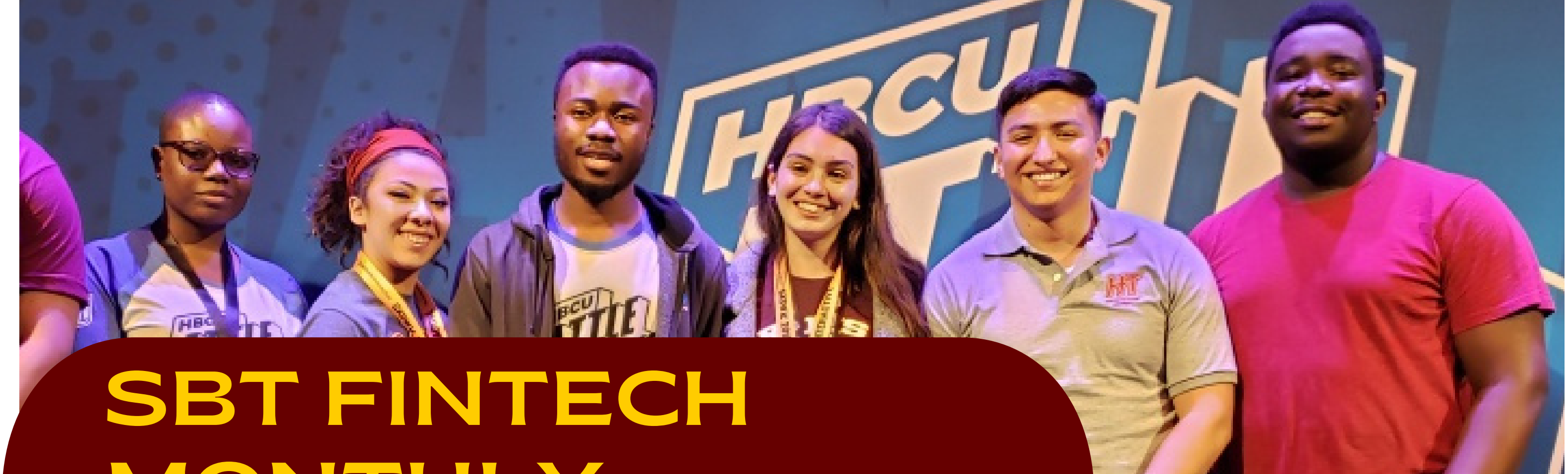

SBT FINTECH MONTHLY NEWSLETTER

Editor's Note

BY DR. ABENA PRIMO

Dear Readers,

Wow! What a year we have had so far. We have explored standard FinTech Topics in machine learning and exotic Fintech Topics in the metaverse. In this new article, returning author, Dr. Azubike Okpalaeze, explores how bubbles in cryptocurrencies may shape the web.

Happy reading and don't forget to check out our past articles and the upcoming SBT events.

Sincerely,
Dr. Abena Primo

School of Business and Technology
Huston-Tillotson University

SBT

Newsletter Highlights

CRYPTO-BUBBLES: IS DECENTRALIZATION THE REMEDY?

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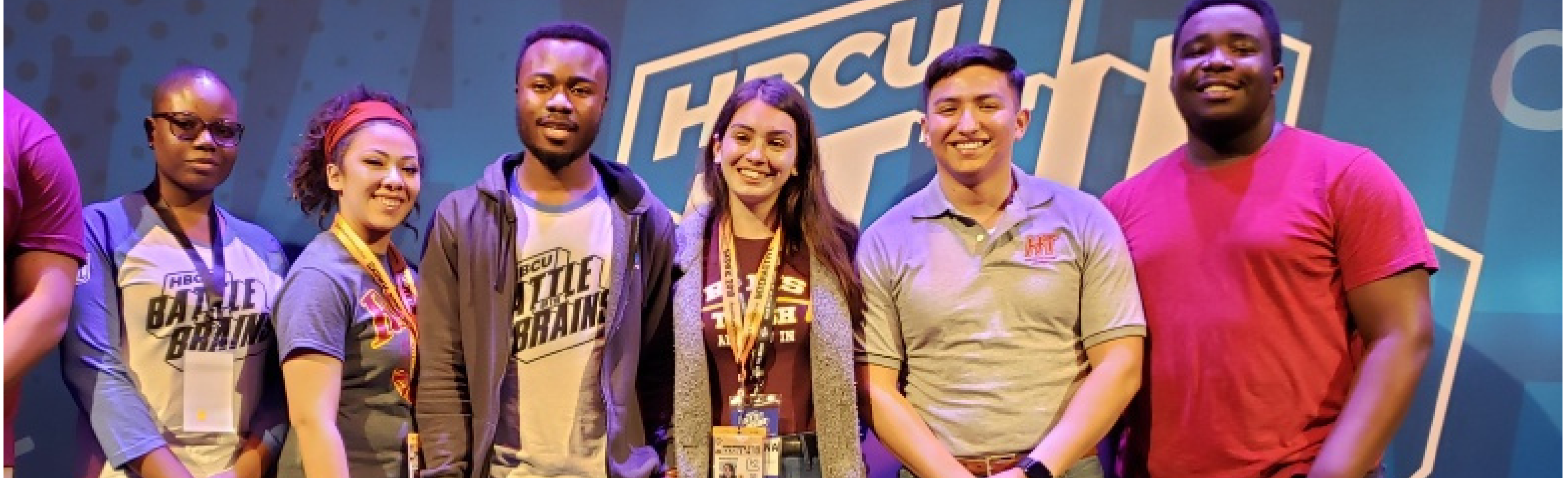

Crypto-Bubbles: Is Decentralization the Remedy?

BY AZUBIKE OKPALAEZE, PH.D.

INTRODUCTION:
A Crypto-Bubble is generally defined as a mismatch between the trend of an asset price and some underlying value. In the crypto bubble, the very idea of an underlying uncertainty calls for a red-flag. The crypto rollercoaster has a noticeable consequence beyond the mass speculation domain. It shapes the key discussions on the future of money and the Internet, which revolve around the notions of decentralization and economic power.

THE BASICS ABOUT CRYPTOCURRENCY:
A cryptocurrency is a digital currency, which is an alternative form of payment that is created using encryption algorithms. Over the years, Cryptocurrency has assumed many names, and some of the most popular types are Bitcoin, Litecoin, and Ethereum. Although Cryptocurrencies appear to be popular alternatives for online payments, there exists some level of apprehension and/or discomfort in its utilization and transactions engagement. However, a point to note, before converting real dollars or other traditional currencies into Bitcoin, it should be well understood that cryptocurrencies, as an investment, comes with some degree of risk factors. This is given that encryption technologies cryptocurrencies function both as a currency and as a virtual accounting system of record keeping. To use cryptocurrencies, one needs a cryptocurrency wallet. These wallets can be either a software that is a cloud-based service or is stored on your computer or on your mobile device. The wallets are the tool through which one stores their encryption keys that confirm their identity and link to their cryptocurrency.

CRYPTOCURRENCY RISK FACTORS:
Since cryptocurrencies don't need banks or any other third party to regulate them, they tend to be uninsured and are hard to convert into a form of tangible currency such as, US dollars or euros. In addition, since cryptocurrencies are technology-based intangible assets, they can be hacked just like any other intangible technology assets.

Finally, since one stores one's cryptocurrencies in a digital wallet, if one loses their wallet, or access to it or to wallet backups, then they will have lost the entire cryptocurrency investment. This is scary. Thus, Cryptocurrencies are still relatively new, and in the interim however, the market for these digital currencies is very volatile.

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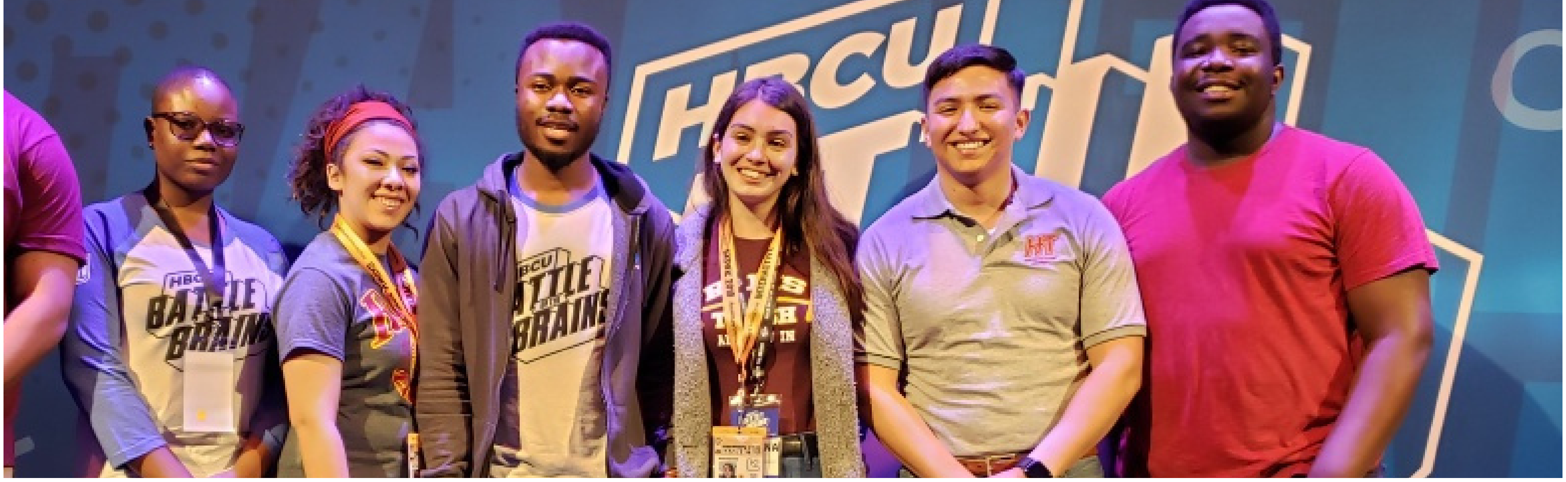

Crypto-Bubbles: Is Decentralization the Remedy? Continued

CRYPTOCURRENCY EXCHANGES VIA WEB3: THE QUEST OF DECENTRALIZATION, AND THE MARKET HYPE

The commercial world is evolving very fast. The Internet has always been responsible for the world socio-economic growth beginning in the 1990s. The World Wide Web (WWW) has evolved into faster, largely more innovative, and interactive versions:

- Web1: Users could only read the content (static)
- Web2: Users have the ability to read, create and interact with content (for example Facebook, Twitter, and YouTube).
- Web3: Users can read, create, interact and own digital content. It fuses blockchain with Artificial Intelligence (AI). This capability gives humans, businesses, and machines the ability to exchange information, value and work globally with others without a middleman.

After Web1 and Web2, here comes Web3 - the new generation of internet. Its primary purpose is to remove central control by big corporations by handling operations in a decentralized way. Through these efforts, Web3 transactions are owned, built, and operated by their respective users.

Web3 Cryptocurrencies are digital assets that seeks to enhance transactions on the decentralized internet. Could it be viewed as the new wave of cryptocurrencies transaction platform? Will this focus on trying to achieve the decentralized vision of Web3 as a reality? One option to achieve the mission by combining blockchain technology with smart contracts. Granted, WB3 is still in its infancy, but it is already in use. Some examples include:

- Conversational AI like Siri and Google Assistant
- Decentralized cloud storage platforms like BitTorrent & Filecoin
- NFTs and NFT market places like Opensea and Rarible
- Metaverse projects like Decentraland and The Sandbox

The quest of decentralization is to give people control over their data and then engage transactions without relying on third parties. Depending on one's source, Web3 can be viewed as a new duplication of the internet based on blockchain technology. It can be argued to be either a form of monetization, the future of organizing methods and techniques, or a get-rich-quick or pyramid scheme. Given the mentioned attributes and debates, it looks like many companies are already testing a variety of ways, techniques, and methods to create values. These ways can vary from

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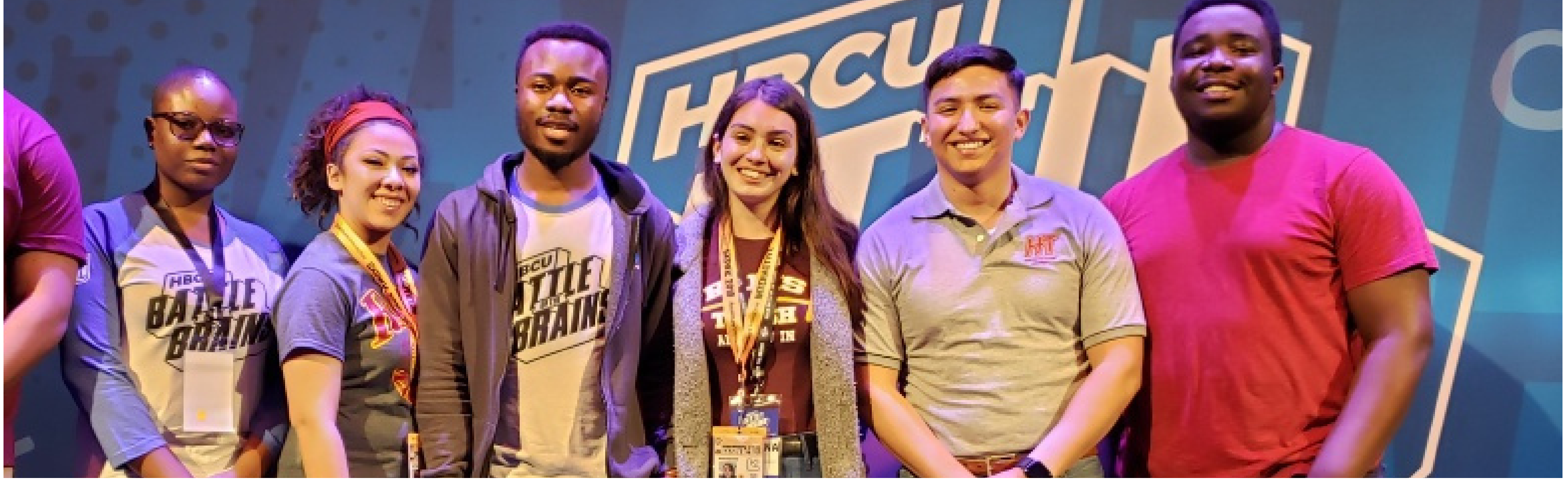
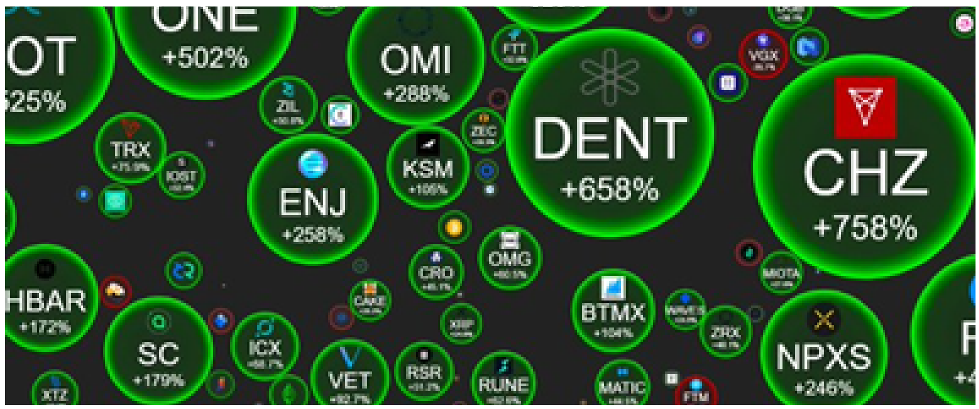


Crypto-Bubbles: Is Decentralization the Remedy? Continued

increasing brand awareness to experimenting with new product ownership, or just using Web3 as an exploration tool. These initiatives suggest both a technological advancement (a new way for corporate strategy to gain competitive business advantage and financial reward). Unfortunately, the problem is that Web3 is set up as a “winners-share-all” model and structure. In a share-all structure, the products, services, markets, and exchanges are built, governed, and benefited together. What we see from research observations are different companies mostly channeling their products into this unknown and unsure territory. This is due to the quest to connect with more customers, and also with the belief that they can create value via non-fungible tokens (NFTs), or distribute ownership platforms and blockchain.

In an attempt to accomplish their aims, they utilize virtual products, hybrid products, and distributed ownerships. However, each approach has its own benefits and pitfalls. Meaning, although Web3 might be the future of the Internet, it is believed that block-chain will offer an impressive self-documentation, and users as members



of the community might have a financial stake in and control over the web communities. The promise of Web3 is to transform the transactional experience that is in line with that of Personal Computers and Smartphones. Though, this is not without risk. There is evidence showing that some companies who entered the Web3 space had to face attendant consequences (a backlash over the environmental impact fallout), financial speculations (that failed), and potential for financial fraud that came along with Web3 projects. This is due to the quest to give back the control of their data to users, through the blockchain.

There is a need to ensure the cross pollination of data across services which is behind Web3 cryptocurrencies. This idea could use NFTs (digital property certificates) to market the creations products, and thus, cut the middleman out of the transactions. Although, monetary decentralization using cryptography remains exciting, the crypto world needs to overall question their purpose, stability, and legal status of its paradigms. Furthermore, the crypto-currencies and assets that capitalize on the bubble of the past few years may not thrive given that some of the pioneers of blockchain are insisting that it is experimental. While blockchain is offered as a solution to privacy,

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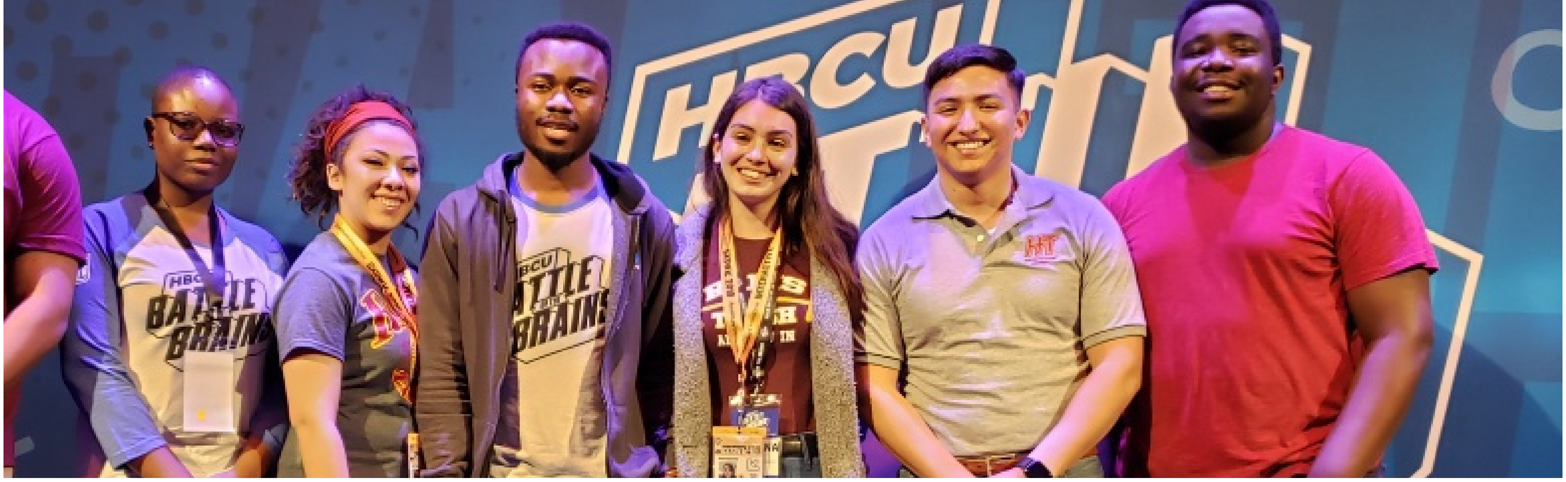
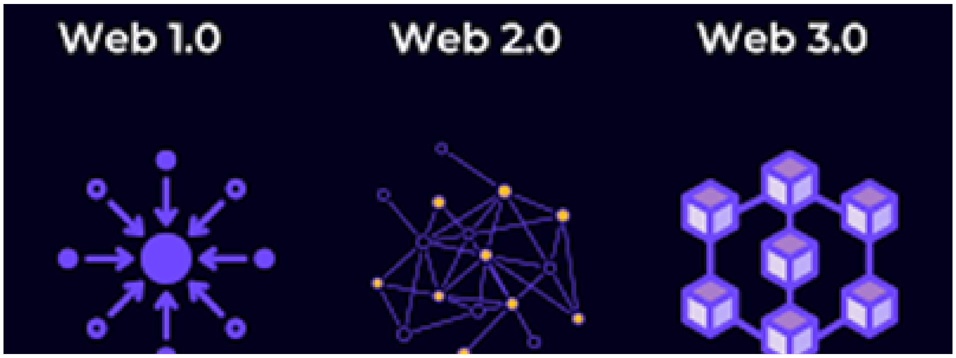


Crypto-Bubbles: Is Decentralization the Remedy? Continued

centralization, and financial exclusion concerns, it has equally created new versions of many problems that led to 2011 – 2022 booms and crashes.



CONCLUSION:
A cryptocurrency bubble might be a sensation that seems to inflate the true market values of cryptocurrency assets against their hyped value. Some skeptics discounted cryptocurrency bubbles as simply market speculation. These skeptics include Berkshire Hathaway Board members like Warren Buffett, and Bill Gates, from Central Bankers. Thus, the question still remains: how can cryptocurrency assets and value be reformed and revalued to take advantage of Web3 technology? To answer that question, cryptocurrency ecosystem must first refocus its trajectory to take the advantage of Web3 technology to produce results in favor of decentralization. That said, companies need to consider both the risks and the benefits before engaging the new technology.

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