



## Crypto Update: 3 Factors to Consider Before Investing

### Description

The world's top two cryptocurrencies fell following the release of the executive order (E.O.) on digital assets in the United States. Mid-week, President Joe Biden signed an E.O. that contained measures on cryptocurrency trading. **Bitcoin** ([CRYPTO:BTC](#)) dropped 6.5%, while **Ethereum** ([CRYPTO:ETH](#)) contracted nearly 5% on March 10, 2022.

Biden's E.O. calls for the government to examine the risks and benefits of cryptocurrencies. According to a fact sheet from the White House, federal agencies must take a unified approach to regulation and oversight of [digital assets](#). Three of the six key measures apply to everyone interested in crypto investing, while half focuses on the United States.

### Directives for U.S. agencies

If a crypto framework is developed, it should ensure American competitiveness on the global stage. The financial inclusion directive calls on the government to place urgency on research and development of a potential central bank digital currency (CBDC).

The U.S. Federal Reserve hasn't taken a position yet on creating a CBDC, although it released a report last year outlining the pros and cons of virtual money. Regarding responsible innovation, the Blockchain Association said Biden has the opportunity to ensure the U.S. remains the global leader for technological innovation for years to come. Members of the association include the heads of Coinbase and Kraken.

### Measures for crypto investors

Bitcoin, Ethereum, and other cryptocurrencies are [risky assets](#) in the eyes of traditional and risk-averse investors. Biden's E.O. points to three factors that make people stay away from digital assets. Because the cryptocurrency market has no regulating body like a central bank, there's no consumer or investor protection whatsoever.

Financial stability is also a major concern, as evidenced by the wild price swings of BTC and company. If you're selling a crypto, you have to hope that there's another investor willing to buy it at a higher price than your purchase cost. Sometimes, media hype and speculators drive prices higher. As Warren Buffett said, Bitcoin doesn't have an intrinsic value.

Noting the potential for fraud and theft by hackers, Biden's E.O. wants to root out illicit activities in the cryptocurrency market. Biden calls for an unprecedented focus of coordinated action from federal agencies. His objective is to mitigate illicit finance and national security risks posed by cryptocurrencies. He's also urging international collaboration for wider coverage.

## Defensive E.O.

The cryptocurrency market, led by Bitcoin, has grown exponentially to US\$3 trillion from only US\$14 billion five years ago. Bitcoin's growth happened despite being fully decentralized. Most digital coins or altcoins trade on a peer-to-peer basis. Moreover, transactions are recorded on a blockchain or digital ledger.

All of the top cryptos such as **Binance Coin**, **Solana**, **Cardano**, and **Ripple**, traded lower following the release of Biden's E.O. On the TSX, the share prices of [crypto stocks](#) **Hut 8 Mining** and **HIVE Blockchain Technologies** declined too.

Guy Gotslak, co-founder of My Digital Money, a cryptocurrency investment platform, said, "The executive order is, more than anything, defensive." He adds that the E.O. should also direct the government to take proactive steps to nurture the growth of technology

## Still a crypto winter

The crypto winter isn't over as Bitcoin and Ethereum continue to struggle. Expect more uncertainty as geopolitical tensions intensify and the U.S. Fed prepares to hike interest rates.

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