

After a big year for cryptocurrencies, what's on the horizon in 2022?

December 14 2021, by Erica Pimentel, Bertrand Malsch, Nathaniel Loh



Credit: AI-generated image ([disclaimer](#))

The year 2021 was marked by several major breakthroughs for cryptocurrencies.

For one, new crypto applications like non-fungible tokens (NFTs) gained ground, with sales of these digital assets setting [new records](#) at major

auction houses. Secondly, Bitcoin made strides towards mainstream acceptance with major websites like Expedia and Microsoft accepting the coin as a means of exchange. Third, in September, [El Salvador](#) became the first country in the world to accept bitcoin as legal tender.

There are many more examples of how the market for cryptocurrencies has expanded just in the last year. With this uptick of activity, what's ahead in 2022 for cryptocurrencies?

We believe there are three main areas where cryptocurrencies will gain steam in the next year: greater acceptance of Bitcoin as a means of payment, increased regulatory scrutiny and a rise in NFT activity.

The embrace of Bitcoin

Understanding what motivates individuals to adopt Bitcoin has been a challenge for researchers. [A recent study](#) suggests five main factors contribute to someone's likelihood of using Bitcoin:

- Trust in the system
- Online word of mouth
- Quality of the web platforms available for transaction
- Perceived riskiness of the investment
- Expectations about Bitcoin's performance

Other studies have added more nuances to this argument [by considering gender](#), [age and educational level](#) as equally important factors.

The conditions in the crypto space have made it increasingly likely that Bitcoin will become mainstream in the near future.

First, there's increased activity in online communities like Twitter [and Reddit](#), where even crypto novices can exchange information with

seasoned investors to obtain word-of-mouth advice about price predictions and trading strategies.

Second, there has been an explosion of [new crypto-exchanges](#)—or trading platforms where one can exchange [fiat currency](#) for crypto—and major investments into the technological infrastructure of existing exchanges. These infrastructure investments have expanded access to crypto markets and also piqued the interest of institutional investors.

Institutional involvement, regulatory scrutiny

The last year has seen institutional players like the [European Investment Bank \(EIB\)](#)—the lending arm of the European Union—take a stance on crypto.

In April, the EIB issued a 100 million euro digital bond on the [Ethereum blockchain](#). Goldman Sachs, Banco Santander and Société Générale were also involved in the issuance. [Research has pointed to institutional adoption](#) as a turning point for widespread crypto adoption, and it would appear we're quickly heading there.

Altogether, the increased availability of points of sale that accept Bitcoin as a means of exchange and institutional investment in the space will likely lead to greater acceptance of Bitcoin as a method of payment in 2022.

After cryptocurrencies, [decentralized finance \(DeFi\)](#) is widely regarded as the next frontier in fintech. DeFi provides the opportunity to create decentralized systems that rely on distributed ledger technology to facilitate [peer-to-peer loans](#), create new financial securities [like stablecoins](#) or even offer new models of [corporate governance](#).

Regulators also appear to be increasingly paying attention. In November,

the European Council—the body that defines the political priorities of the European Union—[announced its position](#) on the [Markets in Crypto Assets \(MiCA\) framework](#), which will provide increased regulatory clarity over cryptoassets and DeFi.

In the same month, the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency of the United States produced a [joint statement](#) announcing that they would produce a set of policy directives on crypto.

[Researchers have pointed to](#) a lack of regulation as a major barrier to mainstream crypto acceptance. Increased government oversight, coupled with the move by several countries to consider [digital versions](#) of their national currencies, are likely to result in a lot more regulatory activity in 2022.

A rise in NFT activity

The year 2021 brought a new wave of sales of NFTs. An NFT can offer proof of ownership of, for instance, [digital art](#) in the same way a physical canvas can offer proof of ownership of a Vincent Van Gogh painting.

Although NFTs began as a way to formalize ownership of digital art, they have since expanded to include other types of [digital property](#), including [digital real estate](#).

Sales of NFTs are setting new records—a recent one raised [US\\$17.1 million](#) at Sotheby's. As a result, the auction house [launched Metaverse](#), an NFT-only marketplace to facilitate sales of digital works.

As new NFT applications emerge, this space will likely continue to grow

in 2022.

Buyer beware

Despite these investment opportunities, we urge crypto investors to be skeptical of claims they read in online communities. At a minimum, crypto enthusiasts must do their due diligence before investing.

What is sure to emerge in 2022 are new frauds and schemes. Take, for instance, the [SquidGame crypto](#) that capitalized on the popular Netflix show but was a fraud. Or the [fake Banksy NFT](#) that sold for 244,000 British pounds.

[Research on the behavior of retail investors](#) has found some are highly susceptible to the "fear of missing out."

Therefore, it may be difficult to turn down a tip from your hair stylist or your best friend's cousin on the next hot crypto opportunity. However, crypto investors should educate themselves on the technology and the basics of financial markets if they want to prudently get involved.

Crypto, after all, remains speculative and is not for everyone.

This article is republished from [The Conversation](#) under a Creative Commons license. Read the [original article](#).

Provided by The Conversation

Citation: After a big year for cryptocurrencies, what's on the horizon in 2022? (2021, December 14) retrieved 19 April 2024 from <https://techxplore.com/news/2021-12-big-year-cryptocurrencies-horizon.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.