

CRYPTOCURRENCY AS AN ASSET FOR INVESTMENT IN UKRAINE

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Abstract: *This study proposes a theoretical and scientific approach to the consideration of cryptocurrency as an asset for investment, analyzes the market structure of the cryptocurrency market and the most popular types of cryptocurrencies and the procedure for forming their rates. The advantages and disadvantages of cryptocurrencies and the peculiarities of their use in the investment area are presented. The process of forming a cryptocurrency portfolio is proposed and a conclusion is drawn on the possibilities of using cryptocurrency as an asset for investment.*

Keywords: cryptocurrency; investment; cryptocurrency portfolio; cryptocurrency market.

The high pace of development of digitalization and digital technologies, the transformation of the financial and economic sphere and the national currency market prompt the emergence of more advanced tools for managing socio-economic processes, and the improvement of methods for finding the most effective approaches to generating large profits by introducing an alternative to traditional currency in the global currency and investment markets - cryptocurrency.

A significant contribution to the theoretical, methodological, scientific and practical substantiation of approaches to the use of cryptocurrency has been made by domestic and foreign researchers, in particular: A. Tapscott, O. Brechko, Z. Dvulit [1], Y. Onyshchenko [2], V. Lukianov and others. The development and functioning of the cryptocurrency market and the peculiarities of conducting transactions in comparison with traditional currencies are the subject of publications by the following scholars: M. Casey, S. Haber, T. Kovaleva [3], K. Yarova [4], etc. The publications of I. Schnabel, V. Soslovsky, O. Ovsienko, V. Kovtun [5] and others raised the issue of using cryptocurrencies in the practice of financial and currency brokers, analyzed trends in the global and domestic markets of the most common cryptocurrencies. There is an ongoing debate on the feasibility of using cryptocurrencies in investing, since the high level of risk causes distrust of the introduction of innovations into traditional monetary circulation, even in the face of the conclusion that cryptocurrencies are the most promising asset for investment. This determines the topic and relevance of this study.

The issue of cryptocurrency is currently attracting more and more attention from currency market participants. It is gradually becoming one of the main assets for futures transactions and an investment object. Despite the lack of awareness of business entities about the benefits of cryptocurrencies and the peculiarities of the market, they are gaining attention, supported by the rapid growth of the exchange rate and significant profits in a short time. Thus, in 2021, the global crypto market exceeded more than \$3 trillion and, accordingly, remains one of the main tools for conducting transactions in the digital space. However, there are a number of features that need to be taken into account: cryptocurrencies are not regulated or controlled by documents, which does not guarantee asset protection, and they do not even exist in a physical state. It is sensitive to changes in market prices and income over time [1, p.13]. However, crypto projects remain attractive to "serious" market participants and those who are just "trying it out". Among the most attractive crypto projects are the following:

- Ethereum is a technology for storing cryptocurrencies and conducting transactions with them in its own network, as well as creating joint online services based on the blockchain. In 2023, the project will cost \$1,540.
- Bitcoin is a cryptocurrency generated by electronic networks and used in online payments instead of traditional fiat currencies. Thanks to its open source code with a known structure, bitcoin can be purchased through digital wallets, centralized exchanges, over-the-counter exchange services, peer-to-peer trading platforms, and payment applications. Its value in 2023 is \$16,822.85.
- Polkadot is a multi-platform designed to combine all existing blockchains into a single system for information exchange and cross-registering and computing, while avoiding hard forks. Polkadot uses its own

cryptocurrency DOT (token), which is designed to fully control the protocol and guarantee the security of its own network. In 2022, the price of Polkadot (DOT) increased from \$4 to \$50, and according to some forecasts, with the growth of demand, it can reach \$100 or even \$1,000 per token in 2023-2024.

○ Graph is a system protocol designed to efficiently index data requests from public blockchains using subgraphs used in blockchain projects such as Aave, Uniswap, Balancer, Decentraland, ENS, Synthetix, Oryn, DAOstack, Livepeer, Gnosis, and with the help of investment funds: Edge&Node, Digital Currency Group, Coinbase Ventures Capital, Tiger Global Management, AU21. Thus, in 2019, Graph raised a total of \$69.6 million, Multicoïn Capital - more than \$2.5 million, and in 2022 - \$50 million. In addition to traditional developers who create subgraphs, node operators (who index the blockchain and process requests in exchange for a reward), community members (who signal to node operators which subgraphs containing valuable data are needed and should be indexed), delegated participants (who delegate tokens and receive a share of the reward for processing requests), or protocol users can join the protocol. With the help of the Graph system, Web3 applications are created that are publicly available in a decentralized infrastructure [2, p. 26; 3, p. 91].

The analysis of crypto projects shows their important role in the financial and investment market. Their advantages are as follows: speed and cheapness of transactions, absence of barriers to cross-border transfers, inability to counterfeit an asset, high degree of anonymity, it allows to form and use new models of financial services without reference to exchange rates/interest rates and commissions, as well as profit from the formation of a cryptocurrency portfolio [4, p.151]. The main disadvantages are usually the following: market risks or fluctuations in the exchange rate of cryptocurrencies, low level of trust in financial and investment market participants, inability to track participants in financial transactions, which creates prerequisites for money laundering, fraud, tax evasion, inability to withdraw payment [5, p.5-6].

In Ukraine, the development of digitalization creates favorable conditions for the use of cryptocurrencies in the domestic financial and investment market and in foreign trade. Broad integration into the global economy has made it possible to enter trade and investment systems, the organizational forms of which are crypto exchanges, primarily Binance, ByBit, Huobi, Crypto. com, whiteBit, Kuna.io, KuCoin, Gate.io, Coinbase, Kraken, and Bitfinex, exchange platforms such as Baksman, Advcash, BtcSale, Xchange, Number1, FastChange, BitBong, Payeer, WorldChange, CoinPayMaster, BitObmen, etc. According to the NBER report, at the beginning of 2021, crypto exchanges controlled about 5.5 million bitcoins, individuals - 8.5 million bitcoins, and the market capitalization was over \$2.45 trillion. The trend of growth in the number of cryptocurrencies continues, which currently reaches 20 thousand varieties [6, p.2; 7, p.25].

Thus, cryptocurrency is an attractive asset for investment, which is explained by its profitable potential in the case of investment and speculative use. This requires a more detailed study of the conditions for the formation and use of a cryptocurrency portfolio, ensuring the legalization of currency transactions, developing a mechanism for regulating the crypto market and training specialists [7].

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