



3 Reasons the Crypto Leader Is Riskier Than Ever

Description

The Valentine month has been brutal to the leader of the cryptocurrency market. **Bitcoin** ([CRYPTO:BTC](#)) is likely to end February 2022 below US\$40,000, or around 40% lower than its peak on November 9, 2021. [Crypto bulls](#) believe it was time for Bitcoin to show that it's the best store of value amid the challenging environment.

Unfortunately, Bitcoin failed in many aspects, especially stability and durability. While it matches gold in terms of scarcity, its [price volatility](#) is 85% compared to the precious metal's 15%. It seems the top draw in the crypto universe has become riskier than ever after two months in 2022.

More regulatory risks

China made a big splash in May 2021 when it prohibited financial institutions from engaging in any crypto transactions. The government then banned crypto mining activities and eventually outlawed cryptocurrencies in the country. Beijing is particularly concerned about people using digital currencies for fraud and money laundering.

Jaret Seiberg, an analyst from Cowen Washington Research Group, warns of regulatory risks in relation to the Russia-Ukraine war. He said, "We believe Washington is worried that Russia will use crypto to evade sanctions." Russian President Vladimir Putin might turn to cryptocurrency if the country is removed from SWIFT.

On February 27, 2022, CNN reports that the U.S., along with the European Commission, would expel certain Russian banks from the global interbank payments system. Canada, France, Germany, Italy, and the U.K. agreed with the restrictive measures. It will prevent Russia from using its international reserves as a way to limit the impact of the earlier economic sanctions.

According to analysts, even if Russia can't circumvent sanctions via cryptocurrencies, it could be positive for Bitcoin. The support for cryptos might grow if crypto exchanges can help governments track evasions using blockchain. Seiberg said, "For crypto, this could be the crisis that determines how the government treats its use for payments and as a store of value."

Fraudulent transactions

The latest negative news about Bitcoin is from a video game developer and digital distribution company. Gabe Newell, President co-founder of Valve told pcgamer.com that Bitcoin payment is no longer acceptable in Steam, its online platform.

Newell said, "We had problems when we started accepting cryptocurrencies as a payment option in 2016." Valve took out Bitcoin in 2017 because of significant increases in transaction fees due to the crypto's volatility and price. More importantly, Newell adds that 50% of the transactions were fraudulent.

According to Newell, BTC's fluctuations were a complete nightmare as a game could cost US\$10 one day and US\$100 the next. Valve recently banned crypto and NFT games from Steam.

Not climate-friendly

Reports say that the crypto mining process remains unfriendly to the environment. The use of fossil fuels by miners has grown even more over the past year. A study from the School of Business and Economics at the Vrije Universiteit Amsterdam reveals that only 25% of Bitcoin's network electricity source in 2021 was renewable. According to co-researcher Alex de Vries, many of the miners today use more polluting natural gas and coal.

Bull market won't return soon

Unless [Bitcoin](#) displays stability, expect the bear market or crypto winter to be longer.

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