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WHAT TO EXPECT IN CRYPTO AND BLOCKCHAIN IN 2024?

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As the world rang in the new year, Bitcoin touched $45,000, a high last seen during the spring of 2022 [File] | Photo Credit: REUTERS

As the world rang in the new year, Bitcoin touched $45,000, a high last seen during the spring of 2022. Though many may be tempted to call the end of a crypto winter or bear market, the geopolitical situation is highly unstable and existing price cycles are not set in stone.

While it is nearly impossible—as well as irresponsible—to bet on prices or trends in the sector, the facts we already have on hand can help one understand the kind of headlines we might see in the newspapers as 2024 plays out.

The ex-CEO of the failed cryptocurrency exchange FTX was convicted of all seven fraud-related charges in November 2023 and is expected to be sentenced in March this year. Sam Bankman-Fried could spend anywhere from several years to the rest of his life in jail as his debtors and liquidators try to figure out how to recover their lost savings.

The court's sentence will set a precedent, showing other crypto entrepreneurs the dangers of playing fast and loose in the face of U.S. financial regulations, even if they are operating out of the U.S.

Bitcoin, the largest cryptocurrency by market capitalisation, hit the $45,000 mark for the first time since 2022, finally triggering some optimism in the market. While financial influencers and others may push investors to enter the market at this point or buy crypto more aggressively by pointing to the market's recovery and the coin's past highs which crossed $65,000 in 2021, investors should never trade with the intention of making a quick profit—unless they are experienced traders who have researched the underlying blockchain technology.

Coin crashes can happen in a matter of minutes, so while euphoria is growing and traders are fearful of missing out on opportunities, investors should be especially cautious and not get swept away due to peer pressure.

Three or four years ago, the average Indian crypto trader could get away with making investments via foreign crypto exchanges and collecting their profits without paying any taxes. However, regulators and lawmakers are tightening the screws every year. In light of the U.S. government's actions against Binance, the world's largest crypto exchange, users can also expect the Indian administration to clamp down on the exchange's activities soon enough.

In fact, the Financial Intelligence Unit India (FIU IND) late last year issued show-cause notices to Binance as well as foreign providers such as Kucoin, Huobi, Bitfinex and MEXC Global, claiming that they were not operating legally. Indian users who have accounts with these exchanges or other crypto companies seen as having Chinese links will likely find it far more difficult to carry on as usual in 2024.

People who help validate Bitcoin transactions with the help of complex code-solving equipment and energy-intensive hardware are rewarded for their efforts. While the current prize amount for this task is 6.25 BTC (around $275,512.5 as of early January), this sum halves every four or so years in an event called the 'Bitcoin halving.'

This means it will become less profitable for people to mine Bitcoin over time, and could affect the way both individuals and mining companies invest in the asset. The next Bitcoin halving is expected to happen in the first half of this year, which could trigger more volatility in the market.

More than 100 countries, including India, are currently exploring the development or implementation of Central Bank Digital Currencies (CBDCs) for reasons ranging from easy cross-border transactions to offering residents a homegrown alternative to cash and credit cards. Unlike cryptocurrencies such as Bitcoin and Dogecoin, CBDCs are tightly regulated by the country's government and central bank, and they are not meant to be held as investments.

While many people—such as potential users of the European Union's Digital Euro—are concerned about how CBDCs will affect their digital and financial privacy, IMF Managing Director Kristalina Georgieva last year urged countries to step on the gas and move forward with their CBDCs to avoid behind left behind.

The flip side of increased crypto adoption is a rise in crypto crime, as scammers and hackers exploit people's interest in the new technology to devise novel ways of stealing their money. India's crypto regulations are still nascent as the government treats the sector with suspicion, making it easier for scammers to take advantage of Indian crypto traders who now lack a safety net, and harder for the victims to recover from such incidents or report them to knowledgeable authorities.

As sites such as X (formerly Twitter) allow users to advertise cryptocurrency scams while high-risk companies advertise their services with the help of more mainstream channels, not just crypto traders but everyday internet users will also have to educate themselves about blockchain basics, to keep their funds safe. As crypto prices rise and assets become valuable, cybercriminals are more motivated to extract your life savings.

The generative AI boom trigged by large language models (LLMs) such as ChatGPT has touched almost every sector imaginable, and crypto is no exception. For better or worse, engineers and entrepreneurs are looking at how AI tools could help predict the market's movements—or even influence it.

Zooming out, however, the combination of blockchains and AI could lead to new Web3 products being released or existing services getting an upgrade. (For example, the Brave browser provides AI-powered summaries of search results similar to Google, even as it rewards users with crypto for viewing ads and supports cryptocurrency transactions.)

Expect to see more such fusion and products which offer features you never realised you needed—or wanted.

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