

UK Legal check What Does the Future Hold for Cryptocurrencies?

A lot of things are said about the future of cryptocurrency. This ranges from naysayers bleating, "Crypto is dead!" when crypto is crashing, to enthusiasts declaring that a crypto future is the only future. Some people are looking for the next big crypto coin, while others are more concerned with the future of crypto in the next 5 years and how it will change the financial landscape.

But what is really happening on Planet Crypto? As it turns out, more than you think. There are an estimated [560 million](#) crypto users worldwide. SIntroduction to cryptocurrencies

Cryptocurrencies have been a disruptive force in the financial world since the launch of Bitcoin in 2009. These innovative digital assets have evolved into a significant aspect of the global economy, drawing interest from individual investors, institutional players, and even governments. So what does the future hold for cryptocurrencies?



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2023 and the cryptocurrency market

The year 2023 has been a tumultuous one for the cryptocurrency market. After the highs of 2021, which saw Bitcoin reach an all-time high of nearly US\$70,000, the market experienced significant corrections.

Events such as regulatory crackdowns in various countries, environmental concerns about mining practices, and high-profile bankruptcies within the industry have all contributed to a volatile landscape.

Despite these challenges, the market has shown remarkable resilience. New technologies and applications continue to emerge, demonstrating the ongoing innovation within the space.

For instance, [decentralised finance \(DeFi\)](#) platforms have grabbed significant attention, highlighting the diverse

potential uses of [blockchain technology](#).

Current state of the crypto market

As of July 9, 2024, the cryptocurrency market is experiencing overall growth, with major cryptocurrencies like [Bitcoin](#) and [Ethereum](#) showing year-to-date gains.

While there have been fluctuations, both cryptocurrencies continue to demonstrate resilience and maintain bullish technical ratings.

One notable trend in 2024 is the increasing [institutional interest](#) in cryptocurrencies. Major [financial institutions](#), including investment banks and asset managers, have started to offer crypto-related products to their clients. This mainstream acceptance is a positive sign for the long-term viability of digital assets.

[Larry Fink](#) is probably the most influential person in the world of finance. As the overlord of [BlackRock](#), a company with trillions of dollars worth of assets under their management, his opinions get published everywhere.

Originally, [Fink](#) was wildly against cryptocurrencies. He was quoted as saying many negative things about digital assets, describing Bitcoin as an “index for money laundering.”

As for now? He’s all in on team Bitcoin, realising if you can’t beat them, you better hurry up and join them.

Fink recently said, “The [tokenisation](#) of securities will define the next generation of markets. The distributed ledgers will enable real-time settlement of transactions and change the entire ecosystem.”

Retail investors

Retail investor interest weakened in the first part of 2024 somewhat compared to the frenzy of previous years. Many individuals who entered the market during its peak have faced significant investment losses, leading to a more cautious approach.

The phrase “cryptocurrency is crashing” has been a common refrain, reflecting the sentiment of many who have seen their investments plummet in value.

However, by the mid-point of 2024, [retail investment](#) interest had returned.

Technological advances in crypto

Technological advancements continue to drive the evolution of cryptocurrencies.

Smart contracts and DeFi are the new cool: These are revolutionising how we handle money and transactions, cutting out the middleman (banks, lawyers, etc.). It’s like a whole new financial system on the blockchain.

Crypto trading is becoming more convenient: Trading platforms are becoming super user-friendly, with AI tools helping users make decisions. And protection is more advanced than it has ever been.

AI and crypto are a power couple

AI is supercharging crypto projects. This is leading to innovations in finance, [healthcare](#), and all sorts of fields.

Crypto is becoming part of everyday life

You can now buy consumer items with crypto at more and more places, and it’s even being used for things like travel and

paying online. It's slowly becoming a [normalised form of payment](#).

Crypto is about changing how we think about money, ownership, and even the way we interact with technology.

What do the experts say?

[Asher Tan](#) is the CEO of crypto exchange CoinJar. He envisions that cryptocurrencies will continue to evolve, driven by technological advancements and global adoption.

"We'll witness a broader range of digital assets beyond Bitcoin and Ethereum. Decentralised finance (DeFi) platforms will mature, offering seamless financial services without intermediaries. Stablecoins will play a crucial role in day-to-day transactions, bridging the gap between traditional fiat and crypto."

Tan also says that blockchain interoperability will improve, allowing seamless communication between different networks.

"Overall, crypto will be deeply integrated into our lives, from payments to asset ownership. While crypto won't entirely replace traditional fiat currencies, it will coexist as a parallel economy. Multiple countries may adopt crypto as an official currency. And we could see a diverse ecosystem of digital currencies, each serving specific purposes."

Global payment system

. Currently cross-border payments can take days and costs users a lot to carry out.

However using crypto, says Tan, cross-border payments become seamless and near-instantaneous. "This also eliminates the delays and exorbitant fees associated with international bank transfers. This financial inclusivity empowers individuals and

businesses, especially in underserved regions, by granting them access to a global marketplace.”

The decentralised nature of cryptocurrencies challenges the traditional banking model, promoting competition and potentially driving down costs for everyone involved. “A global crypto payment system heralds a new era of financial freedom, efficiency, and innovation,” says Tan.

Challenges and risks in crypto

The future of crypto in the next five years is filled with potential, but it is not without challenges and risks.

Uncertainty

One of the primary concerns is regulatory uncertainty. While some countries are embracing [cryptocurrencies](#), others are taking a more cautious or even [hostile approach](#). This patchwork of regulations can create confusion and hinder global adoption.

Protection

Protection is another significant issue. High-profile hacks and scams have plagued the cryptocurrency industry, eroding trust among investors. Ensuring the protection of digital assets is paramount for the sector’s continued growth.

There is good news here, however. As the industry matures, so does protection.

Interoperability

Different blockchains are now being designed to be able to interact with each other. This is termed ‘interoperability.’ This will make the crypto ecosystem more efficient and user-friendly.

Zero-knowledge proofs will improve privacy and protection in

blockchain transactions. This is important because it will allow people to use blockchain technology without revealing sensitive information.

Market volatility

Market volatility remains a persistent challenge. The phrase “is crypto dead” often emerges during prolonged bear markets, reflecting the extreme fluctuations in value that cryptocurrencies can experience. For the market to mature, it will need to demonstrate more stability.

Future outlook

Despite the challenges, several factors suggest that digital assets will continue to grow and evolve in the coming years.

First, technological advancements will likely drive further adoption. Improvements in scalability, protection, and usability will make cryptocurrencies more accessible and practical for a broader audience.

Second, increased institutional involvement is likely to contribute to the legitimacy and stability of the crypto market. As major financial players integrate cryptocurrencies into their portfolios and services, the industry will gain a stronger foothold in the mainstream financial system.

Third, regulatory clarity may help mitigate risks and foster innovation. Countries that establish clear and supportive regulatory frameworks for cryptocurrencies will likely become hubs for blockchain innovation.

Regulation in the UK

As of July 2024, the UK’s regulatory environment for cryptocurrencies is still evolving and can be characterised as a mix of existing financial regulations and new, crypto-

specific rules.

The primary regulator for financial services in the UK, the [Financial Conduct Authority \(FCA\)](#) plays a central role in overseeing crypto-asset activities.

Cryptocurrencies themselves are not considered legal tender or regulated as financial instruments in the UK. However, certain crypto-asset activities fall under existing financial regulations.

Firms engaging in specific [crypto-asset](#) activities, such as operating exchanges or offering custodian services, must register with the FCA.

[Advertising crypto assets](#) is subject to FCA rules, requiring clear risk warnings and accurate information.

Crypto assets are subject to [Capital Gains Tax](#) (CGT) and potentially Income Tax, depending on the nature of the activity.

The UK government has proposed new legislation to bring crypto assets under the existing financial regulatory framework. This will likely result in stricter rules for crypto businesses and exchanges.

The future of crypto: Conclusion

The future of cryptocurrency is a complex and multifaceted topic. While the market has faced significant challenges in recent years, it remains a hotbed of innovation and potential. Technological advancements, increased institutional involvement, and evolving regulatory frameworks all point to a promising future for digital assets.

The cryptocurrency market can continue to grow and play a transformative role in the global economy.

Standard Risk Statement

The above article is not to be read as investment, legal or tax advice and it takes no account of particular personal or market circumstances; all readers should seek independent investment advice before investing in cryptocurrencies. The article is provided for general information and educational purposes only, no responsibility or liability is accepted for any errors of fact or omission expressed therein. Past performance is not a reliable indicator of future results.

UK residents are required (in accordance with local legislation) to complete an appropriateness assessment to show they understand the risks associated with what crypto/investment they are about to buy and enabling CoinJar to categorize them as an investor. New customers are also required under local regulations to wait 24-hours as a "cooling off" period (from account creation), before their account is active (i.e. to deposit, trade, withdraw etc.).

Cryptocurrency is currently not regulated in the UK. It's vital to understand that once your money is in the crypto ecosystem, there are no rules to protect it, unlike with regular investments. You should not expect to be protected if something goes wrong. So, if you make any crypto-related investments, you're unlikely to have recourse to the Financial Services Compensation Scheme (FSCS) or the Financial Ombudsman Service (FOS) if something goes wrong.

Remember:

Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you should not expect to be protected if something goes wrong. Take 2 mins to learn more.

<https://www.coinjar.com/uk/risk-summary>