THE CRYPTOCURRENCY MARKET IN TODAY'S REALITIES

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With the development of information technology, cryptocurrencies have an increasing impact on the world and its economic processes every year. The purpose of the study is to determine the degree of impact of the current economic situation on the cryptocurrency market. This paper describes the concept of cryptocurrencies and their difference from fiat money. The change in the cost of cryptocurrencies, including bitcoin and ethereum, is considered. An analysis was made of the impact of the Russian-Ukrainian conflict on the change in the cryptocurrency market and its total volume. The main factors of the global trend towards a decrease in the volume of the cryptocurrency market have been identified. It also describes the state of the Russian and Belarusian cryptocurrency markets after the imposition of sanctions and restrictive measures by foreign cryptocurrency exchanges and provides alternative options for the implementation of cryptocurrency transactions. The scientific novelty of the work lies in a comprehensive study of current world events with an emphasis on their degree of influence on the cryptocurrency market. As a result, more damage from the imposed sanctions was determined than from the beginning of the Ukrainian-Russian conflict and the prospects for the development of cryptocurrencies, changes in their value and market volumes in the long term are described.

Key words: cryptocurrencies; cryptocurrency market; Russian-Ukrainian conflict; blocking of cryptocurrency exchanges; alternatives to centralized crypto exchanges; prospects for the development of cryptocurrencies.

In the modern world, lots of monetary transactions are conducted per second. As technology advances, new types of transactions are also emerging. One of these types is cryptocurrencies.

Cryptocurrency is an encrypted string of data that equals a unit of currency. Unlike physical money, cryptocurrencies are decentralized, meaning they are not issued by governments or other financial institutions.

A few hours after the start of Russia's special operation in Ukraine, the value of cryptocurrencies experienced a big drop. For example, Bitcoin (pic. 1), the main cryptocurrency on the market, lost 13% of its value, dropping to $34,000 per coin [1]. The Ethereum blockchain (pic.2) collapsed by 11% to $2,400 per unit [2]. Other cryptocurrencies experienced a similar trend.

On the first day alone the total volume of the cryptocurrency market lost $160 billion, falling by 10% since the start of the special operation [3].

Of course, cryptocurrency was not the only asset that took a hit when the news about the conflict emerged. The fact that cryptocurrencies fell at the same time as other assets contradicts the image of bitcoin as a reliable asset.

There are also many crypto enthusiasts who believe that the “fundamental” values of cryptocurrencies have not changed and that this drop is an opportunity to “buy back” while prices are low.

We analyzed the cryptocurrency market and concluded that uncertainty about the possible events in February had a more damaging effect than the special operation actually did to the cryptocurrency market, because despite the sharp decline in the value of cryptocurrencies and its market value on February 24, the market managed to quickly stabilize itself.

Such major political events have had a negative impact on the entire global economy. It is not likely that there will be a direct correlation between the events in Donbass and the new lows of the crypto market, but the long-term negative impact will definitely affect the value of most digital assets.

But one should not overestimate the impact of a relatively local (by the world standards) conflict on the entire crypto market. The general mood of investors may indeed deteriorate, but the Russian-Ukrainian conflict can only cause local drops in markets at the peaks of high tension. The main factor in the global downward trend continues to still be the fundamental correction via the natural cycle of the market. This continues to be true for both the cryptocurrency and the stock market [4].

At the moment, sanctions and restrictions on operations on crypto exchanges for Russians and partially for Belarusians have become a more serious problem.

Since the end of February, the BTC-Alpha crypto exchange stopped operations with Russian users, the CEX IO platform stopped registering users from Russia and Belarus, the KUNA exchange closed the input and output of the Russian currency. In early March, Coinbase blocked more than 25,000 wallets of Russian citizens and companies.

Now they have been joined by the world's largest crypto exchange «Binance» in terms of trading volume, where Visa and Mastercard cards issued in Russia have already been banned from operating. On April 21, the exchange indefinitely suspended from participating in trading their clients from Russia, who have assets with a total value of more than €10,000 [5].

At the moment, the percentage of cryptocurrency owners from Russia possess approximately 12% of the world's cryptocurrency assets, which means that restrictions, together with blocking, lead to a massive withdrawal of Russian capital from large trading platforms, which is one of the reasons for the fall of the cryptocurrency market. Thus, the cryptocurrency market in terms of its volume has decreased by 20% over the past month.

The restrictions of crypto exchanges are not yet absolute for Russian users. But it is obvious that the sanctions are being introduced gradually - in the end, the accounts of Russian users can be completely blocked without access to the funds in the wallets. That is why the option of storing assets on centralized crypto exchanges is now no longer attractive.

But, of course, there are alternatives:

- Decentralized trading platforms (DEX);
- Decentralized platforms, such as Uniswap, PancakeSwap, Compound, are different in the way that they allow you to trade cryptocurrency directly with buyers without any central intermediary.
- While on centralized crypto exchanges, each user has an account and wallet, access to which can be limited, on decentralized exchanges, only direct transactions between participants are carried out, which means that personal data and user assets are not stored and are not tied to anything.
- OTC custodial wallets;
- OTC wallets are crypto wallets that are not linked to any exchanges. For example, the MetaMask wallet. You can download such a wallet from a browser or mobile application. It is very easy to use and allows you to store both cryptocurrency and NFTs.
- MetaMask or any other application is, in fact, not a wallet itself, but a service that allows you to use a blockchain wallet. Even if the wallet is blocked, you can always install another wallet and access your cryptocurrency using a seed phrase (password to the blockchain wallet from any device).
- Hardware wallets or “cold” wallets.

A cold wallet is a device for storing cryptocurrency and NFT that does not have Internet access (flash card, hard drive, etc.). This is the safest way to store assets, as only the owner has access to the funds on these devices.

Thus, the sharp decline in the value of cryptocurrencies and the market on the whole was due to the volatility of developing events. After the announcement of martial law and a special operation on the territory of Ukraine, the market began to return to the previous mark. At the moment, the crypto market is more affected by the imposed sanctions, which led to the withdrawal of capital from Russian citizens and partially from those of Belarus. Some exchanges have blocked or restricted access to cryptocurrencies, but today there are alternatives to storing cryptocurrencies and their transactions. Many cryptocurrency experts today adhere to the principle of long-term investment and holding existing assets. Even if the fall in the value of cryptocurrencies continues in the short term perspective, this will push a large number of investors to buy, so in the long term perspective there is likely to begin a sharp growth period.

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