

# Cryptocurrency: The year that was

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In a world moving towards a new financial system, cryptocurrency is becoming more mainstream. This past year has brought a flurry of price fluctuation, more use cases, including stablecoins and crypto lending and tighter regulatory security.



Image source: Getty/Gallo

## Crypto being taken seriously

Facebook's asset-backed stablecoin, Libra, dominated headlines this year. With access to a massive user base, the digital currency has the potential to bring cryptocurrency into the mainstream.

In addition, owners of the New York Stock Exchange launched Bakkt, a platform designed to push Bitcoin much deeper into mainstream adoption by offering physically settled Bitcoin futures contracts, while Fidelity Investments became the first major institutional player to begin cryptocurrency custody and trade execution operations.

Central banks of the US, Europe, China and Ghana are looking at creating their own central bank digital currencies, putting a greater spotlight on potential use cases for cryptocurrency and blockchain technologies.

## Attention on security and credibility

As an unregulated sector, cryptocurrency has attracted its fair share of scammers and looters. Customers have been unable to access over \$145m in cryptocurrency after the sudden death of the 30-year-old founder of Canada's largest cryptocurrency exchange, Quadriga, who was the only person with the recovery codes needed to withdraw the currency held offline.

South Korea's Upbit crypto-asset exchange has temporarily frozen withdrawals and deposits after losing \$49m in a single transaction during November, marking the seventh major crypto exchange hack in 2019.

## Price volatility

Cryptocurrencies are a new asset class, so there is a higher level of volatility compared with traditional trading. This is

further fuelled by the global political landscape including trade talks, elections and Brexit, as well as relatively low levels of liquidity and the use of the coins for speculation.

Despite volatility, the price of Bitcoin is more than 100% higher than it was a year ago and its price trajectory over time continues to rise. As cryptocurrency starts to be used for its core purpose of exchanging value and regulation is introduced, the price will become more stable.

## **Regulation**

The South African Reserve Bank (Sarb) has taken a progressive approach to the regulation of cryptocurrencies, specifically clamping down on its unscrupulous use. It is expected to announce new crypto policy proposals in the first quarter of 2019

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