Technical Trends & Developments

Ethereum

There are two draft protocols on the Ethereum network that aim to introduce improvements to the network. The first proposed protocol, EIP-5065, intends to introduce a structure for transferring tokens to a destination address without handing over the execution flow to that address. The logic function SELFDESTRUCT (0xFF) is similar to the proposed protocol, but the gas fees involved can be high and discourage users from calling the function. The essence of the new protocol is a change in the execution flow, where authority is not handed over to an untrusted contract that may jeopardise the security of the initial wallet.

The second proposed protocol introduces a filter for transactions to expire. Essentially, EIP-5081 aims to benefit from using the block number as a field for expiring transactions. The motivation is to relieve the network from transactions with low gas prices that remain unexecuted due to congestion in the network. Users frequently submit their transactions to be executed with updated gas fees as they know that the time window is small for executing a transaction that is favourable for them.

Hyperledger

The foundation offers a variety of open-source solutions for developers as well as projects to implement. May's announcement included significant updates on three projects. The first project is Hyperledger Iroha, a framework for building business distributed ledgers. In a sneak peak, the second version of the project includes parallel execution, NFTs, and an account identifier by either a familiar domain or a cryptic SS58 address. Despite the changes, Iroha aims to abide by the Kaizen idea of eliminating the excessive and delivering a lightweight network for a wider range of use cases. Finally, Hyperledger Cactus and Hyperledger Firefly continue to the first version of their applications.

Polkadot

Polkadot continues to develop its ecosystem with technical updates. Polkadot's primary goal is to use its parachains to create a network of interoperable blockchain. On 4 May, a step was taken in this direction with the updating of the messaging between the parachains via the XCM cross-consensus messaging format. It should be noted that each parachain is responsible for using its governance process to execute a channel to another parachain. Essentially, the function is executed on the Relay Chain; thus, it is more demanding in terms of resources. Apart from this, projects are continuously included in the parachain auction. The recent projects added onto Polkadot via auctions are Polkadex and OriginTrail.

Arweave

Arweave, the decentralised storage network, has introduced an update called the 'seal of permanence'. The seal lets developers indicate that users' data are securely stored on the permaweb. The icon is a powerful way of conveying the idea of secure storage. An Arweave Medium post draws a parallel with Intel's sticker on processors.

Decentraland

Blockchains aim to operate democratically and involve the community in making decisions. Updates are proposed, voted on, and implemented at a later stage. This is the case with Decentraland, where a proposal made in October stable at USD 500 came into effect on 26 May. The proposal aims to protect developers from the fluctuating cost of the token, as the previous fee was pegged to the native token. The community voted in favour of the change as a means to avoid driving developers and creators away from the project. The user experience is constantly improved via updates on the metaverse and the mixture of technologies involved, as proved by two Twitter posts from the team (bug fixes, Explorer update).

Quickswap Hijack via DNS

Quickswap, a DEX on the Polygon network, has been hijacked via the Domain Name System (DNS) used for the IP network. The attack was not connected to the blockchain or the underlying network, but the attacker was able to change the DNS to one under his/her control. Essentially, the only action affected by the attack was the swap between tokens which involves direct interaction with users' wallets and only requires the user's signature. This event demonstrates the need to design applications as systems and think about each component's risks and the security measures necessary to safeguard the applications' operations. The options on this occasion are to change the DNS provider to a more secure one and propose compensation for the affected members of the community.

Solana

Phantom wallet, a non-custodial wallet on the Solana network, announced the release of an Android version. Users want to access to their funds at any moment, without being required to use a desktop wallet. The updates of wallet specifics will help the adoption of the blockchain by the public. There is more news on Solana's community update, which is more like business news.

Fantom

The collapse of the Terra network and its native stablecoin demonstrated the need to improve the functionalities and mechanisms of stablecoins. In Fantom network, a proposal on Github has been published to gather the community's ideas. The updates focus on liquidity in the ecosystem.

Regulatory Updates

Europe

While attending the World Economic Forum Annual Meeting in Davos, Switzerland, Eva Kaili, vice president of the European Parliament, stated that, although DeFi is supposed to be "completely decentralised", most of the existing DeFi protocols are not that decentralised. She also stated that, to truly adopt decentralisation, we need to work with smart regulation and "define ecosystem players as part of a broader regulatory framework". (source)

A Swiss-based think tank, consisting of the Basel Institute of Governance and the International Academy of Financial Crime Litigators, has released a paper on the urgent need for investigators, on a worldwide scale, who work with cryptocurrency, to adapt to new learning approaches in order to fight modern criminal organization techniques. (source)

Denis Manturov, the Minister of Industry and Trade of the Russian Federation, has stated that "sooner or later" Russia will have to oblige and legalise crypto payments. Although the Russian Minister believes that crypto is a "trend of the time" and "sooner or later" it will be carried out, he stresses that it should be regulated and legal, no matter how long it lasts. It is important to mention that the Central Bank of Russia (CBR) and the Ministry of Finance had, up until recently, contradicting views on crypto regulation. (source1, source2)

The Dutch Regulator and head of Capital Markets and Transparency Supervision at the Dutch Authority for Financial Markets (AFM), Paul-Willem van Germen, stated that the lack of transparency, market manipulation and "other forms of criminal activity" make the crypto derivatives market suitable only for the wholesale trade. He also stated that he considers the crypto derivatives market to be less mature than other derivatives markets, emphasizing that "cryptos and derived tools are not yet suitable as a means of payment and/or investment". (source)

Birgit Rodolphe, executive director at Germany's Federal Financial Supervisory Authority (BaFin) has highlighted that lending, borrowing, insurance and other DeFi market products should be licensed and supervised. She also stated that there is no deposit protection fund and regulators should create a set of rules to provide legal clarity in cases like crypto assets suddenly completely disappearing. She also stated that it would be ideal if all these regulations where uniform across the EU countries. (source1, source2)

USA

The United States Department of Justice, State and the Treasury released a public advisory urging private firms to do their due diligence when hiring tech freelancers, especially in the crypto industry. This warning is mainly driven by the influx of North Koreans who often use virtual private networks (VPNs) to purchase third-country IP addresses and stolen identities in order to hide their nationality and get hired by American firms. The advisory has listed a wide range of red flags that often indicate such activities. (source)

Panama's president, Laurentino Cortizo, stated that, although he regards the crypto bill approved by the country's National Assembly as an "innovative" and "good law", it needs to be checked by a legal office before reaching his desk. Moreover, he stated that he is not going to sign off on it until Anti-Money Laundering rules are added. (source)

Recently, the New York State Senate has been looking at a bill calling for a two-year moratorium on crypto mining projects that require the use of gas, coal, and/or other non-renewable energy sources. This has caused New York's Bitcoin mining companies to seriously reconsider their mining activities in New York. (source)

UK

The UK's financial regulator and its finance ministry, the Treasury, have stated that they will examine in depth the collapse of the Terra ecosystem's crypto tokens, as well as wider market instability in stablecoins, as part of the process of creating new and stricter cryptocurrency regulations. (source1, source2)

Rest of the World

Despite its government's ban on Bitcoin mining in September 2021, Bitcoin miners in China still host 21.1% of the total global Bitcoin mining hash rate distribution. More specifically, as of January 2022, China became the second largest Bitcoin hash rate provider, following the United States. This means that, although mining in China is far from its former heights due to the recent ban, Bitcoin mining is still ongoing in the country. (source)

India's "blockchain, not crypto" perspective has created a hostile environment in the country for all locally established crypto firms. More specifically, whether the government is taking a step back to better understand the underlying technology of the crypto market or it just lacks understanding of the new technology, it is driving crypto firms away, imposing harsh tax policies. (source)

South Korea's Financial Services Commission (FSC) issued a new report to the National Assembly, calling for new regulations and licensing to govern the country's crypto industry. More specifically, the Commission called for stricter rules and penalties for failure to comply with the aforementioned rules to discourage insider trading, pump-and-dump schemes, wash trading, and other illicit tactics. (source)

Two major Israel-based credit card companies Max and Isracard have started working on Bitcoin investment and cashback features. More specifically, Max, along with the local crypto broker Bits of Gold announced the launch of a crypto-enabled card that will offer cashback opportunities in BTC and the option to buy BTC. Respectively, Isracard offers credit clearing services to four major credit card brands, including American Express, Mastercard, Visa and Isracard. (source)

While the crypto industry is battling exempting NFTs and DeFi from tax policies, the OECD (Organisation for Economic Co-operation and Development) wants to extend bank sector rules to stop foreign Bitcoin holdings from being kept secret from revenue services. However, Coinbase's Vice President for Tax, Lawrence Zlatkin, told the OECD that financial assets should not be looked at as just a means of payment or investment and that more proposals would impose even more burdens on a new and nascent industry. (source)

Market

- As the largest crypto exchange increases its presence in Europe, Binance has announced a EUR 100 million (USD 108 million) investment in France, as well as cooperation with Paris-based business incubator Station F. Binance CEO, Changpeng Zhao, also mentioned that the company is testing phone line customer service, which begins with Turkish – signalling prioritisation of international customer service. In the near future it intends to offer such a service on every market.
- According to Michael Miebach, Mastercard CEO, the most frequently used method for international transactions, SWIFT, will cease to exist in 5 years. He was a speaker during a panel session at the Blockchain Central Davos conference held at the same time as WEF 2022 was running in Davos.
- Exame, a Brazilian mass media source, highlighted 10 national firms that have tried to enter the crypto world — as more citizens and businesses are going to open a Web 3-powered future. 99, BTG Pactual, Empiricus, Even, Gafisa, Havaianas, Reserva, Nubank, Méliuz, São Paulo FC, among them. According to the media source, a recent poll conducted by CoinsPaid in the LATAM area revealed that clients support the intentions of businesses that accept crypto.
- FTX U.S. is on its way to stock trading. According to Harrison, FTX Stocks will send orders to NASDAQ through Embed, which will not be paid for order flow due to "increasing retail concern around transparency and fairness around order routing." Customers will be able to fund their accounts using fiat-backed stablecoins such as USDC in addition to traditional dollar deposits by wire transfer, ACH, or credit card. Customers will not be obliged to maintain any minimum balances and will be permitted to trade selected securities.
- As of 26 May, bitcoin dumped to USD 28,000. The number of liquidated traders has approached 100,000, while the total amount of liquidations has risen to more than USD 350 million in the same timeframe. On a 24-hour scale, the total liquidations had reached USD 370 million. The total number of liquidated deals is more than 100,000. The largest individual loss, at about USD 3 million, occurred on OKX and involved the trading pair ETH/USDT.
- Data reveal that traders of Terra's LUNA tokens had some of the worst losses in a long time, with prices dropping 99.7% in a week. Its price decreased by 96% in a 24-hour period to less than 10 cents. Before that, it was at a record high of USD 120 in mid-April. Changeable market dynamics provoked a price collapse, and Luna broke few support levels.
- OnlyFans' CEO has announced the creation of a trading card platform called Zoop. The Polygon network will host the decentralised NFT trading platform, which will be opened for all comers. According to the news, Zoop's agreements with various media organizations will enable the new ecosystem to include approved digital cards of celebrities and influencers. However, it is not a one-man effort. A team of developers with demonstrated competence in WEB3 products will provide support for the platform.
- Tether announced the creation of a new stablecoin backed by the Mexican peso. MXNT will be available on three blockchains: Ethereum, Tron, and Polygon. As Mexico is considered to be a prospective market in terms of cryptocurrency adoption, the company decided to choose the national peso for its next stablecoin. USDT (pegged to the US dollar), EURT (pegged to the euro), and offshore CNHT (pegged to the Chinese yuan) were all previously released by the company.

- According to developers, Terra's new blockchain will be introduced on Saturday, followed by an airdrop of new LUNA tokens to users as part of a larger strategy to revitalise the ecosystem. Following the result of a vote among network validators, with a 65 percent acceptance rate, a snapshot of the new blockchain, with the new name Terra 2.0, was taken earlier this week. LUNA and TerraUSD holders are eligible to acquire new tokens depending on their previous holdings. This will allow holders to recover their investments, motivating them to use the new blockchain.
- According to Adam Back, at the Bitcoin 2022 Conference in Miami, his Blockstream and Jack Dorsey's Block (SQ) are constructing a prototype crypto mine in Texas that will be powered by Tesla (TSLA) solar panels and batteries. The USD 12 million cost of this [development](#) will be paid by Blockstream and Block and is scheduled to be launched in a few months. The mine will have a computational power of 30 petahash/second and an energy capacity of 1 megawatt.