

The Quadrennial Bitcoin Halving: What next?

By now, investors, miners, and observers of the cryptocurrency markets would have been well aware of the quadrennial Bitcoin halving event that has occurred. Naturally, the next question would be what next for Bitcoin and the entire ecosystem? This article sets out to provide a summary of just that based on different perspectives and stakeholders as we look ahead to the future of Bitcoin and the wider cryptocurrency industry.

Financial institutions: Financial institutions that have begun offering Bitcoin ETFs would have seen an influx in assets under management (AUM) sparked by roaring equity markets and regulatory easing in the cryptocurrency sector. Chief among those was Blackrock which saw the firm's AUM grow to USD10.5 trillion amidst the backdrop of uncertainty due to persistently high interest rates. Rising awareness of cryptocurrency and an increasing desire for alternative wealth management products will definitely benefit financial institutions in the long run as more cryptocurrency products are unveiled for retail investors.

Government bodies: An influx of interest in cryptocurrencies spurred by a surge in Bitcoin-backed investment products will see world governing bodies come under increasing pressure to further relax restrictions around other cryptocurrencies. Instead of regulating, world governing bodies like central banks should consider pivoting to education which educates and shares facts on the risks and benefits of investing in cryptocurrencies.

Investors: Investors stand a lot to gain from the formalisation of cryptocurrency-backed products, enabling them to purchase these said products through a formal institutional channel that is professional and reliable. Additionally, continued interest in cryptocurrency investments will help to facilitate knowledge sharing which creates awareness not only within cryptocurrency products but also around investing as a whole.

Miners: Miners will probably be hit the hardest in the short term as the reward for mining Bitcoin has been halved. With rising costs and a degree of uncertainty post-halving, it is no wonder miners have already started to plan life after cryptocurrency. However, miners would benefit directly from an increased bargaining ability to keep the blockchain and the cryptocurrency ecosystem robust and running with reduced rewards. It is no wonder that many industry observers have commented that Bitcoin would most likely evolve into a "play to pay" arrangement to continue incentivising miners to maintain the blockchain ecosystem which could deter the widespread adoption of cryptocurrencies.

Note: NIACE is an independent company and is not affiliated with any of the financial institutions (past and/or present) mentioned in our press releases unless otherwise specified. Views expressed in this article are purely for information purposes only and does not act as nor constitutes investment advice. Clients and readers are advised to conduct your own due diligence or consult your financial advisor(s) before making any investment decisions.