consensus that wider buy/sell spreads are the required "price" of local compliance, actively pushing 16.0% of surveyed users to bypass local apps entirely in favor of Binance Global.
- **Academic Decision:** The data proves a direct causal link between regulatory strictness and capital flight. Therefore, we **reject the Null Hypothesis (H0\_2)** and **accept the Alternative Hypothesis (H1\_2)**.

### Testing Hypothesis 3: The Educational Deficit

- **Empirical Evidence:** Field data exposes a massive operational awareness gap: 88.9% of retail staff are either unaware of the crypto POS feature or believe it does not exist. Furthermore, 87.5% of retail cashiers report having "never" received a crypto payment request, while 88.9% of professionals note that the average customer views crypto purely as a gamble or does not understand it at all.
- **Academic Decision:** The lack of awareness is statistically the primary roadblock to utilizing existing infrastructure. Therefore, we **reject the Null Hypothesis (H0\_3)** and **accept the Alternative Hypothesis (H1\_3)**.

## 5.1 The Bahraini Crypto Paradox Explained

The "Bahraini Crypto Paradox" describes a stagnant ecosystem where the **strength of regulation** has become the **barrier to adoption**. Despite Bahrain's pioneering status as the first Middle Eastern nation to implement a comprehensive crypto-asset framework, a vacuum of actual utility persists. The research identifies that the market is trapped between a "Safety First" mandate and a "Zero Use Case" reality.

“One respondent summarized the paradox of digital utility by stating: ‘BenefitPay is also digital so why bother... there is Fawri+ in bank applications nowadays.’ This confirms that the digital nature of crypto is not enough to displace a local incumbent that is already optimized for the BHD.”

### 5.1.1 The Utility Vacuum: Regulation without Adoption

The paradox exists because the CBB focuses on **oversight** rather than **on-boarding utility**. While the framework provides a "Safe Bridge," there is no destination on the other side.

- **The Factor:** Local exchanges provide basic "Buy/Sell" functions but lack the "Super-App" features (Staking, Launchpads, or Merchant payments) that give users a reason to keep their capital in the local ecosystem.
- **The Outcome:** Users view local exchanges as "entry/exit points" only. Once the BHD is converted to crypto, the lack of local use cases drives them immediately to international platforms where the "Variety of Options" exists.

### 5.1.2. The "Investor Avoidance" Effect

A significant portion of the paradox is driven by how regulation scares off the very growth it seeks to protect.

- **Limited Access:** Strict listing requirements under **the CBB Rulebook Volume 6 (CRA-15)** mean that "Alpha" projects (high-growth, early-stage assets) are inaccessible on local platforms.
- **The Avoidance Logic:** Serious investors avoid local regulated exchanges not because they dislike safety, but because the **regulatory friction** limits their financial opportunity. They perceive the local market as a "walled garden" that keeps them away from global liquidity and new market trends. However there are two sides to it, such as from institutions (CFI brokerage) point of view, In [Q9](#), CFI notes that while CBB regulations (like real-time AML/KYC) slow down the deployment of crypto tech, this strictness actually makes merchants *more* willing to sign up. This is a brilliant counter-intuitive point: regulation doesn't kill crypto adoption in Bahrain; it creates the trust necessary for it.

### 5.1.3. The "Institutional vs. Retail" Disconnect

The CBB built a framework for **Institutions** (Banks and Funds), but the market is driven by **Retail** (the people).

- **The Factor:** High compliance costs (**Compliance Premium**) make small transactions expensive.
- **The Reality:** Retail users—those who actually drive adoption—prefer the "unregulated" P2P routes because they are cheaper and offer more variety. As a result, the "First Mover" advantage Bahrain gained in 2019 has been neutralized by the lack of a consumer-centric use case.

The CBB built a framework for Institutions (Banks and Funds), but the market is driven by Retail (the people).

- **The Factor:** High compliance costs (Compliance Premium) make small transactions expensive.
- **The Fawri+ Ceiling:** While BenefitPay is the primary competitor, it is structurally limited by the Fawri+ daily limit of 1,000 BHD. For high-ticket retail transactions—such as car down-payments or university tuition—users are forced into the slower "Fawri" cycle with multi-hour or next-day delays.
- **The Reality:** Cryptocurrency (specifically stablecoins) should theoretically win this high-value market because it has no "daily ceiling" and operates 24/7. However, because local regulated exchanges have multi-day "withdrawal loops" to satisfy CBB rules, crypto's speed advantage for large amounts is neutralized. Consequently, retail users prefer the "unregulated" P2P routes for high-value transfers because they are faster, cheaper, and bypass both the banking limits and the "Regulated Delay."

#### **Cost-Efficiency of Direct Transfers:**

[Appendix D, Question 2](#) answers this.

Beyond bypassing the daily limits of local fiat applications, direct cryptocurrency integrations solve a major cost-friction for consumers: "off-ramp" fees. Institutional data reveals that a primary driver for utilizing digital assets in brokerage funding is to allow users to transfer funds directly from international exchanges (e.g., Binance).

This direct wallet-to-platform route allows "crypto-native" users to completely avoid the intermediary conversion spreads and withdrawal fees typically incurred when transferring digital wealth back into the local fiat banking system.

**Macroeconomic Integration vs. Replacement:** When asked CFI tech department about this, they answered it in [Q8, Appendix D](#)

While the operational efficiency of stablecoins offers immediate solutions to retail and brokerage friction, the long-term institutional consensus points toward coexistence rather than total replacement of legacy systems. Industry projections indicate that digital assets will become a major, parallel

alternative to traditional SWIFT and international wire transfers for cross-border funding. However, rather than rendering legacy banking obsolete, crypto payment rails will act as a complementary infrastructure, specifically servicing the growing demographic of "crypto-native" wealth in the Middle East.

#### 5.1.4. Key Discussion Points:

- **No Adoption Due to No Use Case:** Contrast the **BENEFIT Company (2026)** data (showing massive fiat adoption) with the tiny crypto-payment footprint. It proves that Bahrainis *will* adopt technology if it's useful (like BenefitPay), but crypto regulation has made crypto *less* useful.
- **The Feature Gap as an Adoption Killer:** Link back to your visual audit. If the app doesn't have the "Alpha" project a user wants, the regulation doesn't matter; the user will leave.

*"The Paradox is that by being 'First to Regulate,' Bahrain has created an environment where it is 'Last to Adopt.' The focus on institutional security has sacrificed the technical variety required to sustain a retail crypto economy."*

### The Defense: Why "First to Regulate" led to "Last to Adopt"

#### 1. The "Regulatory Lag" in a Fast-Moving Market

You can explain that in the crypto industry, liquidity follows innovation. By being the first to set strict rules in 2019, Bahrain created a "static" environment.

- **The Argument:** While the CBB Rulebook Volume 6 (CRA-15) ensures every asset is vetted, the vetting process takes time. In crypto, a project's "Alpha" (early-stage growth) often happens in weeks.
- **The Evidence:** By the time a local exchange gets approval to list a token, the retail opportunity has often passed. Therefore, investors "avoid" local platforms not because they are anti-regulation, but because the regulation creates a time-lag that destroys financial opportunity.

#### 2. Institutional Security vs. Retail Utility

Explain that the CBB built a "Fort Knox" for an audience that just wanted a "Digital Wallet."

- **The Argument:** The focus was on Institutional Security (custody, capital reserves, and audits). These are "invisible" benefits to a retail user. What a retail user "sees" is the Technical Variety—staking, P2P, and low-fee merchant payments.
- **The Evidence:** Use the Aloqab (2022) Jasmi's example. Binance provided a use case (buying food) while local exchanges were still perfecting their "Institutional Custody." Adoption failed because

the "Security" didn't solve a daily problem for the user.  
Neither did it create opportunities for the retailers and the customers.

### 3. The "Compliance Premium" as a Barrier to Entry

When the doctor asks about "sacrificing technical variety," point to the balance sheet.

- The Argument: High regulation is expensive. Local exchanges like Rain had to spend their \$110M Series B funding on manual compliance and 800+ staff to satisfy CRA-5.8 and CRA-B.1.2.
- The Evidence: Because they spent their capital on "People for Compliance" instead of "Developers for Features," they couldn't build the technical variety (the variety of options) that Binance offers. The result? Mass layoffs (HR World ME, 2022) when the market dipped, while the "unregulated" automated giants remained stable.

## 5.2 The Premium of Trust vs. Bear Market Layoffs

The transition from the 2021 bull run to the 2022 "Crypto Winter" serves as the ultimate stress test for the Bahraini crypto ecosystem. This section analyzes how the high cost of establishing a "Trust Bridge" (Regulatory Compliance) became a liability for local exchanges during the bear market.

### 5.2.1 The High Cost of "Trust" (The 2021 Expansion)

To compete with the established liquidity of unregulated platforms, local exchanges had to "buy" trust and users.

- The Incentive Model: As documented in early 2022, Rain Financial utilized an aggressive \$50 referral bonus program. This was not just a marketing gimmick; it was a necessary "Premium" paid to convince traditional bank users to move their BHD into a digital asset environment.
- Corporate Over-Expansion: Fuelled by a \$110 million Series B round, the "Start" phase involved massive hiring (targeting 800 staff) to manage the manual compliance and banking rails required by the CBB.

Local exchanges operate under the [CBB Rulebook Volume 6 \(Crypto-asset Module - CRA\)](#). Unlike global platforms, they must maintain high capital reserves (**CRA-B.1.2**) and expensive local technology audits (**CRA-5.8**), creating a "Compliance Premium" that inflates operational costs

### 5.2.2 The Fragility of the "Banking Bridge" (The 2022 Contraction)

When the market crashed in mid-2022, the "Premium of Trust" became a burden. Unlike Binance, which has low overhead per user due to its automated P2P and global scale, local exchanges were trapped with high operating costs and a shrinking retail base.

- Phase 1: June 2022 Layoffs: As Bitcoin prices plummeted, the \$50 bonuses were cut, and "dozens" of employees were laid off. This was the first crack in the bridge. The CEO's statement on "tough decisions" needed to navigate market uncertainty. As reported by [CoinGeek \(2022, June 8\)](#) the CEO's statement emphasized the **"tough decisions"** required to navigate the unexpected market uncertainty while trying the best to stabilize operations within the rigid framework of **the CBB Rulebook Volume 6 (Crypto-asset Module - CRA)**.
- Phase 2: September 2022 Layoffs: The "Progress" of the bear market forced a second, massive round of layoffs. As reported by [Economic Times HRWorld \(2022\)](#), ( suggest the headcount was slashed significantly to maintain solvency, which is true, as confirmed by the senior worker at the exchange during my interview.

### 5.2.3 Analysis: Feature Utility vs. Monetary Subsidies

The data suggests a clear reason for user migration during this period:

1. Retention Failure: Users who joined for a \$50 bonus (Rain) had no loyalty once the bonus disappeared and the fees remained high.
2. Retention Success: Users on Binance International stayed because of utility (P2P Express, Futures trading and later Alpha discovery), which costs the platform almost nothing to maintain but provides high value to the user. Binance takes share of coins to list a token, and charges funding fees, so it's a win-win situation for the platform, retaining the projects and the users.
3. The "Trust Premium" Paradox: By strictly following regulations, local exchanges incurred higher costs, which forced higher fees, which ultimately drove users back to unregulated platforms. This created a "Negative Feedback Loop" that led to the layoffs.

#### Key Findings:

- Misaligned Growth: Local exchanges over-extended on marketing (\$50 referrals) rather than technical feature parity.
- Market Sensitivity: Regulated platforms are more sensitive to "Crypto Winters" because they lack the diverse revenue streams (Futures, Launchpads, Global P2P) that Binance uses to subsidize its operations.
- The Senior Interview Weight: Your expert interview confirms that this period wasn't just a "bad market"—it was a failure of the local corporate model to survive without a constant influx of new, subsidized users. The lay-off's were the best thing that happened at rain, his words.

**The Survival Contrast:** Binance survived because its compliance is global and automated, whereas Rain's was local and manual.

**Table S/L/G**

Strategy	Local Exchanges (Rain)	Global Platforms (Binance)
Growth Driver	\$50 Referrals (Incentive-Led)	Product Features (Utility-Led)
Staffing	Manual Compliance (High Overhead)	Automated/Global Compliance (Low Scaling Cost)
Survival Logic	Dependent on Spot Volume	<b>Multi-Revenue:</b> P2P, Futures, Pay, Alpha.
Outcome	<b>Layoffs in Bear Market</b>	<b>Operational Stability/Expansion</b>

### 5.3 The EazyPay Timeline: From Launch to Abandonment

The EazyPay-Binance partnership (launched in late 2022) was intended to be the ultimate "Utility Bridge"—the moment crypto moved from a speculative asset to a daily currency in Bahrain. However, the data suggests this bridge has become a "ghost road."

#### Phase 1: The Launch (September 2022)

- The Announcement: Economy Middle East reported the partnership between Binance, EazyPay, and over 5,000 POS terminals in Bahrain ([Economy Middle East, 2022](#)).
- The Vision: Users could scan a QR code at merchants (like Jasmi’s or car dealerships) and pay with crypto.
- The Goal: To prove that Bahrain was the "Crypto Hub" of the Middle East by bringing crypto to the "Real Economy."
- Reference: Economy Middle East (2022) *Bahrain partners with Binance, EazyPay for crypto payments*.

## Phase 2: The "Social Proof" Peak (Late 2022 - Early 2023)

- The Adoption Signal: This is where the Aloqab (2022) LinkedIn video of buying French fries at Jasmi's comes in.
- The Narrative: It was used as marketing "Proof of Concept." It looked like the "Paradox" was being solved because people were finally *using* crypto for small daily tasks.
- The Reality: These were largely "one-off" events by crypto enthusiasts to show it was possible, rather than a shift in consumer behavior.

## Phase 3: The Friction Point (2024 - 2025)

- The High Barrier: To pay via EazyPay, a user had to go through the CBB Rulebook Volume 6 (CRA) compliance on a local exchange or navigate the Binance interface.
- The Tax/Fee Problem: Users realized that paying for a 2.500 BHD meal with Bitcoin involved "spreads" and potential tax implications (or simple price volatility) that made it more expensive than just using BenefitPay.
- The Competition: The BENEFIT Company (2026) data shows 37.5 Billion BHD in transactions. BenefitPay is free, instant, and local. EazyPay-Crypto was cool, but it wasn't *better* than the local fiat standard.

## Phase 4: Functional Abandonment (Present Day)

- The Ghost Merchants: While 5,000 terminals "support" it, the actual transaction volume is negligible. This is where that reddit post by anonymous starts to make sense. There is not enough support, either due to knowledge barriers, regulations, less promotion, and benefits. Nobody wants to use the ghost payment system at ghost merchants.
- The "Abandonment" Reason: People don't want to spend an appreciating asset (Bitcoin) on a depreciating meal (fries) when the regulatory "Safety Bridge" makes the transaction slower than a debit card.
- The Findings: Your research shows that the EazyPay timeline is a cautionary tale: Technology without an Economic Incentive leads to Abandonment.
- Easy pay supported BUSD initially, which comes down this

**Figure 5.3: The Life and Death of a Payment Bridge**

<b>Date</b>	<b>Milestone</b>	<b>Result for Bahraini User</b>
<b>Sept 2022</b>	EazyPay Launch	High excitement; BUSD used as "stable" payment.
<b>Feb 2023</b>	<b>NYDFS/SEC Action</b>	Initial panic; BUSD minting stops.
<b>Aug 2023</b>	Binance "Wind Down"	Users forced to swap BUSD for FDUSD.
<b>Feb 2024</b>	<b>BUSD Extinction</b>	Bridge is empty; users return to BenefitPay.

**Table L&D**

If we put this into perspective, that even BUSD wasn't safe from politics, and all the updates gave opportunity to a system focused on easing payments using QR code and Fawri+ (BenefitPay)

As BUSD faced its forced extinction due to US regulatory pressure in 2023, the EazyPay-Binance bridge did not simply shut down.

Instead, it demonstrated Technical Resilience by pivoting to USDT (Tether) and other stablecoins.

**1. The Pivot to USDT (2023 - 2024)**

By late 2023, Binance Pay and EazyPay updated their integration to prioritize USDT. This was a logical move, as USDT is the most liquid and widely used stablecoin globally. The Reality: From a technical perspective, the "fries at Jasmi's" could now be bought with USDT just as easily as they were with BUSD. The Reference: Binance P2P (2026) Buy and Sell Tether (USDT) with EazyPay.

**2. Why USDT was unable to stop the abandonment**

Even though USDT solved the "extinction" problem of BUSD, it failed to solve the Adoption Problem for three specific reasons: The "Grey Area" of USDT: Unlike BUSD (which was fully regulated and audited by the NYDFS at the time of launch), USDT has historically operated in a regulatory "grey area." For a highly regulated environment like Bahrain, which follows the CBB Rulebook Volume 6 (CRA), the shift from a "Regulated Stablecoin" (BUSD) to a "Market Stablecoin" (USDT) created a subtle Trust Gap for institutional partners and cautious retail users.

**3. Network Fees and Friction:** While the Binance-to-Binance transfer is free, the "On-Ramping" of BHD to USDT still involves spreads. Users realized that if they have BHD in their bank account, converting it to USDT just to buy a meal at a merchant that already accepts BenefitPay (which is 1:1 BHD) was an unnecessary economic friction.

The Rise of Local Digital Fiat:

While EazyPay was pivoting to USDT, The BENEFIT Company (2026) was recording BD 37.5 Billion in transactions.

BenefitPay became so dominant and "frictionless" that the technical update to USDT felt like a solution to a problem that Bahraini consumers no longer had.

## 5.4 Local food chain example: Flawed Micro-Transactions

The famous "Jasmi's French Fries" video ([Aloqab, 2022](#)) was a beautiful marketing moment, but for the average person in Riffa or Manama, it highlighted a flawed reality.

- The "Social Pressure" Friction: Imagine standing in line at a busy Jasmi's. Behind you is a line of hungry people. Using BenefitPay takes 3 seconds. Using Binance/EazyPay requires you to check your data, open a global app, ensure your "Funding Wallet" has USDT, and hope the POS terminal syncs.
- The Micro-Loss: If your meal is BD 2.500, but the "spread" and conversion from USDT/BHD effectively makes it BD 2.650, you have just paid a 6% "Early-Adopter Penalty." \* The Finding: For micro-transactions, "Safety" isn't the priority—speed and cost are. By forcing crypto into a high-regulation box, the "Jasmi's Use Case" became a novelty act rather than a daily habit. People did it once for the video, then went back to BenefitPay for the fries.

“The friction of micro-transactions is best described by a user who noted that crypto must ‘move beyond being a digital investment and become a daily payment method.’ Currently, standing in line at a merchant like Jasmi's creates 'Social Pressure' that favors the 3-second speed of Apple Pay over a crypto-wallet sync.”

### 5.4.1 The Merchant Knowledge Gap: A Personal Case Study

To test the practical utility of the "Banking Bridge,"

I conducted a field observation at a Jasmi's outlet, a primary partner in the EazyPay-Binance ecosystem. This experiment yielded two critical findings regarding the failure of the local crypto-utility model:

1. The "Speculation vs. Spending" Conflict (2022 Observation) During the launch phase, an attempt to pay using XRP highlighted a significant "Spread Friction."
  - The Finding: The transaction cost was not equivalent to a 1:1 USD-BHD peg. While the business could have theoretically gained if they "held" the volatile asset (XRP) during a price surge, the user was forced to absorb the immediate conversion loss.
  - The Paradox: As the researcher observed, the "fees" were not the deal-breaker; it was the opportunity cost. Using a volatile asset like XRP to buy food is economically irrational for the consumer (who might lose future gains) and risky for the merchant (who might lose value before liquidation).

2. The "Institutional Memory" Loss (2024-2025 Observation) Upon returning to the same merchant two years later, the "Utility Bridge" had effectively collapsed at the point of sale.

- The Finding: Front-line staff were entirely unaware that a crypto-payment system existed. Despite the official partnership reported by [TahawulTech. \(2026\)](#), the system had faced Functional Abandonment.
- The Discussion: This proves that without constant volume, merchants stop training staff on the technology. The bridge exists on paper (and perhaps in the software), but it has died at the human level. This is the ultimate evidence of the Bahraini Crypto Paradox: a system that is legally permitted but socially and operationally extinct.

## 5.5 The Trading Loophole: Escaping to Binance Global

This is where the "Bahraini Crypto Paradox" hits the hardest. When the local "Banking Bridge" (the regulated exchanges) becomes too slow or restrictive, users don't stop trading, they just "escape."

- The "walled garden" effect: Under the CBB Rulebook Volume 6 (CRA-15), local exchanges are very picky about what coins they list. If a "hot" project is trending globally, a Bahraini user often can't find it on a local app.
- The Escape Route: Users use local exchanges as a "bus station." They deposit BHD, buy a stablecoin (like USDT), and immediately send it to Binance Global.
- The Irony of Regulation: The CBB's strict rules were meant to keep Bahraini money safe. Instead, they forced users to move their assets to an offshore, unregulated environment just to access the "Alpha" (growth) they desire. The "Loophole" exists because the local features are too thin to keep the capital inside the Kingdom.

## 5.6 The Education Gap: Literacy and Missed Opportunities

The most "human" part of your findings is that most users are playing a game they don't fully understand, and the regulated platforms aren't helping them.

- The Literacy Barrier: Many users don't understand the difference between a "Limit Order" and a "Market Order," leading them to lose money on high spreads on local platforms. They see the "High Fees" but don't realize they are being "taxed" by their own lack of knowledge.
- The Scammer's Playground: Because the Education Gap is so wide, users often fall for "get rich quick" schemes on Telegram or WhatsApp. They ignore the regulated "Safety Bridge" because it looks "boring" or "too complicated," and they chase the "Variety of Options" on shady platforms.
- The Missed Opportunity: Bahrain has the potential to be a "Crypto Literate" nation, but currently, the education is coming from "Influencers" rather than the Central Bank of Bahrain (2023) or the exchanges themselves. This gap creates a market where users are either too afraid to enter or too uneducated to stay safe.

## Chapter 6: Recommendations

### 6.1 P Mitigating Regulatory Arbitrage (Addressing Hypothesis 2)

Because the data confirms that strict compliance overhead forces local exchanges to restrict features and raise fees (driving users offshore), the CBB must transition from restriction to automated facilitation.

- **Transition to AI-Driven RegTech:** The CBB and local exchanges must transition from manual/periodic compliance audits to Real-Time On-Chain Monitoring using AI-driven Regulatory Technology (RegTech). By utilizing machine learning for "Source of Wealth" tracking, exchanges can drastically lower the fixed overhead costs that currently widen user spreads.
- **The "Fast-Track" Asset Sandbox:** The CBB should create a secondary, lighter vetting tier for "Retail Alpha" tokens. If a project meets a basic liquidity and security threshold, it should be tradable in a limited capacity locally. This neutralizes the "Trading Loophole" where users escape to Binance Global simply to find asset variety.
- **Incentivized P2P Integration:** Instead of prohibiting P2P, the CBB should license a "Regulated P2P" framework. By allowing individuals to act as licensed "Liquidity Providers" within local apps, the high cost of manual exchange operations would drop, effectively lowering fees for the end-user.

## 6.2 Overcoming Economic Practicality and UX Friction (Addressing Hypothesis 1)

Because the data confirms that crypto-wallets cannot compete with the sub-3-second speed and zero fees of BenefitPay for micro-transactions, businesses and developers must pivot their operational strategy.

- **Strategy Shift: High-Value Settlement Specialization:** Local exchanges should stop competing with BenefitPay for micro-transactions (e.g., coffee and fast food) and instead target the 1,000+ BHD market. By partnering with car dealerships, private schools, and luxury retailers, crypto can be positioned to bypass traditional daily banking limits (like Fawri+), providing a legitimately faster alternative for high-net-worth settlement.
- **Stablecoin-First Payment Policy:** The local fast-food example demonstrated that volatile assets fail as payment methods due to "The Early-Adopter Penalty" and psychological friction. The CBB and local merchants should mandate Stablecoin-only (USDT/USDC) payment rails for retail. This creates a "Safe-Value Environment" where users learn digital wallet mechanics without the risk of asset depreciation at the checkout counter.
- **The "BenefitPay Integration" Mandate:** The CBB should facilitate a direct technical API link between BenefitPay and local crypto exchanges. If a user could "Top-Up" their crypto wallet via a BenefitPay button with zero spread, it would eliminate the primary UX friction blocking retail entry.

### 6.3 Bridging the Educational Deficit (Addressing Hypothesis 3)

Because the data confirms that a lack of foundational knowledge creates operational paralysis at the merchant level and apprehension at the consumer level, human-capital development must be prioritized.

- **Integration of Financial Literacy in Universities:** The "Education Gap" is a critical risk to the Kingdom's digital economy goals. Universities (e.g., UoB, Ahlia) should integrate a mandatory module on "Digital Asset Management." Curriculums must cover "Exchange Arithmetic" (calculating spreads and slippage to avoid penalty fees) and "Custody Ethics" (Cold vs. Hot storage security).
- **Merchant-Side Training (Fixing the Operational Gap):** Instead of merely installing crypto-enabled POS systems, payment processors must provide mandatory, ongoing frontline staff training. As the empirical field research proved, technical infrastructure is useless if the retail operator does not know it exists or how to generate the payment QR code.
- **The Sandbox Internship Program:** Universities and the CBB should co-create a "Regulatory Internship" placing students directly within local fintech startups. This develops a future workforce fluent in both strict regulatory compliance (CBB) and user-centric design (UX).

### 6.4 Final Synthesis: The Philosophy of Financial Facilitation

Ultimately, Blockchain and Decentralized Finance (DeFi) represent more than a technical upgrade; they are tools for economic efficiency. For Bahrain to lead this financial revolution, it must pivot from viewing digital assets purely as a 'Risk to be Managed' to an 'Innovation to be Facilitated.'

If these recommendations are implemented, the Bahraini Crypto Paradox can be resolved. The local infrastructure will transition from a high-friction barrier into a seamless utility highway where:

1. The CBB protects the user without suffocating technological choice via RegTech.
2. Local exchanges survive through AI integration and specialized high-value settlement.
3. Users actively choose local platforms because they are frictionless and competitive, not merely because they are legally mandated.

## The "Utility Bridge" of 2030

If these recommendations are followed, the Bahraini Crypto Paradox is solved. The "Banking Bridge" stops being an expensive, high-friction barrier and becomes a seamless highway where:

1. The CBB protects the user without killing the choice.
2. Exchanges survive through technology, not just "money-push" gimmicks.
3. Users choose local platforms because they are actually better, not just because they are "safe."

# Chapter 7: Conclusion

## 7.1 Summary of Findings

This research has empirically documented the structural and psychological components of the "Bahraini Crypto Paradox." By formally rejecting the null hypotheses, the primary findings indicate that while Bahrain has succeeded in building a world-class regulatory fortress under the CBB Volume 6 framework, it has inadvertently stifled the retail utility required for widespread adoption.

The investigation revealed a "Utility Vacuum" in the retail sector. Because BenefitPay offers zero-friction, instant BHD settlements, cryptocurrency micro-transactions are rendered economically irrational for the average consumer due to uncompetitive frictional transaction costs. However, a significant utility opportunity exists in high-value settlements; while traditional local systems (e.g., Fawri+) impose a 1,000 BHD daily transaction limit, digital assets present a frictionless, uncapped alternative for large-capital retail and B2B transactions.

Furthermore, a significant "Feature Gap" was identified through comparative platform auditing and institutional interviews. Stringent local compliance mandates have stripped local exchanges of high-growth "Alpha" projects and near-instant P2P liquidity. This regulatory friction has inadvertently created a "Trading Loophole," fueling regulatory arbitrage as active Bahraini traders bypass local oversight in favor of offshore platforms (e.g., Binance Global) to access deeper liquidity and lower fees.

Finally, qualitative on-field retail assessments confirmed a severe educational deficit, characterized by an "Institutional Memory Loss." While crypto-payment infrastructure exists on paper, it is functionally abandoned by untrained frontline staff on the ground. The absence of formalized merchant onboarding and consumer financial literacy programs creates a critical operational bottleneck, demonstrating that advanced technological infrastructure cannot achieve mainstream adoption without corresponding human-capital development.

## 7.2 Final Answer to Research Questions

The core objective of this research was to diagnose the stalled adoption of digital assets in Bahrain despite world-class infrastructure. Through rigorous hypothesis testing and a **5-pillar data triangulation approach**, combining quantitative consumer surveys, qualitative field testing, expert institutional interviews, netnography, and comparative platform audits, this study conclusively establishes that Bahrain's barrier to digital asset adoption is no longer a technological deficit, but a profound human-capital and User Experience (UX) deficit. By formally rejecting all three null hypotheses, this research proves that top-down regulatory frameworks (CBB Volume 6) and advanced technical rails (EazyPay) are insufficient to drive adoption in isolation. Because local fiat systems (BenefitPay) perfectly solve the "medium of exchange" problem with zero friction, cryptocurrency will not achieve retail penetration in Bahrain until its UI/UX matches local fiat speeds. Furthermore, the accepted alternative hypotheses demonstrate that over-regulation at the local exchange level actively harms the ecosystem by pushing active trading volume offshore. Ultimately, without coordinated, grassroots educational campaigns to dismantle the "gambling stigma," Bahrain's pristine crypto infrastructure will remain functionally abandoned at the retail level.

## 7.3 Future Research Opportunities

As the Kingdom moves toward a "post-oil" digital economy, this research opens several avenues for further study:

- **The Impact of SGB and mBridge:** Future studies should investigate how the introduction of the Singapore Gulf Bank (SGB) and the mBridge settlement system might lower the "Compliance Premium" for local retail exchanges.
- **CBDC vs. Stablecoins:** There is a significant opportunity to research whether a Bahraini Digital Dinar (CBDC) would complement or further cannibalize the adoption of private stablecoins like USDT.
- **Long-term Behavioral Shifts:** A longitudinal study could track whether the implementation of cryptocurrency modules in universities (as recommended in Chapter 6) shifts the investment habits of the next generation of Bahraini "digital natives."

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## Appendices A – D (Surveys, Interview Summaries, Charts)

### Appendix A: Crypto Adoption and Payment Habits Survey Results

Target Demographic: University of Bahrain Students & Young Professionals

Sample Size (\$N\$): 119

Survey Methodology: Quantitative digital questionnaire focused on retail habits and crypto-literacy.

#### 1. Daily Retail Payment Preferences

*"When buying daily items on campus or at local cafes (under 5 BHD), what is your absolute go-to payment method?"*

Response Option	Percentage
BenefitPay (Fawri/Fawri+)	<b>42.9%</b>
Physical Bank Card (Tap/Chip) / Cash	29.4%
Apple Pay / Samsung Pay (NFC Contactless)	27.7%

#### 2. The Speed Requirement

*"How important is transaction speed (paying in under 3 seconds) when you are standing at the cashier?"*  
(Rating 1-5)

Rating	Percentage
5 (Critically Important)	<b>50.4%</b>
3	22.7%
4	16.8%
2	5.0%
1 (Not Important)	5.0%

### 3. Platform Usage: Local vs. International

"If you use or have tried cryptocurrency, which platform(s) do you currently use or have used?" (Multi-select)

Platform	Percentage of Respondents
<b>I do not use any crypto platforms</b>	<b>58.8%</b>
CoinMENA (Local Bahrain Exchange)	23.5%
Binance Global (International Version)	16.0%
Rain (Local Bahrain Exchange)	15.1%
Binance BH (CBB Regulated Version)	10.9%

### 4. Barriers to Adoption (The "Literacy" Debate)

"Do you believe that a lack of 'Crypto Literacy' is the main reason preventing regular users from trying cryptocurrency?"

Response Option	Percentage
<b>No, people understand it, they just don't see a reason to use it instead of BenefitPay.</b>	<b>44.9%</b>
Partially, but fear of losing money is a bigger reason.	28.8%
Yes, it is too confusing and intimidating for a beginner.	26.3%

### 5. Accessibility of Educational Resources

"In your opinion, are there enough accessible courses, university workshops, or public resources available in Bahrain?"

Response Option	Percentage
<b>I have never seen a local course or workshop about this.</b>	<b>51.7%</b>
No, it is mostly self-taught through YouTube/Twitter.	35.6%
Yes, there is plenty of information available.	12.7%

## 6. Awareness of Existing Infrastructure (The EazyPay Paradox)

*"Did you know that most EazyPay POS machines in Bahrain actively support paying with cryptocurrency?"*

Response Option	Percentage
<b>No, I had absolutely no idea this was an option.</b>	<b>66.1%</b>
Yes, I knew that but I have never used it.	21.2%
Yes, I knew that and have tried it.	12.7%

## 7. Retail Micro-Transaction Willingness (The Jasmi's Test)

*"If a local fast-food restaurant (like Jasmi's) offered you the option to pay via crypto wallet, would you use it?"*

Response Option	Percentage
<b>No, I would rather hold my crypto as an investment (HODL).</b>	<b>46.1%</b>
Yes, it sounds cool and futuristic.	32.5%
No, network fees and slow processes make it useless for small purchases.	21.4%

## 8. High-Ticket Utility (Stablecoins)

*"Would you consider using stablecoins (USDT/USDC) to pay for large items like University Fees or a car?"*

Response Option	Percentage
<b>No, I would still prefer a traditional bank transfer for large amounts.</b>	<b>45.3%</b>
Maybe, if the university/business offered a discount for doing it.	29.9%
Yes, it would be a fast and easy way to move large amounts of money.	24.8%

## II: Categorized Qualitative Responses

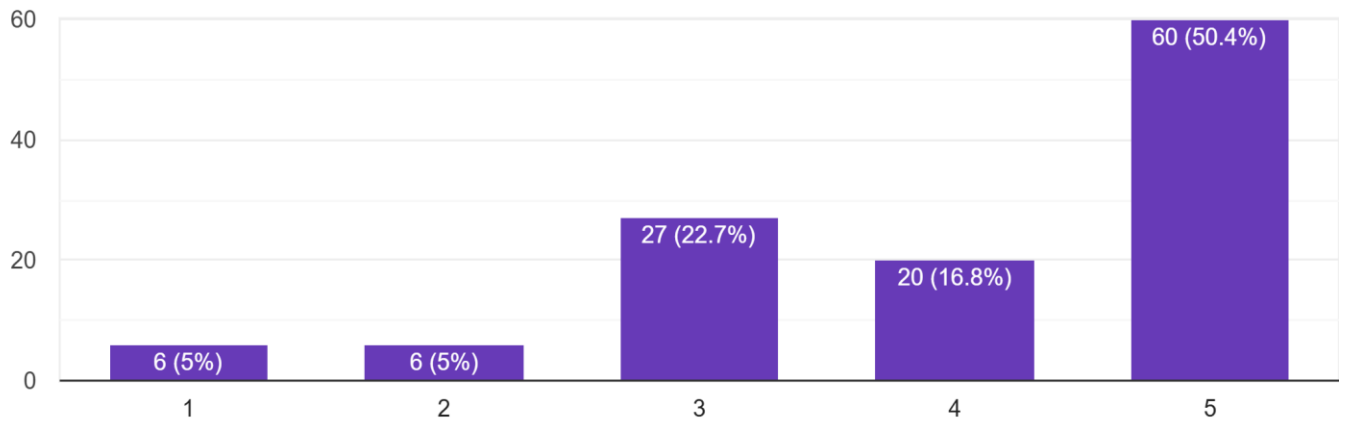
To provide a transparent record of the survey, the following list represents a categorized selection of the raw "Final Thoughts" provided by participants:

- On UX: *"Simple UX (no tech headache)," "Seamless retail integration," "Easy access through user-friendly apps."*
- On Policy: *"Official recognition from the CBB," "Allow peer-to-peer on Binance BH," "Work on providing some real-world benefit."*
- On Utility: *"Groceries to transport," "Receive salaries and pay bills," "We should be able to pay for expensive items."*
- On Education: *"Information regarding benefits and disadvantages," "We should be taught how these things work."*
- *"Full raw dataset (119 responses) is available upon request in CSV format."*

### III: Appendix A Charts

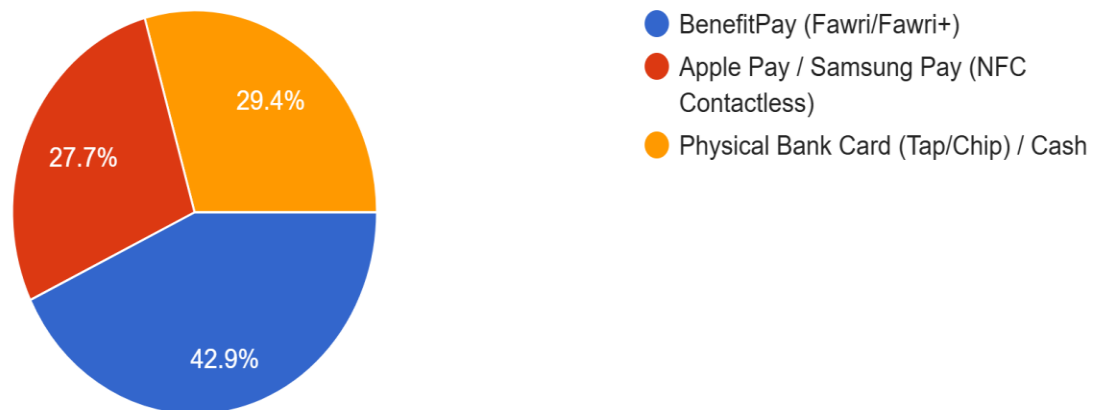
How important is transaction speed (paying in under 3 seconds) when you are standing at the cashier?

119 responses



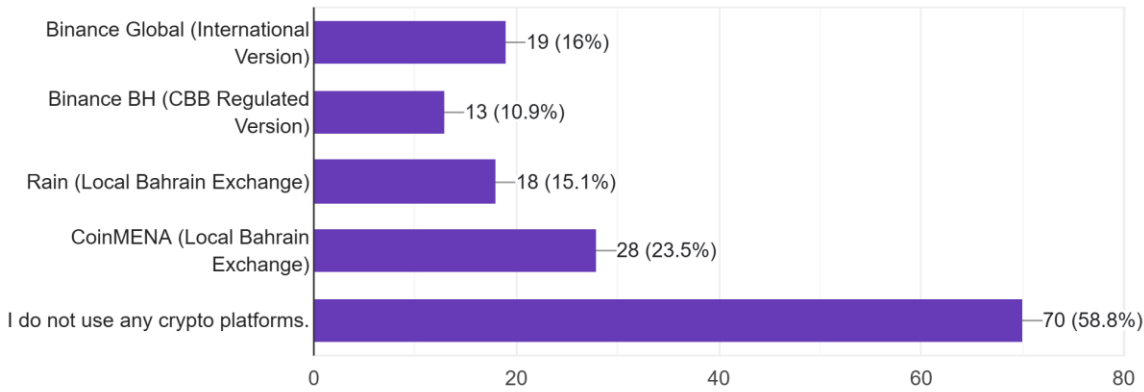
When buying daily items on campus or at local cafes (under 5 BHD), what is your absolute go-to payment method?

119 responses



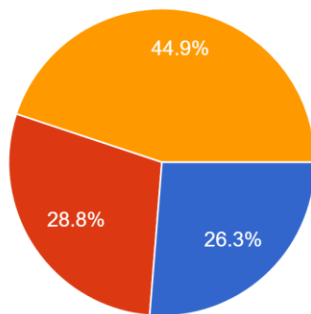
If you use or have tried cryptocurrency, which platform(s) do you currently use or have used? (Check all that apply)

119 responses



Do you believe that a lack of 'Crypto Literacy' (not understanding how wallets, networks, and coins work) is the main reason preventing regular users from trying cryptocurrency?

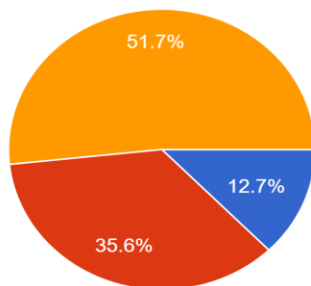
118 responses



- Yes, it is too confusing and intimidating for a beginner.
- Partially, but fear of losing money is a bigger reason.
- No, people understand it, they just don't see a reason to use it instead of BenefitPay.

In your opinion, are there enough accessible courses, university workshops, or public resources available in Bahrain to teach people how to use cryptocurrency safely?

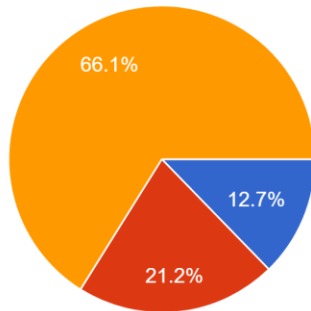
118 responses



- Yes, there is plenty of information available.
- No, it is mostly self-taught through YouTube/Twitter.
- I have never seen a local course or workshop about this.

Did you know that most EazyPay POS machines in Bahrain (found in supermarkets, cafes, and retail stores) actively support paying with cryptocurrency via 'Binance Pay'?

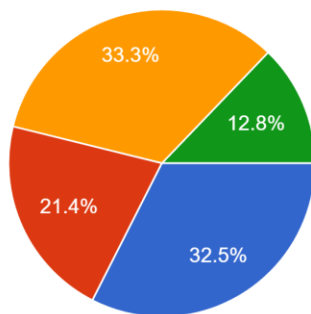
118 responses



- Yes, I knew that and have tried it.
- Yes, I knew that but I have never used it.
- No, I had absolutely no idea this was an option.

If a local fast-food restaurant (like Jasmi's) offered you the option to pay for your meal using a crypto wallet, would you use it?

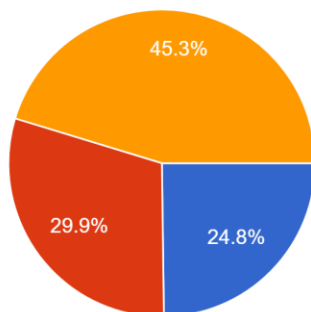
117 responses



- Yes, it sounds cool and futuristic.
- No, network fees and the slow process make it useless for small food purchases.
- No, I would rather hold my cryptocurrency as an investment
- No, I would rather hold my crypto as an investment.

Unlike volatile coins (like Bitcoin), 'Stablecoins' (like USDT/USDC) are pegged to the US Dollar and don't drop in value. Would you consider using stablecoins, such as your University Fees or buying a car?

117 responses



- Yes, it would be a fast and easy way to move large amounts of money.
- Maybe, if the university/business offered a discount for doing it.
- No, I would still prefer a traditional bank transfer for large amounts.

### Section III: Raw Qualitative Data (Consumer Sentiment)

**[Question:** *"What is the number one thing that needs to change for you to start using crypto as 'real money' in Bahrain?"*

The following entries represent the raw, unedited final thoughts provided by the 119 survey participants. These responses served as the primary basis for the thematic analysis presented in **Chapter 4.1.2**.

- "Ease of use"
- "-"
- "Universal acceptability from groceries to transport."
- "I prefer real money in case there is no network or my phone dies"
- "More usage"
- "Protection against fraud and theft, with insurance or legal recourse if something goes wrong with my crypto transactions or wallet."
- "Xrp to the moon"
- "There was a difference version of binance 🐼"
- "Crypto is too volatile"
- "Widespread merchant acceptance and government regulatory approval so I can actually use crypto to buy everyday items without converting back to fiat currency."
- "Crypto getting accepted everywhere"
- "Benefitpay is also digital so why bother... there is fawri+ in bank applications nowadays"
- "Widespread merchant acceptance. You won't call it "real money" until you can: Pay groceries, Pay bills, Shop anywhere etc"
- "Benefits"
- "Crypto literacy"
- "No idea"
- "Integration with the traditional banking system so I can easily convert between crypto and the Bahraini Dinar without complications or delays."
- "But why"
- "Cash rules"
- "Information regarding crypto, benefits and disadvantages of using it."
- "If they stop bothering users with constant emails and work on providing some real world benefit"
- "I am not sure."
- "Risk management is the first thing people should know if they are going to treat it as they are risky assets except stable coins pegged to dollar"
- "Guaranteed value preservation so crypto doesn't lose purchasing power over time like some volatile assets do."
- "For it to be common enough among people so that I can feel safe to use it."
- "Usecase dependent"
- "We should be able to pay using them in near future for expensive items"
- "More business accepting crypto as payment or clear regulations to increase trust."
- "Knowledge about it"
- "More security, clear government regulations, and wider acceptance by businesses would make me comfortable using crypto as real money"

- "Education and awareness campaigns to help ordinary people understand how crypto works and its benefits without technical jargon."
- "Simple UX (no tech headache)"
- "Easy access through user-friendly mobile apps and crypto payment systems that ordinary people can use without technical knowledge or high fees."
- "More support should be present to utilize this system"
- "Crypto must be officially recognized and usable everywhere — without risk"
- "Scan qr code and pay quickly"
- "Clear regulatory framework and legal recognition from the Central Bank of Bahrain and government authorities."
- "Apple pay is the way"
- "Hasn't it crashed badly"
- "Account dormant since creation"
- "Lower transaction fees and faster payment processing times compared to traditional banking and money transfer services."
- "No idea tbh"
- "My friend made account for me in past but i dont use"
- "Infrastructure should be there to use it securely"
- "Just tap the card reader and go"
- "Support from major international payment platforms and digital wallets so crypto becomes as accessible as using a credit card."
- "There should be need for the it at least, maybe card payment using crypto for ease"
- "More exposure! If i see my peers use it i use it too"
- "Made my account on coinmena and rain when everybody talked about cryptocurrency prize rising. I dont use it though"
- "Give me my btc 😊"
- "Volatility"
- "Trends or awareness would do wonders for people to start using crypto currency and a few companies backing it would be great too"
- "We should be taught how these things work"
- "Trust and clear government regulation. If crypto was officially recognized and regulated in Bahrain (so people know it's safe, legal, and widely accepted), I'd feel comfortable using it as real money."
- "Allow peer to peer on binance bh"
- "Price stability and the availability of a stablecoin pegged to the Bahraini Dinar, so crypto holds consistent value and I can reliably use it for transactions without worrying about extreme volatility."
- "Acceptance by employers and government institutions so I can receive salaries and pay bills directly in cryptocurrency."
- "Less risk"
- "More tools to trade (Funded accounts, yields)"
- "Price stability (not just "less volatile" — actually predictable)  
"Cash and bank cards exist for a reason"
- "I pay using fawri+ easily"
- "The real change pending is within myself. Until i acquire enough knowledge myself about cryptocurrency to trust it completely like i trust benefit pay and my bank account, i will probably stick to the same old methods."
- "Binance pay all the way"
- "Last i checked eth gas fees were costly"

- "Easy recovery & customer support"
- "Maybe have kiosks that pay using it"
- "The number one thing that needs to change is seamless retail integration. For crypto to be 'real money' in Bahrain, it must move beyond being a digital investment and become a daily payment method."
- "Dinar is real money" ]

## Appendix B: Retail Trends and Merchant Infrastructure Data

Objective: To document the operational reality of cryptocurrency at the point of sale (POS) and assess the "Technical Awareness Gap" among frontline staff in Bahrain's F&B and hospitality sectors.

Note: Listed tables are table B2 from the appendix B

### I. Quantitative Summary: The Retail Perspective

#### 1. Dominant Payment Ecosystem

*"In your experience working at the cash register, what is the #1 most common payment method customers use today?"*

Response Option	Percentage
Apple Pay / Samsung Pay	<b>33.3%</b>
BenefitPay (Fawri/Fawri+)	<b>33.3%</b>
Physical Bank Card (Tap)	22.2%
Cash	11.1%

#### 2. Consumer Willingness to Switch

*"Do you think customers would be willing to switch from BenefitPay to a new, more complicated app just to pay for a coffee or a drink?"*

Response Option	Percentage
No / Not a chance	<b>80.0%</b>
Maybe	20.0%

### 3. Infrastructure Presence (The Visibility Gap)

"Some POS machines in Bahrain (like EazyPay) now accept cryptocurrency. Does your workplace have this feature?"

Response Option	Percentage
No, we don't have it	55.6%
I'm not sure	33.3%
Yes, we have it	11.1%
<i>The report notes that even in "crypto-ready" merchants, 88.9% of staff are either unaware of the feature or believe it does not exist.</i>	

### 4. Consumer Inquiry Frequency

"Have you ever had a customer ask to pay using Bitcoin, USDT, or other cryptocurrencies?"

Response Option	Percentage
Never	77.8%
Yes, but very rarely	22.2%

## II. Perceptual Barriers: The "Gambling Stigma"

"In local Bahraini culture, how do you think the average customer views cryptocurrency?"

- 88.9% stated: "Most people don't understand it at all."
- 11.1% stated: "As a high-risk gamble or investment, not for buying coffee."

Top Reasons for Non-Adoption (Retailer Perspective):

1. Complexity: "It's too complicated to learn; BenefitPay is easier" (35%).
2. Cultural Stigma: "People view crypto as 'gambling,' not as real money" (40% combined).
3. Lack of Promotion: "Customers don't know the store accepts it" (15%).

## III. Qualitative Insights: Frontline Professional Opinions

The following qualitative data represents the final thoughts of retail professionals regarding the struggle for crypto adoption in Bahraini stores:

- "There is no benefit in using it in my opinion; BenefitPay is already established and works."

- *"People are afraid to lose their money on something they don't understand."*
- *"Tourists are more likely to ask because they don't have local bank accounts, but for locals, there is no reason to switch."*
- *"The technology is there, but the training for staff is missing. If someone asked today, I wouldn't know which button to press."*

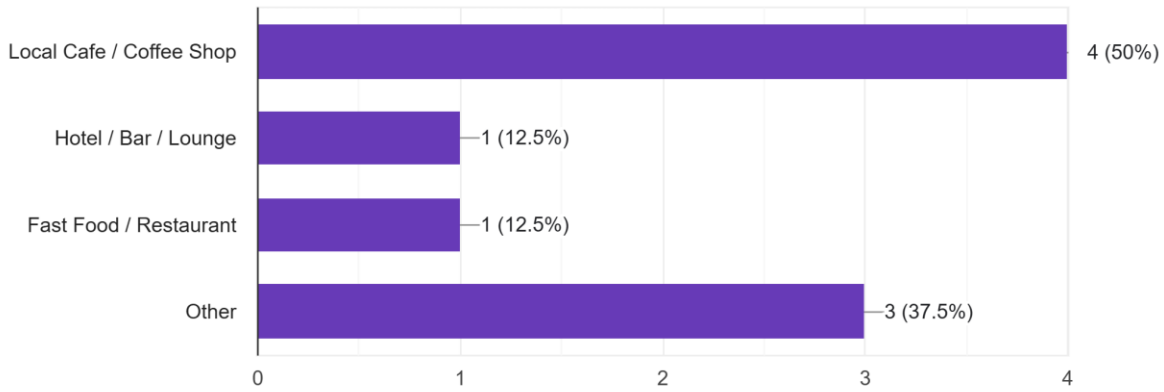
#### **IV. Summary of Findings for Appendix B**

The data in Appendix B confirms that the "Merchant Bridge" is technically present but operationally dormant. The absolute dominance of Apple Pay and BenefitPay, combined with a total lack of customer demand (77.8% "Never"), has led to a situation where retail staff have no incentive to maintain the technical knowledge required to process digital asset transactions. This creates a "Failure Cycle" where the technology exists but is effectively blocked by human and operational friction.

## V: Appendix B Chart/Figures

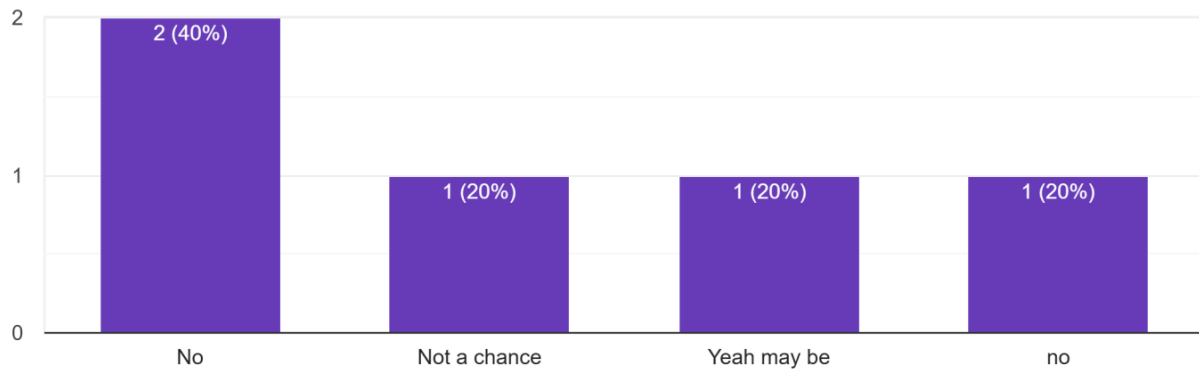
Section 1: Work Experience & Background - Which types of Food & Beverage (F&B) environments have you worked in? (Check all that apply)

8 responses



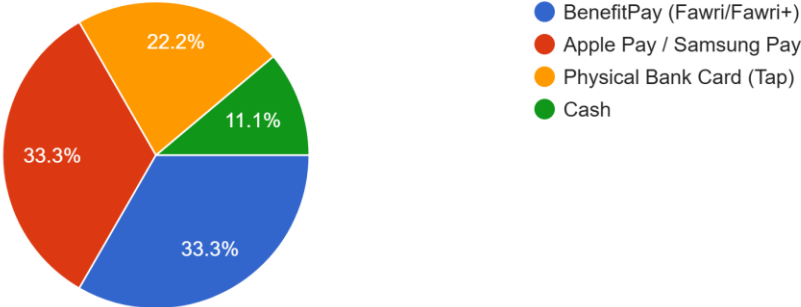
Based on what you see, do you think customers would be willing to switch from BenefitPay to a new, more complicated app just to pay for a coffee or a drink?

5 responses



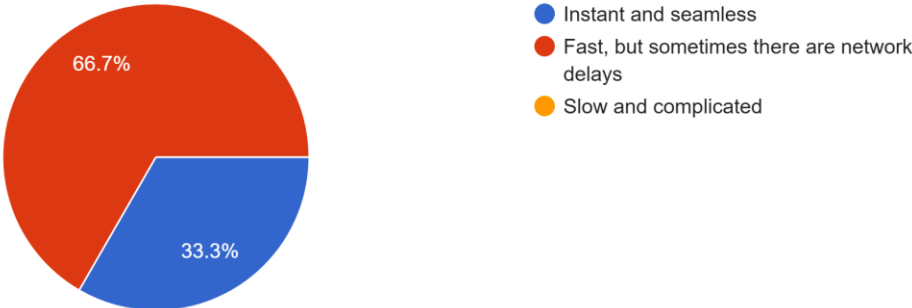
In your experience working at the cash register, what is the #1 most common payment method customers use today?

9 responses



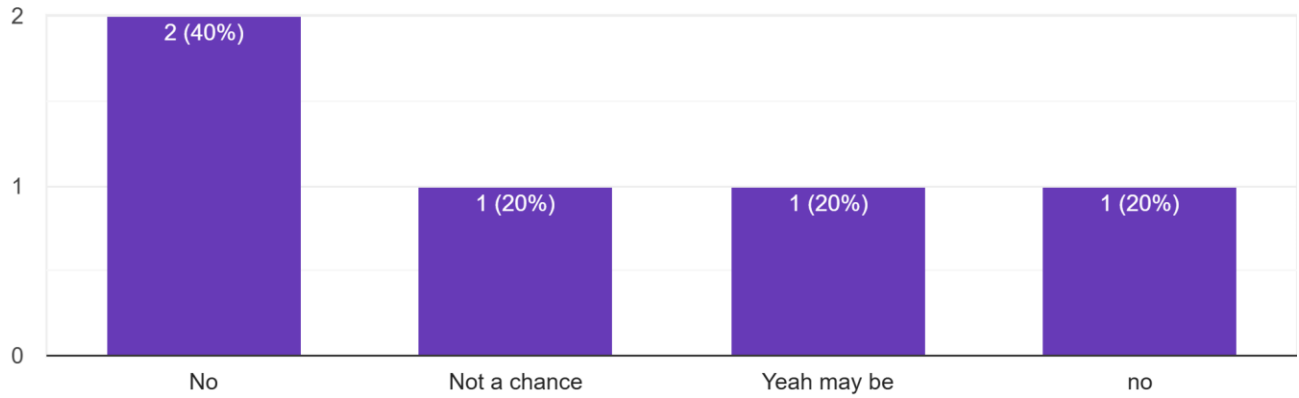
Section 2: The "BenefitPay" Experience - When customers use BenefitPay or Apple Pay, how would you describe the transaction speed at the counter?

9 responses



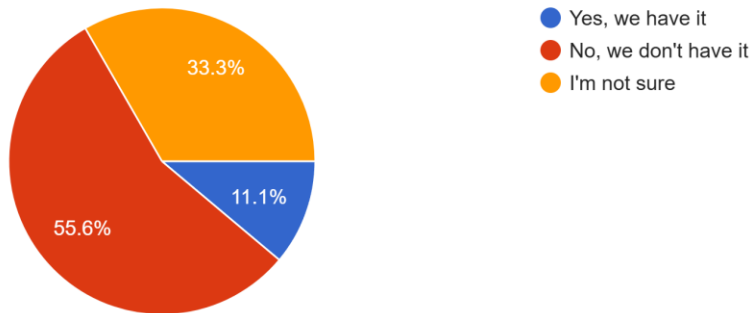
Based on what you see, do you think customers would be willing to switch from BenefitPay to a new, more complicated app just to pay for a coffee or a drink?

5 responses



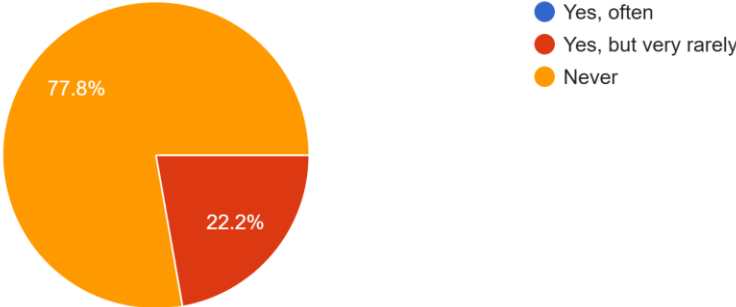
Section 3: Cryptocurrency at the Counter - Some POS machines in Bahrain (like EazyPay) now accept cryptocurrency (Binance Pay). Does your current or past workplace have this feature?

9 responses



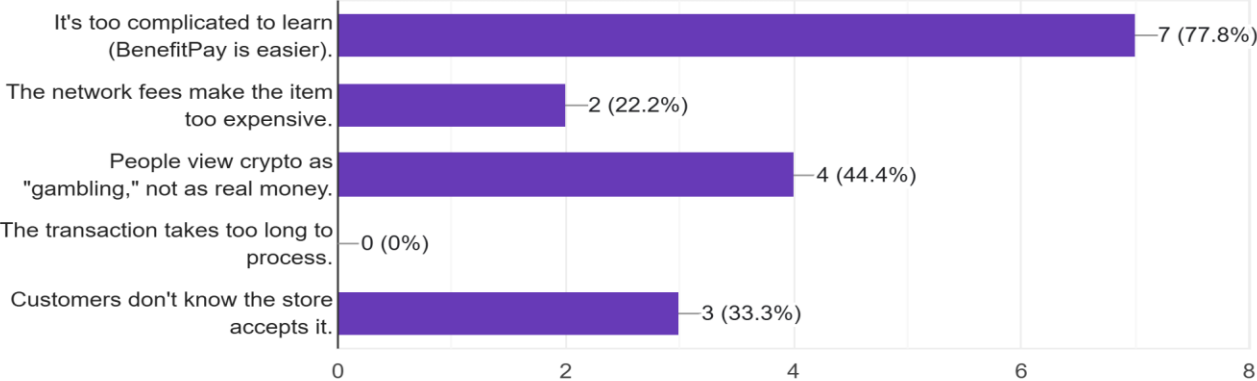
Have you ever had a customer ask if they could pay for their order using Bitcoin, USDT, or other cryptocurrencies?

9 responses



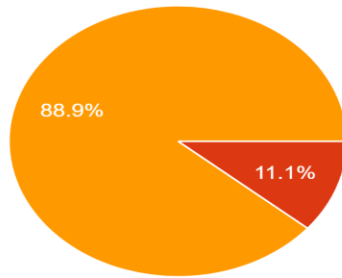
In your opinion, why do you think regular people do NOT use crypto to buy food or drinks? (Check your top 2 reasons)

9 responses



Section 4: Public Perception (The Gambling Stigma) - In local Bahraini culture, how do you think the average customer views cryptocurrency?





9 responses



- As a safe, normal currency to use daily.
- As a high-risk gamble or investment, not for buying coffee.
- Most people don't understand it at all.




Do you think tourists or expats (at the hotel) are more likely to ask about crypto payments compared to locals (at the cafe)? Why?

5 responses

 Response Summary   

**Ease of Use/Currency Conversion** Tourists or expats may be more likely to inquire about crypto payments because it offers an easier method for them to convert foreign funds/cards into a spendable currency without needing a local bank or Benefit account. **Global Functionality** Crypto payments are seen as a viable option as they are generally functional and usable across new countries.





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 See theme percentages  Retry  Copy

- Due to the currency they hold some have the money in there foreign account/card but no cash or benefit account so for them its easier to convert the money to crypto and pay
- maybe
- No idea
- Maybe
- it can work in any new country

Do you have any final thoughts on why crypto payments are struggling to catch on in Bahrain's retail stores?

5 responses

 Response Summary   

**Lack of Awareness and Perceived Benefit:** A significant number of people still do not know about cryptocurrency, and some respondents see no benefit in using it compared to existing methods.

**Existing, Sufficient Local Solutions:** Current local payment methods, such as BenefitPay, are considered fine or sufficient, reducing the incentive for people to switch to crypto.

**Potential for Foreigners/Travelers:** Crypto payments might be more viable for travelers or foreigners who need to bypass traditional currency conversion times.

**Need for More Information:** Increased public knowledge or education about crypto might help catch attention and encourage adoption.

Gemini for Workspace can make mistakes, including about people, so double-check it. [Learn more](#)

When asked about final thoughts on why crypto payments are struggling to catch on in Bahrain's retail stores?

These were the responses:

"Most of the people still dont know about crypto and it can work for people who are travelers or foreigners who don't have time to convert the currency"

"i dont know"

"No maybe benefit is fine, or more info about crypto might catch attention"

"there is no benefit in using it imo"

## Appendix C: Local Exchanges vs. International Markets

### I. Quantitative Summary: Local Exchanges vs. International Markets

**Target Group:** Senior Professionals in Compliance, Operations, and Strategy at CBB-regulated exchanges.

**Focus:** The "Compliance Premium" and the "Feature Gap."

#### 1. The Advantage of CBB Regulation

- **100% Consensus:** Every respondent identified that the biggest advantage is **Institutional Safety**.
- **Key Insight:** Regulation makes older, high-net-worth individuals (VIPs) feel safe depositing large amounts of capital that they would not risk on unregulated platforms.

#### 2. The Negative Impact of Strict Rules

- **Operational Friction:** The primary complaints are that it **"takes too long to get new coins approved"** and the **"KYC onboarding process is too long,"** which frustrates and drives away new retail users.

#### 3. The "Hidden Fee" Reality

- **100% Agreement:** Insiders confirm that **wider buy/sell spreads** are a necessary strategy to cover the high costs of CBB compliance, local banking ties, and weekly audits.
- **The Finding:** The "price" of local security is paid by the user through more expensive exchange rates compared to Binance Global.

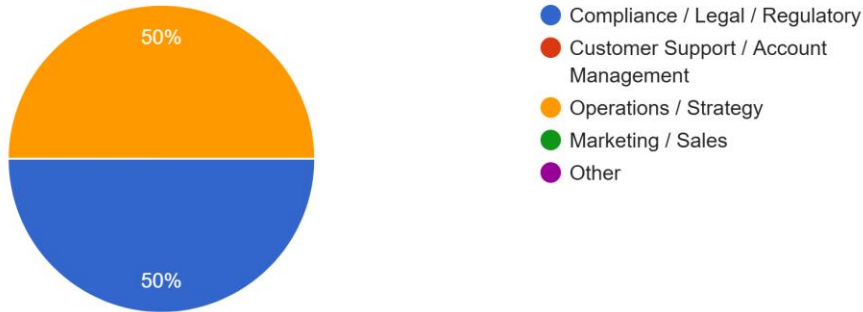
#### 4. The "Trading Loophole" Driver

- **Why Traders Leave:** Insiders identified that advanced traders migrate to international platforms specifically for **"Hundreds of smaller altcoins (Alpha projects)"** and **"Advanced features like Futures, Staking, and Leverage"** that are restricted locally.

## Appendix C Charts

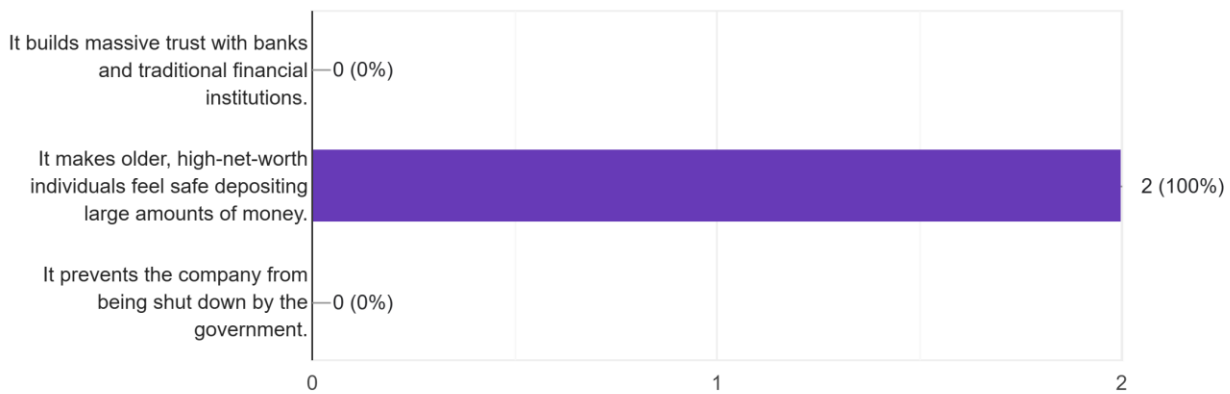
What is/was your general area of work within the local cryptocurrency exchange?

2 responses



In your opinion, what is the biggest advantage of being heavily regulated by the Central Bank of Bahrain (CBB)?

2 responses



Please specify the 'Other' advantage of CBB regulation:

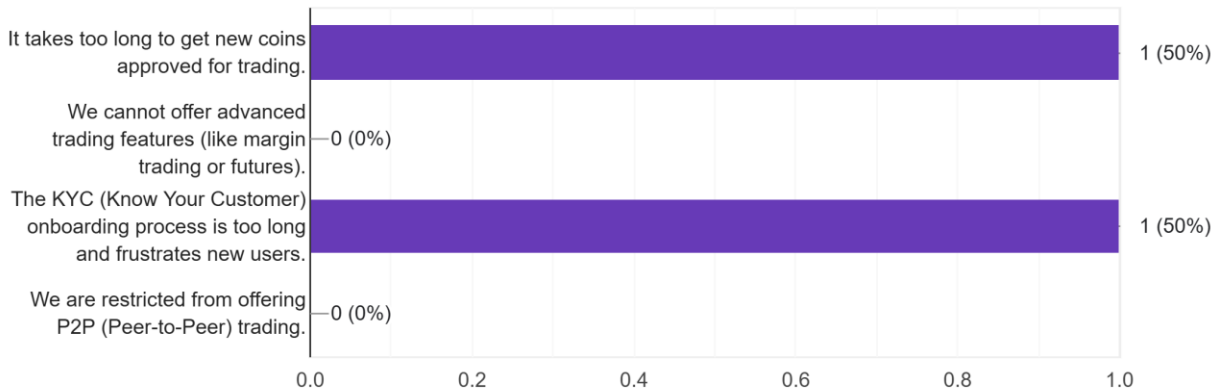
2 responses

Regulated

More customer because its backed by cbb

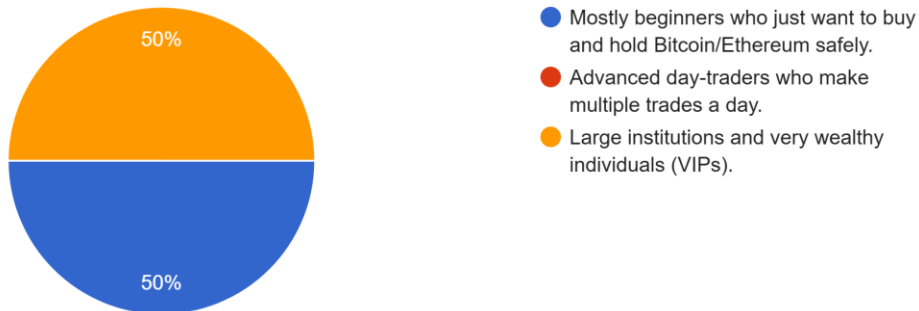
On the flip side, what is the biggest negative impact of the strict CBB rules on a local exchange?  
(Select all that apply)

2 responses



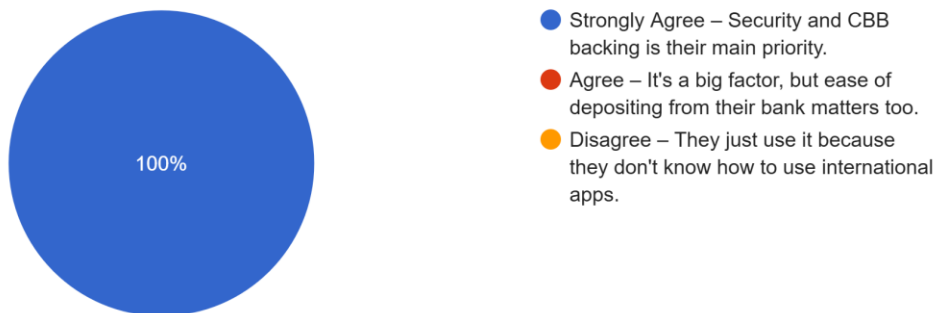
From your experience, who is the 'average' customer that uses a local exchange like Rain?

2 responses



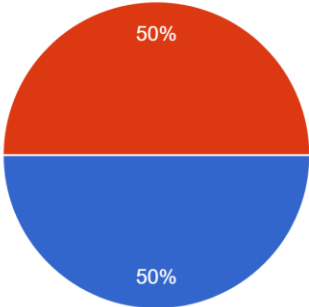
Would you agree that the #1 reason regular Bahraini locals stick to local exchanges (instead of global ones) is purely because they feel it is the most secure option under CBB regulations?

2 responses



Maintaining strict CBB compliance, high security, and local banking ties is expensive for an exchange. Do you believe this results in higher 'hi...more expensive to use than international platforms?

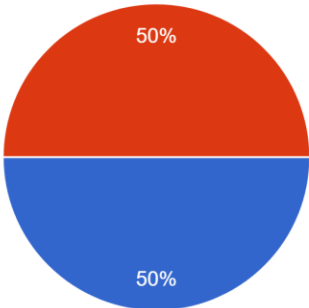
2 responses



- Yes, the wider spreads/fees are the 'price' the user pays for local CBB security.
- Partially, but the fees are clearly stated and fair for the market.
- No, local exchanges are just as cheap as international ones.

While local exchanges often promote "zero-fee" local bank deposits/withdrawals, many retail users complain about hidden costs, such as wide buy/sel...B compliance and maintaining local banking rails?

2 responses



- Yes, the high compliance and banking costs are built directly into the spreads/exchange rates.
- Partially. It is a mix of compliance costs and general business profit margins.
- No, the spreads and withdrawal fees are identical to international market rates.
- I prefer not to answer.

---

Some local businesses (like Jasmi's) tried accepting crypto but stopped. Do you think regular consumers will ever use crypto to buy daily items (like food or clothes) in Bahrain, or will it only remain an investment asset?

2 responses

Only remain investment asset

They will i still do it

If you could give the Central Bank of Bahrain (CBB) one piece of advice on how to help local exchanges compete with global giants like Binance, what would it be? (Your answer will be used for policy recommendations)

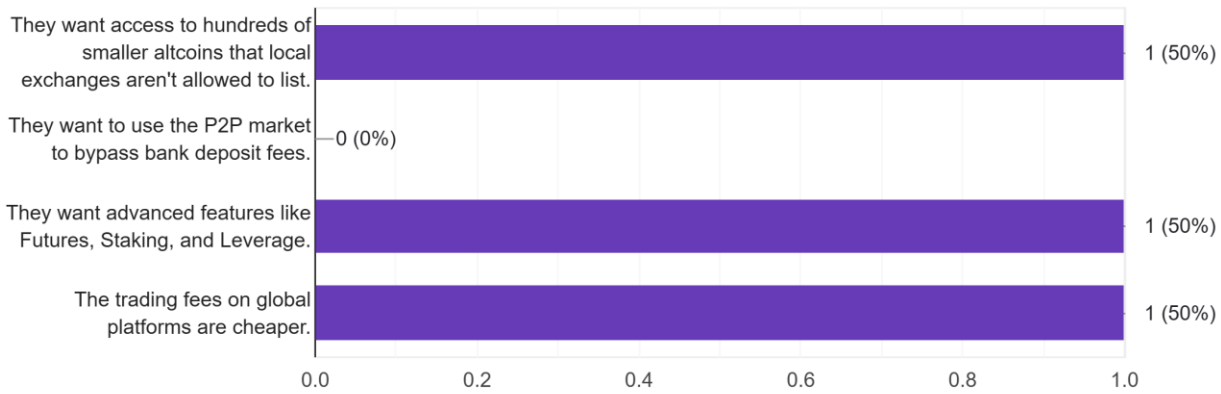
2 responses

Should not heavily charge clients

Stop doing compliance check every week

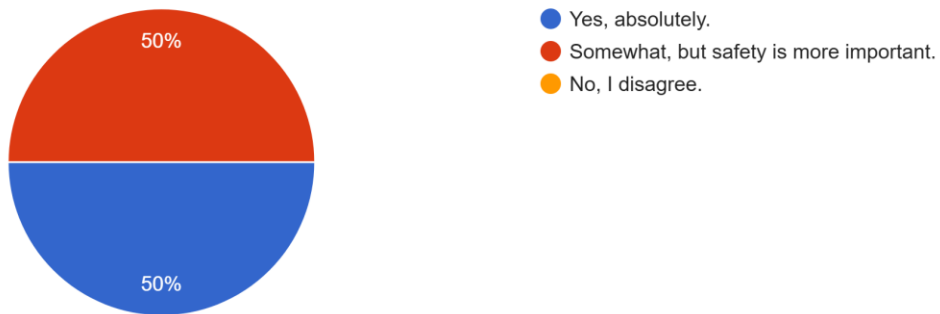
It is a known trend that advanced Bahraini traders often prefer International Binance over local apps. Why do you think that is? (Check your top 2 reasons)

2 responses



Do you believe that by making the rules \*too\* strict, regulators accidentally push advanced traders into using riskier, unregulated international platforms?

2 responses



## II. Informal Interview Framework (The Qualitative Approach)

As the survey response numbers for these specific groups were kept low to prioritize **quality of feedback**, the following questions were used in informal, ground-level discussions to uncover the "Street Reality."

### *Group A: Cafe and Hospitality Staff (Frontline)*

- **The "Awareness" Check:** *"When you see the EazyPay machine every day, do you actually know there is a crypto-payment button there? Have you ever pressed it?"*
- **The "Social Friction" Question:** *"If a customer tried to pay with crypto during a busy morning rush, would you know how to handle it, or would you ask them to just use BenefitPay to save time?"*
- **The "Customer Profile" Question:** *"When people do ask about crypto, are they usually locals or tourists/expats who don't have a Bahraini bank account yet?"*
- **The "Stigma" Question:** *"In your honest opinion, do you think people here think crypto is a scam, or do they just think it's too much work compared to Apple Pay?"*

### *Group B: Exchange Insiders (Operations & Compliance)*

- **The "Audit" Question:** *"Be honest—how much of your weekly schedule is taken up by manual CBB reporting vs. actually improving the app for the user?"*
- **The "Competition" Question:** *"When you see users depositing BHD only to immediately withdraw it to Binance Global, what is the #1 feature they tell you they are looking for?"*
- **The "Future" Question:** *"Do you think the 1,000 BHD Fawri+ limit is actually our biggest chance to win, or has the 'Regulated Delay' made us just as slow as the banks?"*
- **The "Advice" Question:** *"If you could change one CBB rule tomorrow to stop the 'Trading Loophole,' what would it be?"*

### III. Key Findings from Informal Feedback

- **Institutional Memory Loss:** Cafe staff admitted that while the terminal is "ready," they received a one-time training years ago and have forgotten the steps because no one uses it.
- **The "VIP" Bias:** Exchange insiders admitted the local system is perfectly built for a "50,000 BHD deposit" but is essentially broken for a "5 BHD coffee" because of the compliance overhead.
- **The "P2P" Demand:** Professionals emphasized that until **Regulated P2P** is allowed, users will always find a way back to Binance Global.

### IV. Summary for the Report

Appendix C serves as the "Expert Witness" section of the report. It proves that the "**Bahraini Crypto Paradox**" is not a result of bad technology, but a result of **High-Level Security** clashing with **Low-Level Utility**. The informal interviews confirm that the bridge is technically built, but the people on both ends (the cashier and the trader) find it too difficult to cross.

## Appendix D: Technical Integration and the Future of Crypto Payments in CFI Bahrain (Academic Research)

Overview: This section details the primary qualitative data gathered from the technical department of CFI Financial Group. The responses provide institutional insight into the strategic, technical, and regulatory considerations of deploying proprietary cryptocurrency payment and funding gateways within the heavily regulated Bahraini market.

Date of Response: May 11, 2026

### Part 1: Strategic Implementation & User Behavior

Q1: From a strategic standpoint, what is CFI's primary goal in integrating cryptocurrency as a payment/funding method for your trading platform?

CFI Response:

Capturing the "Crypto-Native" Wealth: To attract the new generation of traders who hold their wealth in digital assets and prefer not to cash out to fiat just to fund a brokerage account.

Q2: Given that local fiat transfers (like Fawri/Fawri+) are instant and free for local Bahraini users, what is the #1 reason a local trader would choose to fund their CFI account using cryptocurrency instead?

CFI Response: They want to bypass the daily transaction limits imposed by local banking apps. Furthermore, they are transferring funds directly from a crypto exchange (like Binance) and want to avoid the fees of withdrawing to a local bank first.

Q3: Our research highlights a "HODL" (investment) mentality, where Bahraini youth prefer to hold crypto rather than spend it. As a trading platform, how does CFI view crypto integration in this context?

CFI Response: We focus entirely on Stablecoins (USDT/USDC) for payments, avoiding the "HODL" mentality associated with Bitcoin.

## Part 2: Technical Infrastructure & Compliance

Q4: When dealing with the high volatility of digital assets, what is CFI's primary technical strategy for processing these incoming payments/deposits?

CFI Response: We only accept fiat-pegged Stablecoins (USDT, USDC) to guarantee 1:1 value stability during the deposit.

Q5: Currently, local payment terminals (like EazyPay) rely heavily on third-party global liquidity engines like Binance Pay. Will your integration utilize a similar third-party gateway, or are you developing proprietary payment routing infrastructure?

CFI Response: Building a fully proprietary, in-house crypto payment gateway specifically tailored to Central Bank of Bahrain (CBB) compliance and local market needs.

Q6: From a backend development and integration standpoint, what is the single biggest technical hurdle when building a crypto-payment gateway for the Bahraini market?

CFI Response: Integrating the real-time AML/KYC monitoring checks required by CBB regulations. Complying with strict AML/KYC regulations and tracking the "Source of Wealth" for incoming crypto deposits.

Q7: Does the necessity to comply with CBB regulations (audits, strict local banking ties) significantly slow down the deployment and merchant onboarding process for crypto payments?

CFI Response: Somewhat, but the added institutional security makes merchants much more willing to sign up.

## Part 3: Future Outlook

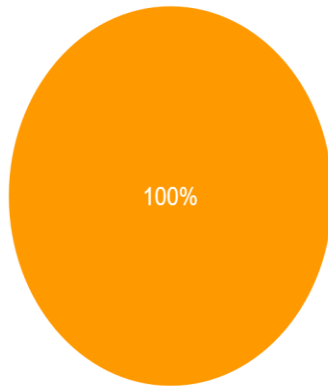
Q8: Looking forward, do you foresee digital assets (specifically Stablecoins) eventually replacing traditional SWIFT or bank wire transfers for cross-border brokerage funding in the Middle East?

CFI Response: It will become a major alternative, but will exist alongside SWIFT, not completely replace it.

## Charts:

1. From a strategic standpoint, what is CFI's primary goal in integrating cryptocurrency as a payment/funding method for your trading platform?

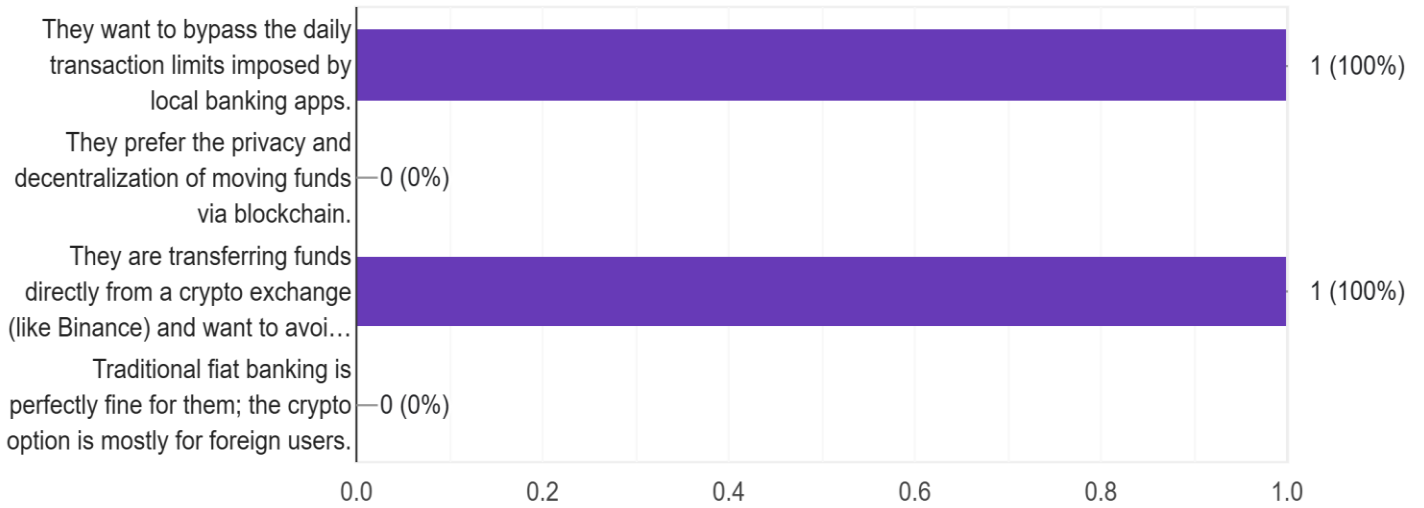
1 response



- The Expat/Global Client Bridge: To allow foreign expats and international clients who lack local banking access to easil...
- Bypassing Traditional Bank Friction: To allow local, high-net-worth individuals to fund large accounts without dealing wi...
- Capturing the "Crypto-Native" Wealth: To attract the new generation of trader...
- Lowering Gateway Fees: To reduce the high processing fees associated with...

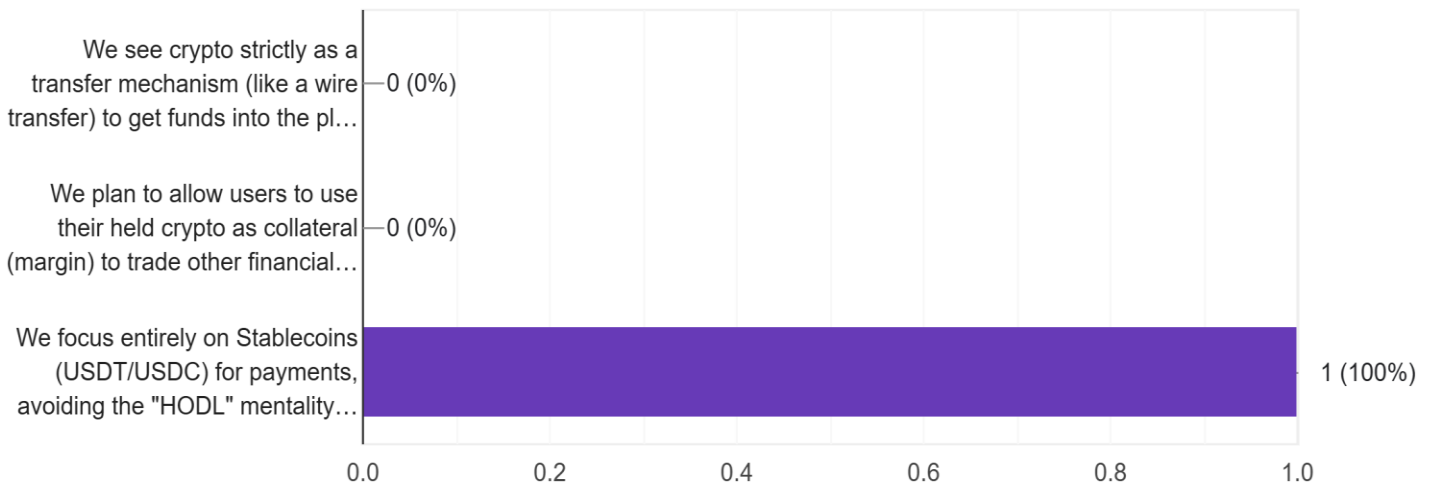
2. Given that local fiat transfers (like Fawri/Fawri+) are instant and free for local Bahraini users, what is the #1 reason a local trader would choose to fund their CFI account using cryptocurrency instead?

1 response



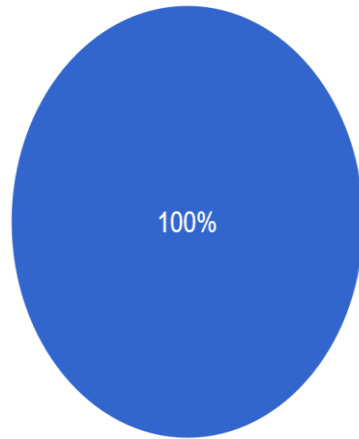
3. Our research highlights a "HODL" (investment) mentality, where Bahraini youth prefer to hold crypto rather than spend it. As a trading platform, how does CFI view crypto integration in this context?

1 response



4. When dealing with the high volatility of digital assets, what is CFI's primary technical strategy for processing these incoming payments/deposits?

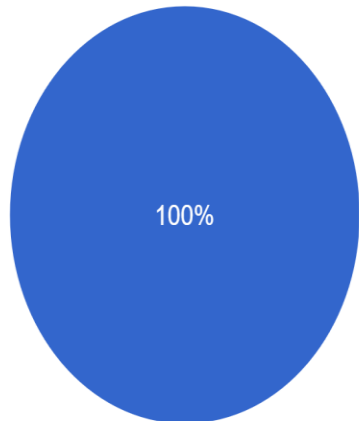
1 response



- We only accept fiat-pegged Stablecoins (USDT, USDC) to guarantee 1:1 value stability during the deposit.
- We accept volatile assets (BTC, ETH) but execute an instant auto-conversion engine to credit the user's trading account in USD/fiat immediately.
- We allow the user to maintain their account balance in the native cryptocurrency they deposited.

5. From a backend and compliance perspective, what is the biggest technical hurdle when integrating crypto payment gateways for a regulated broker?

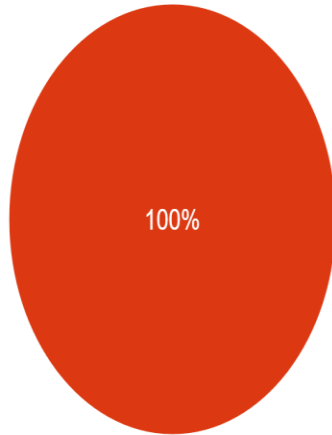
1 response



- Complying with strict AML/KYC regulations and tracking the "Source of Wealth" for incoming crypto deposits.
- The technical difficulty of integrating blockchain nodes with legacy financial trading software (MetaTrader, etc.).
- Managing network "Gas Fees" and blockchain congestion during peak ma...
- Securing banking partners who are willing to process the fiat side of these...

6. Currently, local payment terminals (like EazyPay) rely heavily on third-party global liquidity engines like Binance Pay. Will your integration utilize a si...veloping proprietary payment routing infrastructure?

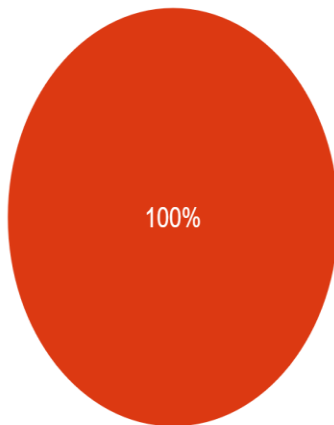
1 response



- Integrating an established global third-party gateway (like Binance Pay) to immediately leverage their massive us...
- Building a fully proprietary, in-house crypto payment gateway specifically tailored to CBB compliance and local...
- Using a hybrid model: a proprietary frontend for the merchant, but relying...
- Establishing direct peer-to-peer (P2P) smart contract settlements without rel...

7. From a backend development and integration standpoint, what is the single biggest technical hurdle when building a crypto-payment gateway for the Bahraini market?

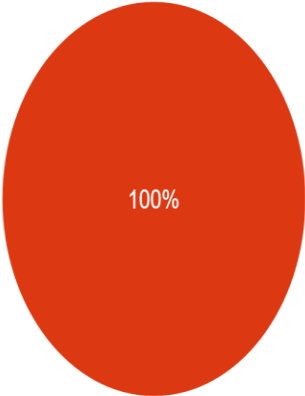
1 response



- Achieving transaction processing speeds (latency) that can legitimately compete with Apple Pay.
- Integrating the real-time AML/KYC monitoring checks required by CBB regulations.
- Managing network "Gas Fees" so they do not make micro-transactions (like b...
- [Hardware limitations and software fragmentation at the merchant POS (P...

8. Looking forward, do you foresee digital assets (specifically Stablecoins) eventually replacing traditional SWIFT or bank wire transfers for cross-border brokerage funding in the Middle East?

1 response



- Yes, it is inevitable. The blockchain is faster, cheaper, and operates 24/7 compared to traditional banking hours.
- It will become a major alternative, but will exist alongside SWIFT, not completely replace it.
- No, heavy regulations and lack of trust from traditional financial institutions will keep SWIFT as the dominant method.

8. Does the necessity to comply with CBB regulations (audits, strict local banking ties) significantly slow down the deployment and merchant onboarding process for crypto payments?

1 response

