Cryptocurrencies

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**Cryptocurrencies, their Vulnerabilities and Business**

The world of cryptocurrencies is quickly changing and developing. Innovators, as well as entrepreneurs, are continuously bringing in new cryptocurrencies, with each of them introducing new and different features to entice new users and shareholders. The payments market is still small, in spite of the constant development of new cryptocurrencies. Cryptocurrency users continue to grow and evolve, though at a slow rate. Nonetheless, universal acceptance of these forms of currencies by the general public is still unlikely within the near future. The rise of cryptocurrencies as new forms of payment has extensive indications for illegal actors, customers, the official industry, as well as financial institutions. Some various issues and risks need to be eliminated before such users welcome and take on cryptocurrencies in conducting large scale commercial transactions. This acceptance will need the transformation of cryptocurrency protocols to fulfill the needs of each of the perspectives.

Since its introduction in the year 2009, Bitcoin has attained its purpose of introducing a digital currency able to record contracts and prevent double expenditures without an integrated, trustworthy third party, including central or commercial banks. Some innovations were created to the weaknesses found in cryptocurrency systems, including i) an inflexible supply of currency, ii) the absence of scalability in that they can only deal with low volumes of transactions (for instance, Visa can process multiple transactions within a second as compared to Bitcoin’s 7), iii) the likelihood to experience incentive issues due to increases in network size, and iv) high volatility partly since they are not connected to a dominant currency (Everette, 2017).

In spite of the various developments, cryptocurrencies have been successful in rivalling flat currencies such as the Euro, Yen, and US dollar concerning adoption as payment means and price stability. Estimations for the utilization of cryptocurrencies as a form of payment differ substantially across sources. A 2013 study estimated that by the end of that year, the proper usage of Bitcoin would have surpassed potential criminal activities. In 2016, the Federal Reserve of Boston determined that 75 percent of consumers in the US who have cryptocurrencies have utilized them in making payments within twelve months, whereas a well-known cryptocurrency exchange company in the US showed that 46 percent of its customers utilize Bitcoin as a medium for transactions. Customers have not fully embraced cryptocurrencies as the primary exchange medium for day-to-day purchases. However, an increasing number of entrepreneurs globally are embracing cryptocurrency as a method of payment. This is due to various factors, such as volatility of prices and the absence of a 'closed-loop' cryptocurrency market. Individuals or companies get paid using cryptocurrencies and then use them as the primary method of payment for daily expenses.

Cryptocurrencies, as a result of their decentralized quality, cannot adequately fit into original regulatory standards and systems. The borderless nature of cryptocurrencies and the lack of a distinguishable 'issuer' of the means pose problems to regulators. Global regulators are extremely cautious as well as highly reactive in controlling these currencies. Regulatory measures include offering not regulation or direction, imposing warnings, controlling particular actors within the cryptocurrency system, forbidding financial institutions from purchasing and selling cryptocurrencies, and prohibiting cryptocurrencies completely (Everette, 2017).

As the accessibility and acceptance of cryptocurrency rise, the federal officer in the US, academics, researchers, as well as analysts have expressed worries pertaining to illicit actors using this ability to transfer money via the global arena. These finances, utilized for activities like funding daily activities and attacks, and the transfer of kidnapped people and drugs, therefore, have the opportunity of finding their way into the legal global financial system via cryptocurrency exchange systems as well as other laundering methods. Researchers and law enforcers tracking the illicit use of cryptocurrencies are yet to reach a consensus regarding the current extent of use of cryptocurrencies for illicit operations. Bitcoin is still the preferred transactional method for 'dark markets' (an online black market that exists within the Dark Web), including the disreputable Silk Road as well as its various successors. In 2014 alone, the leading six Dark Markets earned a total of 650,000 dollars value of sales in Bitcoin (Everette, 2017).

Various cryptocurrencies, including Bitcoin, have several characteristics that allure illicit actors and other criminals to embrace them extensively. Some of these features include the ease of utilization, in that illicit actors, are able to purchase, sell, as well as trade cryptocurrencies with just a simple technical background. More user-friendly interfaces make it easy for illegal actors to utilize these currencies for their personal interests. Also, independence from regulations of legal, financial structures poses significant vulnerabilities to cryptocurrencies. As financial institutions work on a risk-averse structure as a result of advanced controls and financial transaction tracking, illicit groups seek other means to transfer money out the legal, economic systems while maintaining these connections to these systems to ensure customer loyalty (Fanusie & Robinson, 2018). Other features include increase anonymity and access to the Dark Web, which increases the vulnerability of cryptocurrencies.

In the current society, most of the transactions are via virtual currency or via credit systems. Fees like taxes and expenses of the sale are charged, and delays at times occur. In cryptocurrency, there are no delays, and on top, the security offered by the platform has, over time, provided a guarantee on time and costs involved in the transactions. Even if, in the long run, cryptocurrency does not become the ultimate currency for everyone, it shall still hold a significant impact on the world's economy. The trends displayed by cryptocurrency have had a severe effect on the financial markets in several ways. This has created a lot of room for small businesses and large financial institutions to control and change the use of blockchain technology, and the overall impact would be to create fluidity in the industry. These fluctuations in the currency by central banks and governments have, to some extent, brought order in the ever dynamic financial system (Dorofeyev et al., 2018).

The fluctuation of cryptocurrency is mostly viewed as a decrease in its value. For instance, bitcoin, which is the most popular, has seen its prices fall to below $4000 in a year owing to the speculative nature of the coin (Dorofeyev et al., 2018). Speculation on the currency affects insurance providers in the sense that few carriers are ready to offer the cryptocurrency insurance associated with cyber costs, technological hitches and illegal electronic transfers. Cryptocurrency is thus seen to reduce the processing payment fee as their prices have to be lower than that of credit cards to survive. This will definitely decrease the profit margin for businesses that have embraced cryptocurrency. Investors are risk-takers, and this is the nature of cryptocurrency. Fluctuating prices are seen to attract investors on the hand who seek high returns from the elevated risk. They are able to convert the currency to fiat immediately. This is safe for them as most of them operate in protected companies. The volatile nature of the coin is pointing at a positive note as there is a business for some quarters (Harrison, 2018). The vulnerabilities that face the cryptocurrency ecosystem show that a lot has to be done to eliminate those weaknesses and make cryptocurrencies more marketable and reliable to users.

**References**

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