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Your Thoughts: Crypto Confidence

By **Finance Monthly** Last updated **Apr 3, 2018**

From the $20,000 mark back down to $7,000 Bitcoin is generally on the low, and with Google, Facebook and Twitter's decision to ban all ads related to ICOs, it's clear the world isn't on cryptoculture's side.

What are your thoughts on the future of crypto investment/bitcoin and the rise of other currencies? Are you confident the cryptowave will continue to reach the shores of new investors? Find out in this week's Your Thoughts.

Andrew Pritchard, MD Blockchain, 10x Growth Account:

It’s been a tough time for Bitcoin and crypto investors as the markets continues to go backwards. The bears have continued to win the battle against the bulls pushing the price of BTC and most altcoins further downwards. But, what is causing the drop in the markets?

There are several influences that are helping the bears as the cryptomarket struggles to gain any forward momentum.

Firstly, increasing regulatory framework (this is a short term negative issue but will ultimately be a very positive outcome) as each time the SEC/FCA, or any regulatory body for that matter, announces new regulations, even if supporting crypto, the markets react negatively.

The Governor of the Bank of England, Mark Carney called for greater regulation of cryptocurrencies and in Japan, punishment notices were issued to several exchanges while forcing some to halt trading entirely.

Secondly, the Mt Gox Bitcoin dump has been affecting the market for a few weeks as thousands and thousands of Bitcoins have been put on the market to be sold. This increased supply and cooled demand has led to further downward pressure on the price of Bitcoin. Basic economics of supply and demand has reduced the price. I.E Supply increases and demand remains constant or reduces, then price will fall.

However, as a positive supporter of the Cryptomarket, it is only a matter of time before the bulls return. Yes, Bitcoin’s price has taken a beating the past ten days due to major events negatively impacting market sentiment. However, one thing remains exceptionally clear. Blockchain technology is here to stay.

The next 6 months for major cryptocurrencies like bitcoin, is likely to be very, very bullish, as the public start to enter market with easier routes such as Coinbase and Barclays collaboration on faster payment methods.

Savva Kerdemelidis, Commercial Adviser, LegalEdge:

The technology and protocol behind cryptocurrencies bring an exciting way to transact in a new and more efficient way. So long as cryptocurrencies can achieve mainstream adoption beyond simply being a “store of value”, then there remains a significant potential for growth. As with the dotcom era, we’ll see winners and many losers. In my view, the potential for cryptocurrencies is just beginning. I expect to see new applications and use cases, particularly around governance or decentralised autonomous organisations (DAOs).

Although there's been a lot of hype, cryptocurrency has not reached mainstream retail investors. Technological barriers have led to a lack of access and the risk of losing your investment, for example, by losing your password or transferring funds to an incompatible wallet. At the same time, regulatory risk has been a real factor in terms of curbing take-up. Both investment and adoption will increase once these barriers decrease and are better understood, with the availability of user-friendly applications.

If you look at investors, most of them have taken over 50% losses since the new year. Naturally this has impacted the appetite for ICOs and other investments. However, many will likely ride it out until June or July when the market is expected to recover.

Samuel Leach, FX Trader and Founder, Samuel & Co. Trading and Yield Coin:

With the recent news of Facebook and Twitter banning cryptocurrency adverts and Google potentially following suit in June 2018, it cannot be denied that there is a negative feeling around crypto.

Regulatory bodies such as the ICO, FCA, and GBX are also becoming more vocal; with new regulations being created and set to be enforced in the coming months. This is causing unease among potential investors as they are reluctant to invest in a market that currently doesn't have widespread regulation, and which could risk them becoming uncompliant in the future. As such, crypto is in a limbo stage where current investors are cashing out and potential investors are hesitant to part with their money.

In reaction to the continuous stream of negative feeling surrounding the crypto market, cash outs are increasing at an unprecedented rate. This won't recover until governments and regulatory bodies align and have a consistent strategy and overall view point on the crypto market. Therefore, it is possible we could see Bitcoin bottom out to $6,500. However, I believe we will see the markets hover around $9,000 in the short term, until there is more clarification around the wider view of the market.

Kevin Murcko, CEO, CoinMetro:

Prices between various cryptocurrencies are linked to an extent; when Bitcoin goes up, Ethereum or XRP, for example, will often follow suit. This is no different to how company stocks tend to follow the direction of the general market, their sector or industry rivals. For instance, a negative financial report for one retail stock often drags down other retail stocks as "guilt by association" turns things bearish for the whole sector. Cryptocurrencies are just as exposed to this effect if not more given the fact that the money flows currently are mainly from retail investors, who are much more susceptible to following the trend.

It is unlikely that 6-11k is the new range for BTC. The simple fact that it has existed far above these ranges for prolonged periods is an indicator that the floor and ceiling have not been set at all yet. Rather, BTC is still free-floating, and until the market as a whole becomes more regimented, a stable floor and ceiling won't exist for any of the assets.

Increased stability is important for the future of crypto, as well as for overcoming the sector's perceived reputation for being a poor store of value. In part, price stability will come from the introduction of more national and harmonised global regulatory oversight. This will allow for more institutional involvement and the creation of liquidity by way of synthetic instruments like futures, ETNs, ETFs, etc. It will also come from the realization amongst the general public that, like all investments, crypto does carry risk. As with other securities, prices are liable to go up or down.

Corrections have occurred, but it's important not to think of crypto prices myopically: the price of bitcoin, for example, is today roughly 700 percent of what it was this time last year. Long-term, cryptocurrencies remain viable multitrillion-dollar assets.

Drew Bell, Chief Developer, Ethercoin:

The future is bright for crypto investment, as eventually the market will stabilise and become a more manageable platform. The market has a lot of potential for development and it's about time businesses started accepting it, rather than ignoring it as sooner or later, their customers will catch on the trend and look for businesses that support the crypto industry.

There will always be an air of skepticism around digital currency, because it is not a tangible product, and people have a hard time understanding its true value.

I really believe that cryptocurrency will replace more traditional forms of currencies in the next 10 -15 years, especially with the growth and adoption that Bitcoin, Ethereum and Ripple has already seen. If that growth continues and we see more currencies reaching these heights, who knows just what the future holds for this new era of payment and investment.

The key to cryptocurrency breaking through to the mainstream and reaching new investors is all about trust. If you don't build a relationship with your investors that is centered around trust and transparency, you can't expect them to believe in your project. At a time when it seems the world is against a new form of payment, cryptos have to be on top of their game more so now than ever before.

Even though cryptocurrency is built on blockchain, the volatility of the market is clear and can therefore deter some investors. It can be extremely difficult for cryptos to instill trust in potential investors, especially as tech giants Google, Facebook and now Twitter have banned cryptocurrency ads, making it even harder for currencies to secure investment and appeal to potential customers.

It is clear there is a lack of understanding from key players in the financial industry about this new disruptive technology, therefore highlighting the need for more mainstream education so the market can continue to grow and develop for the future.

Kerim Derhalli, CEO, Invstr:

Cryptocurrencies are here to stay but, as with any emerging market, they must undergo a transition that will eventually attract the mainstream investor.

In my opinion, that transition will entail a few important steps, firstly, in regards to scalability, which will see blockchain evolve to handle more throughput. Currently, sharding techniques have increased transactions per second from seven in traditional blockchain to 3,000 in alternative blockchains. This still falls well short of the typical 20,000 or more credit card transactions per second.

Security is critical too. Digital exchanges and wallets are secure until they are not. Anonymity and the lack of a custodian make the operational risks far greater in cryptocurrencies that in traditional financial assets. Improvements in security will be needed before cryptocurrencies represent a serious challenge to other financial assets as a store of wealth. With a July deadline set by the G20 for unified regulation of cryptocurrency, coming alongside the launch of a dedicated UK task force, things are moving in the right direction.

Fundamentally, there is still also a lack of education around cryptocurrencies among investors. The number of currencies, tokens and assets is growing at a far faster pace than our collective comprehension and most people are still struggling with the basic concepts. Once the currency starts to achieve some real, commercial utility and we are more easily able to earn, spend, save and invest in cryptocurrencies, understanding and overall acceptance will increase.

Ivan Gowan, CEO, Capital.com:

The cryptowave is only going to build more momentum in the next 12 to 18 months. Just two weeks ago Barclays announced a partnership with a leading crypto company to facilitate payments to buy Bitcoin, Ethereum and Litecoin, the most established crypto assets. This may reflect a trend of major financial institutions moving away from outright denunciation of cryptocurrencies to a cautious participation, marking a significant shift in their approach and making these assets much more accessible to new investors.

Cryptocurrencies are seeing a remarkable increase in transparency, further improving trust. There are now a number of companies specialising in interrogating the blockchain of Bitcoin, establishing whether the currency has been used in any potentially illegal transactions on the dark web. This could make a huge difference to the willingness of those new to the market to invest in the currency. Bitcoin and other cryptocurrencies still labour under a perception of being used for dodgy dealings in dark corners of the internet, but with the increase in transparency, investors will feel much more comfortable putting their money into this market.

Of course, there are many ICOs that do not go through the proper regulatory procedures before launching, and it is these less-than-scrupulous organisations that are prompting Facebook and Google banning ICO advertising. However, there are many players in the market, backed by some of the biggest venture capitalists in Silicon Valley, that are spending hundreds of thousands of dollars on legal fees to ensure that they align completely with whichever regulatory environment that they operate in. We are increasingly seeing leading regulators, such as FINMA and the Gibraltar Financial Services Commission, embracing this innovation, issuing guidance and frameworks to companies looking to issue an ICO to ensure they do so responsibly and effectively. Smaller investors, who could be priced out of investing in exciting tech stocks like Amazon and Facebook, can access fantastic opportunities with ICOs, either getting in on the ground floor in the initial offering, or when the coin is listed on an exchange.

The ICO industry is currently something of a Wild West scenario. However, we are also at the early stages of what will be a transformative asset class. There is no doubt that we will see a number of new investors in cryptocurrencies and assets increase as the market matures, as regulators get up to speed with the technology, as the big banks begin to adopt more open-minded positions and as the transparency of cryptocurrency transaction history continues to improve.

Zafar Kanani, Network Manager, Forbury Investment Network:

It is difficult to predict the future path of cryptocurrencies, though it would be safe to say that they will likely continue to proliferate, and that regulation will increasingly become a consistent feature of the landscape.

With an ever-increasing pool of choices – there are now over 1,000 cryptocurrencies – anyone considering an investment should take the time to conduct thorough diligence and invest only what they can afford to lose, especially given the growing evidence of fraudulent activity. The likes of Twitter, Google and Facebook have gone so far as to ban cryptocurrency and ICO related ads due to concerns of reputational damage resulting from users unwittingly investing in fraudulent cryptocurrencies advertised on their platforms.

Despite Bitcoin, the best-known cryptocurrency, now trading at less than half its peak in December, there is no shortage of demand from investors across all cryptocurrencies. Many cryptocurrencies have and continue to be endorsed by celebrities, further fuelling interest and growth.

Alongside these developments, the increasingly disparate range of cryptocurrency applications is engaging a broader set of stakeholders than ever. The emergence of a 'civic' cryptocurrency, for example, has gained momentum as a mechanism to crowdfund capital for local projects for the public good. The city of Berkeley, California, has plans for such a cryptocurrency to generate funding for affordable housing amongst other public needs.

Daniel Wolfe, CEO, Tradingene:

Personally, my confidence in crypto is undiminished, despite the recent losses. I am confident that investors will have ample opportunity to ride the cryptocurrency wave up. However, they shouldn't expect to generate quick returns and they need to be prepared for potential extended periods of volatility before we see a consistent upward trajectory.

There is always hysteria surrounding cryptocurrencies, but many fail to grasp that it is the transformative and disruptive nature of Blockchain which will ultimately bring rewards to those who invest wisely. Investors who follow the settled rules of investment, especially diversification, will be the big winners.

However, liquidity may be hard to come by and severe losses are a possibility.

Cryptocurrencies currently consist around 0.3-0.4% of the global fiat money supply. Therefore, if you believe, as I and many other experts do, that crypto will rise over the next five years to at least five percent or so of M2, then that is a tremendous return for investors.

They will just need to be prepared to stomach the turbulence.

Adrian Daniels, **Corporate Partner, Yigal Arnon**:

The cryptowave will continue to reach the shores of new investors. This is not to say that there will not be changes in form, size and type of cryptocurrencies, but the wave is now a tide and it's only going in one direction. But let's go back to some basics. The "cryptowave" is based on what is known as blockchain protocols, which is a kind of software that allows data to be stored digitally on a record that is held on the computers of 1000's of people (or nodes) across the world. This allows people who do not know each other to complete transactions without fear of being cheated. This is so, because those nodes will hold a record of each transaction in an encrypted manner on the blockchain which cannot then be undone. As a result those transactions cannot be falsified without hacking 1000's of computers simultaneously and altering their records. Consequently, there is no centralized authority and no simple way to fake transactions. Bitcoin introduced the blockchain technology almost a decade ago, since which time the technology has become vastly more versatile and sophisticated, with smart (or self-executing) contracts capable of allowing the transfer of data, goods and services in a secure and verifiable manner without any "middle-men" like banks, ad-agencies, internet traffic aggregators, and a whole bunch of other third parties which make online commerce far less efficient and much more expensive. What does all this mean, it means the technology has uses that we have only just started to imagine. Since the blockchain can store any data and each block cannot be changed, any activity can be recorded on the blockchain. This means that the blockchain can ensure that people can be incentivized for contributing to the chain, which will have enormous knock-on effects on commerce, politics, regulations and science, among others. The blockchain will also likely change how or even if we bank – we will be able to keep all of our banking records on the chain, to which each of us will be the only one with the encryption key. Our medical records will be held exclusively by us and will be shared only with whom we wish.

ICO's are all supposed to be based on blockchain technology. The problem has been that a lot of them were fraudulent from the get-go, and others were pipe dreams with nothing behind them. A smaller number have related to companies offering great blockchain and smart contract ideas. As the number of ICO's has grown, the regulators have become increasingly involved, to the point where the US Securities and Exchange Commission (SEC) has largely put the brakes on public ICOs (as opposed to sophisticated investors, who in theory have the wherewithal to look after themselves) in the US. As the regulators untangle the knot, public ICO's will slow down and private ICO's to sophisticated investors will take their place. This somewhat undermines the whole "democratization" of the investment process that the ICO's were supposed to have brought us, but it may only be a phase before clearer regulations are adopted to safeguard the public in general. Additionally, we will see larger numbers of companies offering cryptocurrencies that look much more like a token you can use for a purpose (utility token) than a share. However, as the result of increased oversight will be fewer chancers bottling air and making millions, I think we will see an increasing numbers of offerings by brilliant entrepreneurs with profoundly disruptive, highly innovative and world changing products. To hijack Winston Churchill's famous phrase: "This isn't the end, it isn't even the beginning of the end, but it is perhaps the end of the beginning. But what the end will be, I think is hard for us to yet imagine."

The online link to the article can be found here.