

## CRYPTOCURRENCY MARKET IN 2021 AND 2022

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**Summary.** *Digital/virtual currencies or cryptocurrencies are digital constructs that are not issued or guaranteed by a central bank or public authority and whose value is not backed up by the assets of a particular economy, but depends solely on supply and demand. Digital currencies are linked to a legally established currency and do not correspond to the legal status of currency or money; however, they are accepted by more and more people and companies, either for the ease of use, or for speculative reasons, because they are very volatile, either for illegal payments.*

*In the years 2021 and 2022, cryptocurrencies proved to be digital assets with a pronounced economic potential, many cryptocurrencies saw rapid increases or falls, some countries banned cryptocurrencies, others allowed them to their citizens. Central banks - such as the American Reserve (Fed) and the European Central Bank (ECB) do not approve the activity of cryptocurrency trading platforms, and several countries, including India, Romania and Turkey, have banned the circulation of cryptocurrencies on their territory.*

**Keywords:** digital assets, Bitcoin, cryptocurrency/digital currency.

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### Features of 2021

Bitcoin digital currency reached \$55,581 on February 20, 2021, and between October 20, 2020 and February 20, 2021, the total value of Bitcoin increased by 350%. Bitcoin Exceeds \$1 Trillion Market Cap On February 20, 2021: since the start of 2021 alone, bitcoin has grown by more than 90% after opening the year of 2021 at around \$28,900, as CoinDesk figures show. Elon Musk called bitcoin a "less stupid" version of money. On April 10, 2021, one bitcoin traded at \$60,556.

### The huge amount of energy that Bitcoin transactions consume

The energy used for Bitcoin transactions has continued to grow lately, reaching the equivalent of the annual carbon footprint of Argentina; for example, according to the Cambridge Bitcoin Electricity Consumption Index, a tool that measures the cryptocurrency's energy consumption: the interest from major institutions on the Wall The Street, such as JPMorgan and Goldman Sachs, culminated in the rise in the value

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of the currency, and Elon Musk's involvement in buying bitcoins also contributed to this advance. Before, this process could be done on a computer with average performance, but in time it became more and more difficult. The way the whole concept was built assumes that there is a finite number of bitcoins that can be mined: 21 million. The more coins are mined, the more difficult the algorithms to be solved become.

Over 18.5 million bitcoins have currently been mined, and mining requires special computer equipment that can handle the intense processing power required to mine cryptocurrency today; obviously, these computers need a lot of electricity to run.

The amount of electricity used to mine Bitcoin "has historically been more than the amount of electricity used by entire countries, such as Ireland," said Benjamin Jones, an economics professor at the University of Albuquerque, New Mexico, Texas (USA) who researched the impact of cryptocurrency on the environment. "We're talking about multiple terawatts, tens of terawatts per year of electricity being used just for Bitcoin." Bitcoin proponents propose that Bitcoin transactions (Bitcoin "mining") be increasingly done with electricity from renewable sources, because this type of energy is cheaper.

But environmentalists believe that "mining" is still a cause for concern, especially since "miners" will go wherever electricity is cheaper, and that may mean places that use "coal." Since there is no government body or organization that officially track where Bitcoin is mined and what type of electricity the "miners" use, there is no way to know if they are using renewable or fossil fuel energy.

"The places where you mine Bitcoin can be moved, and in some cases you don't even know where they are," said Camilo Mora, professor of geography and environment at the University of Hawaii, Hilo (USA). The Cambridge (UK) Center for Alternative Finance estimates annual Bitcoin electricity consumption to be just over 115 terawatt-hours (TWh), while the closely watched Digiconomist index puts it closer to 80 TWh. A single Bitcoin transaction has the same carbon footprint as 680,000 Visa transactions or 51,210 hours of YouTube viewing, according to the Digiconomist Index.

But experts say that the virtual currency Bitcoin comes with serious long-term environmental risks, as its generation requires significant amounts of computing power and electricity, meaning it leaves a heavy carbon footprint. The scientific journal Nature Communications points out

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that, in China alone, Bitcoin trading will generate over 130 million tons of carbon emissions in electricity consumption by 2024.

### **Cryptocurrency Market Capitalization**

On April 5, 2021, the cryptocurrency market capitalization exceeded a historical peak of 2000 billion dollars, according to data from CoinGecko and Blockfolio, after gains over the past few months drew demand from both institutional investors and of the retail ones. The increase was led by Bitcoin, which held a market capitalization of around \$1 trillion for a week: Since peaking at over \$61,000 in mid-March 2021, Bitcoin has traded in a relatively narrow range. Analysts say that as long as Bitcoin remains above \$53,000, it will be able to maintain its trillion dollars market cap.

Ethereum, the second largest cryptocurrency by market capitalization, rose 1.3% to \$2,103 and a market capitalization of \$244 billion also on April 5, 2021.

Grayscale Bitcoin Trust, a \$35 billion publicly traded investment vehicle that owns Bitcoin, has announced that it is maintaining its commitment to becoming an exchange-traded investment fund. Bitcoin is up over 100% in the first three months of 2021 alone, while Ethereum has gained almost 190%. Both have massively outperformed traditional asset classes, sustained by the entry of mainstream companies and big investors into the cryptocurrency world, including Tesla and BNY Mellon.

### **CoronaCoin**

A group of programmers has created a controversial cryptocurrency linked to the spread of the COVID-19 pandemic, and the coin is becoming more valuable as the number of infections and victims increases. CoronaCoin, a new virtual currency made with blockchain technology, was created by a team of programmers and activists from 4Chan, the online forum where hacker group Anonymous emerged, among others. The initial issue of CoronaCoin, about 7.6 billion units, was based on the total population of the planet estimated at the time of the launch of the virtual currency, and every 48 hours the total amount is reduced according to the official number of infections and deaths caused by coronavirus. The more people are infected, the more coins are destroyed and, by implication, the more valuable the remaining units become: “We have developed the world's first blockchain that tracks the spread of the virus. The token supply started at 7,604,953,650 units and the amount is reduced every two days to keep up with the official World Health Organization statistics. The advantage of documenting the spread of the virus is that it cannot be censored. Even people behind the great firewall (in China) can view the actual death statistics,” said Sunny Kemp,

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an administrator of the CoronaCoin group on the Telegram network. The creation of a cryptocurrency that becomes more valuable as the disease spreads is considered controversial by many people, but the group behind CoronaCoin says its main goal is to help raise awareness of the dangers of contracting the coronavirus and raise funds to fight against it. Part of the funds will go to the Red Cross as aid for actions against COVID-19: "Part of the funds collected is intended for charity. This is our goal, to raise awareness and help fight the virus. For example, we are currently in discussions with a biochemist who is working on developing drugs to fight the virus: these are the kinds of partnerships we want to build," said Sunny Kemp. However, the owners of CoronaCoin have a different vision than the creators of the cryptocurrency: some owners of the virtual currency have already suggested artificially inflating the number of coronavirus infections or even encourage the intentional spread of the virus just to increase the value of the tokens. "A co-worker came down with the flu a few days ago and is now in the hospital, he has developed pneumonia which is affecting his heart. If he dies, I suggest we add him to the number of coins destroyed," wrote one user on the CoronaCoin Discord channel.

However, the creators of CoronaCoin do not seem alarmed by the possibility of people artificially increasing the value of the cryptocurrency: "This aspect has been brought up before and we know about it. We wouldn't advise anyone to do that ever, obviously - it would be morally wrong and illegal: we believe that CoronaToken owners are responsible people," said Pete Weathers, CoronaCoin channel administrator.

### **CryptoKitties**

It is an online game with virtual kittens, for which ardent fans are capable to pay hundreds of thousands of dollars; it is a perfect example to explain to those less familiar with blockchain technology and cryptocurrencies, what they consist of, in a practical and accessible way. If you want to purchase the virtual kittens you need Ether, a cryptocurrency whose blockchain is generated by the Ethereum platform.

Virtual cats can be bought and sold, and their price depends on how much buyers are willing to pay, especially for special breeds. Every cat is unique in its own way. If a person owns two CryptoKitties, they can reproduce digitally. This is how new breeds appear, and specimens from very rare and sought-after breeds have a high chance of fetching the highest possible price.

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At one point, the popularity of the game grew so much that up to 100,000 euros were spent on the purchase of a cat, and the high volume of transactions put the efficiency and reaction time of the Ethereum platform to a difficult test. In the meantime, the hype has decreased somehow, however, we should not underestimate the impact that CryptoKitties has had on the development and improvement of blockchain technology.

The concept is so interesting because it constitutes one of the first **non-fungible** tokens of the blockchain. On the other hand, fungible goods are comparable to other goods of the same nature and are therefore substitutable. Euro, for example, is interchangeable, like a bitcoin. On the other hand, works of art or real estate are not substitutable goods because each object is valued differently; the CryptoKitties game is very similar to a decentralized market where virtual cats are bred and traded. The identity of the owners is always known, the game is completely transparent, with no possibility of cheating.

### **Dogecoin**

It is a cryptocurrency invented by software engineers Billy Markus and Jackson Palmer, who decided to create a payment system that does not have traditional bank fees. It features a Shiba Inu dog face and was introduced on December 6, 2013. It quickly developed its own online community, reaching a market capitalization of US\$70,355,561,773 (70.3 billion) on April 16, 2021.

On February 4, 2021, dogecoin rose more than 50% after billionaire entrepreneur Elon Musk showed his support for it on Twitter: Dogecoin rose to \$0.05798 according to datas from Coindesk website, specialized in blockchain and cryptocurrencies. Musk first tweeted "Doge" and immediately another saying "Dogecoin is the people's crypto". That was enough...

### **Diem**

As of December 2020, Libra, Facebook-backed cryptocurrency has been renamed Diem. Libra was launched in the first part of 2020, and plans for it changed after regulatory authorities and central banks expressed concern that it could weaken financial stability, erode control over monetary policy, and/or could threaten privacy.

The change of the name is part of a move to emphasize a simpler structure, said Stuart Levey, CEO of Diem Association from Geneva, which is behind the digital currency: "The original name was tied to an early iteration of the project that had a

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difficult reception from the regulatory authorities. Now we have dramatically changed this proposal".

### **eGold**

eGold is a digital gold currency operated by Gold & Silver Reserve Inc. (G&SR) within eGold Ltd. which allowed users to open an account on their site, denominated in grams of gold (or other precious metals) and has the ability to make instant transfers of value (spending) to other accounts of eGold; the eGold system was launched online in 1996 and grew to five million accounts by 2009, when transfers were suspended due to legal issues.

At its peak in 2006, e-gold was trading more than US\$2 billion in spend per year, starting from a monetary base of only US\$71 million worth of gold (~3.5 metric tons), making a large monetary turnover growth of approximately 28 times per year (for comparison, the annual growth rate of the US dollar is approximately 6 for aggregate M1 and less than 1.6 for M2). eGold Ltd. was originally traded and in the Nevis and Saint Kitts Islands, with operations from Florida (USA).

eGold was founded by oncologist Douglas Jackson and lawyer Barry Downey in 1996. The two initially supported service accounts with gold coins stored in a bank safe deposit box in Melbourne, Florida (USA); until 1998, G&SR (the system operator) was an affiliate member of NACHA and a full member of the internet Council of Nacha.

The company was launched two years before PayPal but didn't grow exponentially until 2000. By 2004, there were over a million eGold accounts. It was the first successful digital currency system that gained a wide user base and was quickly adopted by merchants. The Financial Times noted on July 13, 1999 that it was "the only electronic currency to reach critical mass on the web". eGold was the first non-credit card payment service provider to offer a programming interface and thus enabled other e-commerce services and transactions to be successfully built.

eGold has been used by both individuals and merchants for services including metal trading and online merchants, has been used in online auctions, by online casinos, political organizations and non-profit organizations. From 1996 to 1999, currency exchange services called "InExchange" and "OutExchange" were supported directly on the eGold platform. This arrangement exposed the system operator - G&SR - to the financial risks associated with the provision of exchange services. eGold also

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tended to prevent third parties from offering exchange services on an independent competitive basis.

### **Ethereum**

The multitude of uses, but also the interest of investors towards cryptocurrencies, contributed to the increase in the value of Ethereum: “Ethereum's all-time high in early 2021 was just the beginning. Its recent meteoric rise is similar to that of Bitcoin, reaching the peak reached by Bitcoin in late 2020,” says Simon Peters, cryptoassets analyst at investment platform eToro.

Ethereum is the second largest cryptocurrency by value after Bitcoin, but very different from it. Ethereum may serve as a currency, but it is primarily a blockchain platform that allows developers to build and launch decentralized applications (DApp) that run on the entire network, rather than on a group of servers controlled by a single entity or organization. As more DApps are built on the Ethereum blockchain platform, its utility increases. In addition, the Ethereum Foundation, the non-profit organization that oversees the development of Ethereum, has taken important steps to update the platform and provide a more secure and efficient decentralized network called Ethereum 2.0, which uses a consensus mechanism proof-of-stake.

The enormous amount of Ethereum at stake indicates the level of confidence that the "miners" have in the new Ethereum 2.0 network. As of January 2021, there were nearly \$3.738 billion worth of Ethereum in circulation. The price of this cryptocurrency was mainly determined by the low amount of Ethereum in the market, which led to the rapid increase in prices. Thus, on February 20, 2021, Ethereum registered a price of over 2,000 dollars, at a market capitalization of 230 billion dollars, and on March 26, 2021 it was worth \$2,145, the capitalization being \$240 billion. On April 26, 2021, 1 Ethereum was worth \$2,500, on April 30 - \$2,800 per unit, and on May 5 - \$3,470 for one Ethereum. In parallel, it is growing very much strong and its market capitalization.

### **India and cryptocurrencies**

The volume of cryptocurrency transactions is increasing day by day in India: Eight million investors held \$1.4 billion in cryptocurrencies as of March 15, 2021, with no one able to say whether or not they are beneficial to the country's economy. The danger felt by some politicians in India has led to the initiation of a law that prohibits the possession, issuance, mining, trading and transfer of cryptocurrencies, and any operation in this sector can be punished criminally.

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People who trade or hold such assets could be fined, according to a government official, and those who hold cryptocurrencies have up to six months to liquidate them.

"We don't have a problem with technology, there is no harm in exploiting technology - the Government's moves will be moderate, penalizing those who have not liquidated crypto assets during the grace period," Finance Minister Nirmala Sitharaman said.

### **Mastercard in the cryptocurrency market**

Mastercard has been increasingly involved with other companies and central banks in projects aimed at cryptocurrencies. On February 10, 2021, the payments giant announced that it will allow customers to trade digital currencies starting in 2021.

Mastercard has already entered into several partnerships to launch the new CBDC digital currency in order to offer customers a new way to pay. The payments giant has also teamed up with Wirex and BitPay to create crypto cards that allow people to transact payments using their own cryptocurrencies.

Mastercard also announced that not all cryptocurrencies on the market will be accepted on the Mastercard network. "Our philosophy on cryptocurrency is simple: It's about choice. Mastercard isn't here to recommend you start using cryptocurrency; it's here to enable customers, merchants and businesses to trade value digitally," it is written on the company's blog.

### **Romania and cryptocurrencies**

#### **Beans&Dots**

It is the first specialty coffee shop in Romania, which implemented the payment module in cryptocurrencies offered by Netopia Payments. Payment can be made in Bitcoin or eGold, but the other payment options remain available (bank card).

"Between specialty coffee and blockchain there is a similarity, in the beginning there were few who understood what specialty coffee is, what it brings in addition, why it is interesting, how it can make your life better. In the meantime it has become a nearly \$100 billion industry. The same is happening with blockchain technology. Beyond cryptocurrency, which everyone has heard of, there is a whole universe "in the making" and we are happy to be the first in our industry to join it; we are convinced that this technology will increasingly become an integral part of our everyday life", says Alexandru Aron, founder of Beans&Dots.

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Currently, cryptocurrency payment is only allowed in the online store. In the next period, payment with cryptocurrencies will also be extended to the two physical points – Beans&Dots Cișmigiu and Beans&Dots Aviației.

### **eGold also accepted for payment in Romania**

NETOPIA Payments, the most used electronic payment processor in Romania, announces the expansion of its partnership with Elrond, offering Romanians the possibility to make payments using eGold, Elrond's blockchain cryptocurrency, at the 30,000 partner merchants, starting from March 1, 2021. A first step, the integration will allow payment with eGold cryptocurrency at online stores. Thus, the approximately 30,000 NETOPIA Payments partner merchants will be able to accept eGold as a payment method, opting for this benefit directly in the platform. According to the company, the settlement of the collected amounts in eGold it will be done in lei. The conversion from EGLD to RON is done automatically in the NETOPIA Payments network, resulting in faster, safer and lower-cost transactions, both for those who accept payment in eGold and for those who pay using the cryptocurrency of the Elrond network; the two companies aim to expand the integration to cover other payment systems, including those from offline merchants equipped with compatible payment systems.

The representatives of the payment processor convey that any online store in Romania can accept payment with eGold, signing a processing contract with NETOPIA Payments. According to them, the enrollment procedure is quick and easy, each merchant just needs to register with the company's data in the platform and integrate the payment module in his website.

"Since the beginning of our business we have positioned ourselves as a promoter of payment innovation, with NETOPIA Payments being the only cryptocurrency payment processor since 2015. We are extremely excited to see the evolution of blockchain technology to the point where our partner Elrond can enable more transactions simultaneously than all other traditional channels combined, at higher speed and lower costs; therefore, the integration of the payment option with eGold came naturally, which allows us to stay at the forefront of payment technologies and offer our customers more efficient services", said Antonio Eram, CEO of NETOPIA Payments.

Elrond Network is a company with Romanian know-how, which develops blockchain technology 1,000 times faster and more efficient than current

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implementations. In February 2021, the Romanian company launched the Maiar application, a digital wallet that facilitates the adoption of the eGold currency. The app uses the Elrond blockchain, which can handle over 100,000 payments per second. The partnership with NETOPIA Payments represents the first integration between Elrond and a payment processor, being an important step for Romanian blockchain technology.

"More than 100,000 Romanians have downloaded the Maiar app and most of them already own eGold: both they and the other members of the Elrond ecosystem will be able to benefit from the processing times and low costs of blockchain technology in their everyday lives. The integration with NETOPIA is an important first step towards creating a global payment network that uses Elrond technology", said Benjamin Mincu, Elrond CEO.

### **SF veto**

Through a press release issued on April 21, 2021, the Financial Supervisory Authority (ASF) drew attention to the risks of cryptocurrencies, in the context where interest in digital currencies is growing and more and more people are investing: "ASF reminds consumers that some crypto assets are extremely risky and speculative, so consumers should be aware of the high risks involved in buying or owning these products, including the possibility of losing all the money invested.

Crypto assets come in several forms, and most of them are not yet regulated, not being considered financial instruments, as they are defined by Law no. 126/2018 regarding financial instruments markets. In this context, we warn Romanian consumers that, in the case of crypto-asset transactions, they do not benefit from the protection and guarantees associated with regulated financial services".

Providers of exchange services between virtual currencies and fiduciary currencies and providers of digital wallets must comply with the provisions of Law no. 129/2019 regarding the prevention and combating of money laundering and the financing of terrorism, the ASF press release also mentions.

### **Turkey and cryptocurrencies**

Vebitcoin was Turkey's fourth-largest cryptocurrency trading platform with a daily turnover of nearly \$60 million, which suspended operations on April 25, 2021, citing deteriorating financial conditions. The general manager of the platform Ilker Bas and three other employees were detained by the authorities, announced the Turkish

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agency Demiroren, quoted by Bloomberg; Turkish authorities blocked Vebitcoin accounts and launched an investigation.

“Due to recent developments in the cryptocurrency industry, there has been a much higher density in our operations than we expected. We would like to state with regret that this situation has led us to a very difficult process in the financial field. We have decided to cease activities in order to fulfill all regulations and claims”, it was stated on the Vebitcoin website.

The Central Bank of Turkey has banned cryptocurrency payments since April 30th of the current year and announced that he is preparing additional measures: "We are working on regulations related to cryptocurrencies. There are disturbing streams of money from Turkey through cryptocurrencies," Bank of Turkey Governor Sahap Kavcioglu said on April 23, 2021.

Also since April 23, 2021, the founder of the Thodex cryptocurrency trading platform from Turkey, Faruk Fatih Ozer, fled to Albania with funds from investors, his compatriots, worth two billion dollars: the platform is offline, and thousands of investors fear that they have been defrauded. Thodex announced that the activity was "temporarily stopped" to solve the problem of "abnormal fluctuation of the company's accounts".

Faruk Fatih Ozer was photographed leaving Istanbul airport. Thousands of Thodex users have filed complaints against the company, and a lawyer said Thodex has 400,000 users, of which 390,000 are active; Ozer disputed the allegations, saying only 30,000 users are affected by the situation. He added that the information about losses of approximately 2 billion dollars is "unfounded".

Turkish authorities have issued an international warrant requesting Ozer's arrest. The police detained 62 people in eight cities, including Istanbul.

### **Cryptocurrencies in the US and EU**

After the announcement of the Biden administration regarding the US tax increase, bitcoin fell on April 23, 2021 below \$50,000 per unit and thus fell for the first time since the beginning of March 2021, during which it recorded spectacular increases in value. Overall, the cryptocurrency market has lost more than \$200 billion due to concerns over President Joe Biden's plan to raise capital gains taxes.

Bitcoin fell to \$47,555 per unit, returning during trading hours to \$49,667 per unit, 4% below the previous day's level; Ethereum and XRP fell 3.5% and 6.7%,

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respectively, while dogecoin fell 20% to \$0.21 per unit, according to data analytics firm CoinGecko.

The Biden administration plans to implement a series of changes to the Tax Code, including a plan to nearly double capital gains taxes for people earning more than \$1 million.

### **The ECB veto**

The European Central Bank (ECB) asked the European Parliament for support to obtain the right of veto regarding the launch of cryptocurrencies called "stablecoins" in the Eurozone, so it requested to have powers in their supervision. The first targeted target is the Diem cryptocurrency designed by Facebook, in place of the already famous Libra. Facebook originally intended to issue a "stable coin" called Libra, based on a basket of currencies, but adjusted its plan after regulators objected. The ECB and Eurozone central banks are working on their own digital currency project, which they hope to launch within the next 4 years and will not be subject to EU regulations on private digital currencies. European Union finance ministers have announced that private digital currencies such as Facebook's should not be officially accepted in the EU until the risks they present are not clearly remedied.

In September 2020, the EU set plans to regulate "crypto-assets" that include stress tests and capital and liquidity requirements, warning that Facebook will have to adhere to these rules before launching its currency in the community block. The ECB says it must have the final say on whether a "stable currency" should be allowed to be launched in the Eurozone, without jeopardizing its control over inflation or the security of payments.

"Since an asset-based reference instrument is equivalent to a payment system, the assessment of a potential threat to monetary policy and the functioning of payment systems should be the exclusive competence of the ECB," says the bank's legal opinion in February 19 on the proposed regulations. The ECB says the regulations must be changed so that its views on the matter are binding on national authorities when assessing intentions to issue "stable currencies".

### **Fed veto**

On March 22, 2021, the chairman of the Federal Reserve (Fed) of the United States, Jerome Powell, stated that assets in the cryptocurrency class continue to be an unstable way to store values and that the American central bank is in no rush to

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introduce a competing instrument to the market : "They're extremely volatile and so they're not really useful for storing values and they're not backed up by anything," Powell said in an online discussion regarding digital banking hosted by the Bank for International Settlements.

"They are more speculative assets, essentially a substitute for gold, not for the dollar," explained Powell. The Fed chief spoke on a day when bitcoin fell on the Coinbase platform, but is still trading at nearly \$57,000 per unit. Cryptocurrencies increased between September 2020 and March 2021, amid intense transactions and their wider acceptance in the financial sector.

In recent years, the Fed has been working on its own payment system that facilitates faster money transfers, with the final product likely to be unveiled within the next two years. The Fed also investigated whether a US central bank digital currency would be necessary or practical; Powell said that the Fed is in no rush on this matter: "To do this we would have to get the support of Congress, the administration, the general public, and we have not yet started that public engagement," he said.

### **Visa and cryptocurrencies**

Visa will allow the use of the cryptocurrency USD Coin in transactions carried out within its payment network. The company launched the program together with the Crypto.com platform and announced that it plans to offer the cryptocurrency payment option to more partners as early as 2021.

"We are seeing an ever-increasing demand from consumers around the world to be able to access, hold and use digital currencies, and we see demand from our customers to build products that provide that access to consumers," said Cuy Sheffield, director for cryptocurrencies at Visa.

The Visa project eliminates the need to convert digital currency into traditional money for the transaction to be settled. The company announced a partnership with digital asset bank Anchorage and completed the first transaction this month. Following the publication of this information, the Bitcoin cryptocurrency rose by 4.5% to \$58,300 per unit.

### **Features of 2022**

As of May 1st, 2022, Bitcoin became official currency in the Central African Republic, making it the second country to approve Bitcoin as legal tender after El Salvador. The Central African Republic - one of the poorest countries in the world - is

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rich in diamonds, gold and uranium. It has been wracked by conflict for decades and is a close ally of Russia, with Wagner Group mercenaries helping fight rebel forces. Parliamentarians voted unanimously to adopt Bitcoin as legal tender, and the measure puts the Central African Republic "on the map of the most daring and visionary countries in the world," said President Faustin-Archange Touadéra. El Salvador became the first country to adopt Bitcoin as its official currency in September 2021. It was then a move criticized by many economists, including the International Monetary Fund, which said it increased the risk of financial instability. In 2019, only 4% of the population of the Central African Republic had access to the Internet, according to the WorldData website, and the Internet is required to use any cryptocurrency. The country currently uses the French-backed Central African Franc as its currency, along with most other former French colonies in Africa. The Central African Republic has been in continuous conflict since its independence in 1960. In 2013, Muslim rebels took control of the predominantly Christian country: self-defense militias were formed to fight back, leading to widespread massacres across religious criteria. After President Faustin-Archange Touadéra came to power in 2016, the country began to shift its strategic alliance from France to Russia. Contagions, crashes followed each other so quickly that by the end of the year, investors were asking themselves serious questions posted on December 30, 2022: the strongest cryptocurrency - bitcoin - is down about three-quarters from its peak of 69,000 dollars reached in November 2021. The market capitalization of the approximately 22,000 cryptocurrencies is now less than a third of the peak of \$3 trillion in November 2021, and many have very little or no market value. Not only were they hit by the Fed's extremely tough stance, but the cryptocurrency market crash triggered the collapse of Celsius, TerraUSD and Voyager cryptocurrencies, followed by the collapse of Sam Bankman-Fried's FTX exchange in November 2022; unlike 2017, when bitcoin crashed just as spectacularly, this time around there are far fewer crypto-asset diehards predicting a comeback. 2022 has seen excesses, out-of-control lending, and the evaporation of billions of dollars within the crypto system, and the idea that decentralized finance and private cryptocurrencies can operate in the shadow of traditional banking and thrive now seems illusory. As retail and institutional investors lose faith in crypto operators, a number of political voices and even crypto barons are joining US Securities and Exchange Commission Chairman Gary Gensler in calling for regulation of the cryptocurrency market.

UBS strategist James Malcolm points out that bitcoin and other assets could survive in the niche area of investment portfolios: "It's wrong to say that this is going to die completely, because there are elements that can be useful in other areas and

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probably there is a modest cryptocurrency market that will continue to thrive on the fringes of financial markets.”

FTX, with more than 1 million potential creditors, the favorite of the crypto world, filed for bankruptcy in mid-November 2022 after an \$8 billion hole appeared in the company's balance sheet. Sam Bankman-Fried, the founder of the bankrupt cryptocurrency firm FTX, which lost \$16 billion in a few days, has agreed to be extradited to the US. He was arrested in the Bahamas, agreeing to be extradited to the US to face charges, his lawyer claims. US authorities accused Bankman-Fried of committing "one of the largest financial frauds in US history". According to a court filing, FTX owed its 50 largest creditors a total of nearly \$3.1 billion. Bankman-Fried was arrested on December 12, 2022, when the US Attorney for the Southern District of New York said he used "tens of millions" in ill-gotten gains to make illegal contributions to Democratic and Republican election campaigns: The Securities and Exchange Commission said the so-called "Crypto King" built "a house of playing cards on a background of deceit." FTX's new chief executive, John Ray, spoke of the lack of any basic risk management measures and that Bankman-Fried admitted to weak internal control procedures. The rapid decay has alarmed investors who keep and invest their assets on other platforms centralized by crypto exchanges, leading to a record level of withdrawals of bitcoin, the most widely used cryptocurrency.

Before FTX's bankruptcy announcement, investors withdrew 91,363 bitcoins, worth a total of nearly \$1.5 billion, based on the November average price of \$16,400 per unit, according to Binance, Kraken and Coinbase. That marked the largest withdrawal of bitcoins in history, according to data from CryptoCompare. It is unclear whether these coins are sold or moved to private wallets. The rush to close positions comes as the price of bitcoin has fallen 64% in 2022 and was selling in mid-December 2022 at a price of around US\$17,000 per unit.

Drawbacks in October 2022 were large as cryptocurrency traders replenished their funds after a summer full of crises that included the bankruptcy of Celsius and Voyager Digital, two companies that offered digital currency lending services. In a sign of the negative impact the FTX bankruptcy has had on competitors, rating agency Moody's has put US-listed Coinbase's bonds on downgrade at the end of November 2022, pointing out that there is an increasing chance of sustained declines in trading volume, as well as engaging customers in decreasing digital currency transactions.

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### **Cryptocurrency holdings of banks**

According to Basel Committee data, banks around the world held €9.4 billion in crypto assets as of December 31st, 2022, and were trying to stay relevant with the shift to digital currencies and the general digitalization of money: many central banks of the world's states are looking to develop their own digital currencies, for example the Central Bank of India released its draft plans for a digital rupee currency.

The Central Bank of Switzerland claims that central banks are a major proponent to push the current phenomenon of decentralized financial (DeFi) related to cryptocurrencies through the right combination of centralization and decentralization.

Official recognition of cryptocurrency assets by various countries will increase the number of areas for their use. In the future, legalization will allow citizens of these states to pay with virtual money for any purchase. The future of cryptocurrency is global use; many countries are interested in Bitcoin and Altcoins at the same time.

For example, on April 1st, 2017, Japan officially allowed citizens to use digital currencies. From that moment, virtual money ceased to be commodity material goods, but became a legal tender. For example, in Japan you can buy goods with the cryptocurrencies Bitcoins and Altcoins, and many commercial companies in Japan already accept Bitcoin and Ethereum cryptocurrencies.

### **Conclusions**

Issuers of stablecoins must meet "rigorous liquidity requirements" similar to those applied to money market mutual funds, including the requirement to hold significant cash reserves to deal with massive withdrawals. Also, companies selling digital instruments linked to multiple currencies should, at a minimum, grant final users a direct claim on the issuer or reserve assets and redemption rights.

Cryptocurrencies could take control of payment systems, some functions of banks, and ultimately the creation of money supply, which can lead to chaos in the banking, economic and financial systems. Central banks around the world are concerned about the proliferation of cryptocurrencies, and especially so-called "stable currencies" that, unlike speculative assets like Bitcoin, support their legitimacy by being tied to an official currency or portfolio consisting of several official currencies.

Although Bitcoin (BTC) has had and still has many qualities, this digital asset has reached its peak and BTC investors expect it to no longer be as volatile as in the past. The main advantage of other digital currencies is that their volatility is very high.

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This allows investors to quickly increase their capital, in the case of a relevant investment, at the right time.

The crypto market is constantly changing. Various trends affect it – this being the factor, which, on the one hand, reduces the stability of crypto investments, but on the other hand, offers the possibility of investments with high profitability. New projects and teams appear in the crypto field - each project brings something new and, if it manages to do well with the mission it proposes, has every chance to increase in value, attract investors and place itself in the top of the global TOPs in the crypto world. In 2022, cryptocurrencies that failed to prove their ability to cover the needs and solve the problems they were actually created for, were doomed to fail. To once again demonstrate the volatility and insecurity of holding cryptocurrencies, in early 2023, a new spam campaign spread through direct messages on Twitter and stole the cryptocurrencies of targeted users who were asked for help withdrawing hundreds of thousands of dollars from a stranger Crypto Account on Twitter: Victims were tricked into creating and paying for a VIP account on a fake domain and ended up losing their coins. Twitter is one of the most popular social networks in the world, with nearly 400 million monthly active users. Many users, who have never met in their lives, interact and exchange ideas, so a direct message received from a stranger may not be a surprising thing for users of this network. In this message, an unknown person is asking for urgent help: he has difficulties to access his account from a cryptocurrency exchange, so he asks for help to withdraw a certain amount of cryptocurrency from his wallet. In the message, he specifies the domain to enter, his username, password and the amount he wants to withdraw, often in the hundreds of thousands of dollars. Sometimes, the person behind this scam promises the victims a small amount of money in exchange for their help in the respective withdrawals. In reality, it's just a ruse to lure as many users as possible into the trap.

The trend of using cryptocurrencies by citizens, as is happening in several countries of the world - including Japan and the USA - will continue in the near future, when we estimate that the popularity and acceptability of cryptocurrencies will increase significantly.

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