

Forecast:

Bitcoin in 2022



Table of Contents

<u>Introduction</u>	03
<u>Bitcoin: A New Financial Frontier</u>	04
<u>BTC's Historic Price Action</u>	07
<u>Bitcoin Price Predictions</u>	13
<u>Regulations</u>	20
<u>Final Thoughts</u>	26

**This Deluxe Report is brought to you by Phemex
- [Register now](#) to grab a \$180 Welcome Bonus and
trade over 200+ cryptos**

DISCLAIMER:

The following report is meant to be informative and educational and does not constitute financial advice. Perform your own research prior to any investments.

Introduction

[Bitcoin](#) and its native token BTC have dominated the cryptocurrency market since the project's inception following the 2008 financial crisis.

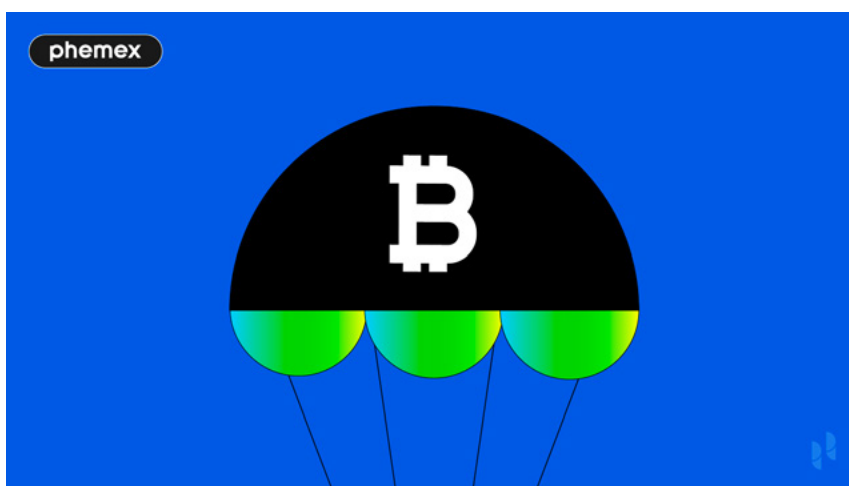
BTC has rarely dropped below 40% market dominance, and its sway over the entire market means its price action often determines the direction taken by other cryptocurrencies known as altcoins.

2022 has got off to a rocky start for investors; both the traditional financial markets and the crypto markets have taken a battering as the euphoria of post-pandemic growth is overshadowed by inflation and fears of war returning to Europe following a Russian invasion.

But where is BTC heading in 2022 and beyond? Is the recent crash the beginning of a long-term trend or just a bump in the road in Bitcoin's journey to rival the traditional financial system?

This guide will provide you with leading insights into what 2022 and the following years may hold for Bitcoin.

Before jumping ahead to the future, let's briefly cast our eyes back in time and remind ourselves what BTC is, why it's so valuable, and what variables have driven its price action in the past.



Bitcoin: A New Financial Frontier

[Bitcoin](#) is a cryptocurrency and decentralized trading network created by a person or group under the pseudonym [Satoshi Nakamoto](#) in the wake of the 2008 global financial crisis.

A research paper titled "[Bitcoin: A Peer-to-Peer Electronic Cash System](#)" was published by Satoshi in 2008, and the first Bitcoin was mined by Satoshi several months later, in [January 2009](#).

Unlike the traditional financial system, which is run by central authorities such as banks, Bitcoin is decentralized. Decentralization offers the financial world an opportunity to free itself from its reliance on the organization that brought the world economy to its knees in 2008.

Miners

Instead of a central authority, Satoshi tasked 'miners' with keeping the blockchain up-to-date using a system known as the **proof-of-work (PoW)** mechanism.

PoW requires miners to use computing power to solve complex cryptographic puzzles to confirm transactions. The transactions are stored as blocks, and every time one is confirmed, it gets added onto the chain.

When a miner adds a block to the chain, they are rewarded for their work in BTC which encourages people to participate in the network's upkeep.

Security is guaranteed on the network not by a Visa or Mastercard but by the PoW system, making changing transaction records retrospectively too expensive for hackers.

As every block is connected to the last, the only way to change the records would be to change every following block in the chain, which would be highly costly.

Bitcoin has **disrupted the traditional financial system**; it provides a decentralized system that can make global transfers on a secure network that doesn't hold information on a vulnerable centralized server and doesn't require us to trust bankers with our money.

The value of BTC, like many emerging technologies, was overlooked for years following its launch, with only a handful of computer geeks noticing its potential as a long-term investment.

BTC

Currently, a single BTC is worth around \$40,000, and Bitcoin has a market capitalization of \$720 billion, according to [CoinGecko](#). What makes BTC so valuable?

Inflation: While fiat currencies such as the Dollar, Euro, and Yen have an unlimited supply, BTC is limited to 21 million tokens, of which 18.9 million have already been mined. Investors see Bitcoin as a digital gold that can't suffer from inflation because of its limited supply.

Decentralized: Bitcoin doesn't use centralized organizations to carry out transactions. This makes it less vulnerable to hackers and eliminates the need to pay banks and institutions to carry out transactions.

Borderless: BTC can be transferred between wallets peer-to-peer through exchanges like Phemex regardless of the user's jurisdiction, making it a truly global payment system.

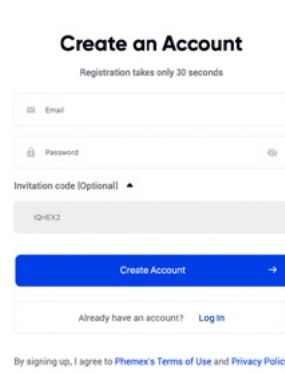
Trustless: The system's decentralized nature means there is no need to place trust in a central organization to handle funds.

Phemex: The Best BTC Trading Platform

If you're looking to add BTC to your investment portfolio, [Phemex](#) is the ideal platform choice.

Trading on Phemex is intuitive and secure. Buying crypto on Phemex is effortless, and the fees are minimal. To get started, simply follow these steps:

Register: Visit the [Phemex website](#) or download the [App](#). Enter your email address and password to create an account.



Create an Account
Registration takes only 30 seconds

Email

Password

Invitation code (Optional)

[Already have an account? Login](#)

By signing up, I agree to [Phemex's Terms of Use and Privacy Policy](#)

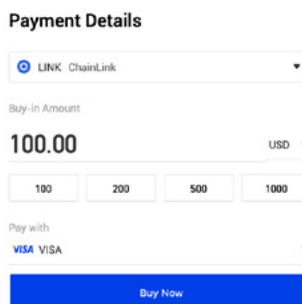
Verify: Use the Google Authenticator application on your smartphone to generate a 6-digit verification code.

Security Verification

Add two-factor authentication



Buy: Visit the [Buy Crypto](#) page directly or press the deposit button and then select the buy crypto option. Next, choose an amount and press buy. If you're using the APP, you can refer to this [buy crypto user guide](#) for detailed instructions.



Payment Details

Buy-in Amount

100.00 USD

Pay with

Details: Check your order summary and then enter your card details to complete the purchase.



Order summary

You buy	- 0.00250455 BTC
Price	100.00 USD
Fee	0.00 USD
You pay	100 USD

You're buying from [USB Debes Operations](#)

Card details

Once you've purchased BTC, you can trade it directly on the Phemex website and mobile application or send it to a secure wallet.

BTC's Historic Price Action

When BTC launched, it essentially had no value. Famously one of the first BTC transactions was carried out in May 2010 by Laszlo Hanyescz, a Florida-based programmer, in which he paid [10,000 BTC for two takeaway pizzas](#).

If Laszlo had held onto his BTC instead of treating himself to a couple of pizzas, they would be worth nearly \$400 million today.

The graph below shows that the price of BTC remained stable and low for well over half a decade following its inception. The price remained stable until 2016 when it slowly started to inch towards \$500.

The 2017 Bull Market

By mid-2016, there were discussions about BTC one day breaking the \$1000 barrier. Optimistic analysts expected that to come sooner rather than later, and as the graph shows, in 2017, the price went parabolic.



Not only did BTC smash past the \$1,000 target, but it also continued to push higher as trading volume spiked. By the end of 2017, BTC's value hit \$19,000, and investors were eyeing the \$20,000 mark.

It's still not clear why 2017 was such a massive year for Bitcoin. However, some analysts claim that a combination of increasing interest from institutional investors, retail, and growth in Asian exchanges caused the price spike.

Some researchers, such as John Griffin, University of Texas Finance professor, claim that the manipulations of [the market through large exchanges resulted in the price spike.](#)

Regardless of what pushed BTC’s price to the moon, by the end of 2017, analysts were starting to suspect the asset was a bubble.

One of the loudest voices among the doubters was the hedge fund manager Mark Dow who said in a [blog post](#) in December 2017: “It feels like a bubble. The fever in the post-Thanksgiving moonshot ran hotter than we’d seen before.”

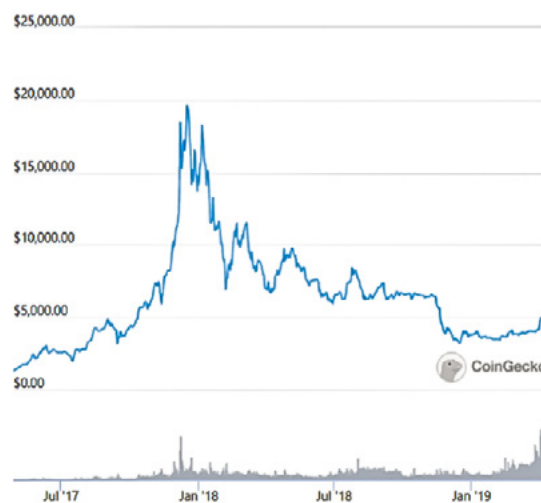
He added: “The odds of a continuation selloff are high.”

The 2018 Bear Market

To the dismay of BTC enthusiasts, Dow’s predictions rang true, and the \$20,000 target was replaced with debates about how far BTC’s price would fall.

From its \$19,000 high in December, BTC came crashing down; by mid-January, it was under \$16,000, and it fell under \$10,000 in early February.

BTC had flown too close to the sun, and its price was in free fall. But, while many saw their investments shrivel, those with short positions like Dow enjoyed handsome returns.



BTC’s price continued to drop throughout 2018, and by November, it had lost all its gains from the previous year. The price dipped below \$3,500 at the end of the year, meaning BTC lost around 70% of its value in one year.

The exact cause of the crash is hard to pinpoint, but it's widely believed that South Korea's [crackdown on cryptocurrency exchanges](#) played a decisive role. This sent shudders throughout the Asian crypto market, which had played a significant role in pushing the price of BTC up in 2017.

The price drop triggered by the crackdown killed off the FOMO sentiment, and some argued that this led to Bitcoin losing its place in the limelight on mainstream outlets. As a result, the public lost interest, and trading volume dropped.

Despite the brutal sell-off in 2018, BTC slowly started to recover, and in 2019, its price stabilized between \$7,000-\$10,000 up until the COVID-19 pandemic lockdowns sent shockwaves through the global economy.

The COVID Rally

Financial markets panicked in March 2020 as governments worldwide told their citizens to stay at home to avoid contracting and spreading COVID-19.

The Nasdaq, Dow Jones, and S&P 500 saw unprecedented daily losses, and Bitcoin wasn't left unscathed.



Doom and gloom dominated the headlines, and investors braced for more pain. However, as central banks fired up their printing presses and injected trillions of dollars, euros, and yen into the financial markets, bearish sentiment diminished.

The price of BTC gradually recovered from its March slump, and by August, it was trading above \$10,000.

By October, the pandemic had raged across the planet, but BTC was on the cusp of its most remarkable rally to date. The price of BTC rallied by over 600%, jumping from \$10,000 in October to over \$60,000 by April 2021. A single BTC had gone from being worthless to more expensive than many luxury cars in just a few months.

A medley of factors caused the monumental rise of BTC during the global pandemic.

Inflation concerns were rife, as economists argued the huge central bank spending packages would result in inflation not seen since the 1970s. Bitcoin, otherwise known as digital gold, was seen by many as a hedge against a future weakening of the dollar.

The co-founder of the smart contract project [Chainlink](#), [Sergey Nazarov](#), told Reuters: "Bitcoin is a natural safe haven for those seeking shelter from rapidly increasing central bank money printing and inflation."

Although the specter of inflation didn't emerge until 2022, BTC cemented its position as an alternative hedge to gold.

Stimulus checks were sent to US citizens to compensate for the sudden loss of employment. This 'free' money made its way into the financial markets, and some retail investors used their cash to buy BTC.

Institutions like [Tesla](#), [Square](#), and [Fidelity](#) got behind crypto, adding BTC to their balance sheets; this pushed the price of BTC up while sending a clear message to both wall street and retail - Bitcoin is being taken seriously by some of the biggest companies in the world.

Halving is the process of reducing the number of BTC miners receive for adding new blocks to the chain. Halving events cut the number of new Bitcoins put into circulation by 50%, reducing supply and, therefore, theoretically increasing BTC's value. In May 2020, a halving event took place, which arguably catalyzed the price growth of BTC.

FOMO took hold as a combination of the factors above drove the price of BTC up at an astonishing pace. Retail investors and Wall Street continued pumping funds into the market as BTC hit new all-time highs weekly.

After hitting \$60,000, speculation about BTC hitting \$100,000 became widespread. However, a sudden price drop interrupted the euphoria of BTC's pandemic rally.

\$100K? Not This Time.

After notching a new all-time high of \$64,000 on the back of retail and institutional support, BTC's price plummeted.

In May 2021, BTC's price began to tumble, and lost over 50% of its value when it slipped below \$30,000 in July.

The price recovered quickly; it first pushed back up over \$40,000 in late July and continued to rally towards \$50,000 and then \$60,000 in October.

BTC hit its all-time high in November 2021, reaching a price of \$69,000, which represents an astonishing 57,000% increase from its price in July 2013.

Once again, the \$100,000 target started getting thrown around, but since November, Bitcoin and the rest of the crypto market have found themselves under tremendous selling pressure.

So what's behind the recent drop in BTC's price?

Early 2022 Sell-Off

Cryptocurrency and global financial markets have gotten off to a [rocky start in 2022](#). Investors have been rattled by growing **inflation, valuation** concerns, and most recently, the **increasing tension between the USA, its NATO allies, and Russian** over the military situation in Ukraine.



Chart from Phemex Markets

As you can see in the graph, the all-time high in November was followed by a swift decline. Several key support levels were broken, and by the end of January, BTC was below \$40,000.

Despite a recovery from the January low, BTC broke down below \$40,000 again in February and is yet to recover.

What's driving the bearish BTC trend in early 2022?

Inflation

As pandemic-induced lockdowns ended, citizens worldwide left their homes and went on a spending spree. The money they'd saved sitting at home was burning a hole in their pockets.

The spending spree and supply-chain complications have driven the prices up, and inflation has begun to spiral.

Although BTC has been cited as a hedge against inflation, the market has, at least for now, overlooked this, and traders have started selling risky assets like crypto and tech stocks in favor of super-safe government bonds and commodities.

Value

The cryptocurrency and stock markets experienced unprecedented growth in 2020 and 2021. So naturally, questions around the fair value of assets emerged, and concerns around whether bubbles have developed followed. Overvaluation concerns led to significant selling pressure.

War

The escalating situation on Ukraine's Eastern border has sent the price of risky assets tumbling. The crisis has increased uncertainty and will remain a threat to the stability of assets like BTC.

Regulation

Regardless of short-term trends in BTC and crypto prices, it's clear this technology is not just a momentary fad. Crypto is here to stay, and global governments have slowly been coming to terms with the relevance of the new technology. Some national governments have embraced the technology, such as El Salvador, while others like China have clamped down.

Regulation is arguably the most pivotal factor in deciding where BTC's price will end up in the future, and we'll go into more detail on the subject later in this report. Now that we've taken a look at BTC's historical price action and discussed the early 2022 markets let's check out some predictions for the rest of the year.

Bitcoin Price Predictions

Despite the volatile start to the year due to inflation, regulations, valuation concerns, and geopolitical instability, BTC could still be in for a successful year if the short-term problems are resolved.

If you strongly believe that Bitcoin has a central role to play in the future of finance and will continue to disrupt the traditional centralized payment system, then you'll be thinking about BTC's future price in years, not months. Therefore, we'll also look at some long-term forecasting.

Let's look at the predictions made by four of the crypto industry's top analysts.

DigitalCoinPrice

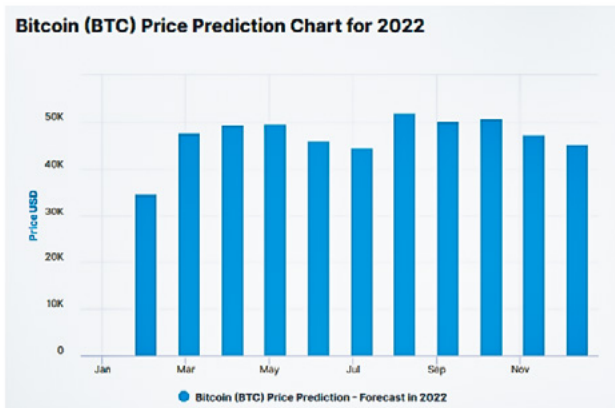
DigitalCoinPrice was launched in 2017 and has since become a reputable source of cryptocurrency price predictions. They analyzed nearly 5,000 coins using a wide range of indicators.

2022

DigitalCoinPrice is on the **bullish** side of prediction and expects BTC to have a strong 2022 despite the painful start. They expect BTC to move back over \$40,000 in March and break past the \$50,000 mark in August.

A jump above \$50,000 would represent a near 40% price increase from BTC's price as of writing (\$34,000).

The August highs are expected to be followed by a slip in price back down to \$45,000 by the end of 2022.



Month	Average Price	Change
Jan 2022	-	-
Feb 2022	\$34,561.84	-
Mar 2022	\$47,620.24	37.78 %
Apr 2022	\$49,292.90	42.82 %
May 2022	\$49,344.47	42.77 %
Jun 2022	\$45,867.86	32.71 %
Jul 2022	\$44,365.97	28.37 %
Aug 2022	\$51,722.54	49.85 %
Sep 2022	\$49,990.08	44.84 %
Oct 2022	\$50,801.31	48.12 %
Nov 2022	\$47,062.16	36.17 %
Dec 2022	\$45,069.28	30.40 %

2025

DigitalCoinPrice is **very bullish** on BTC's 2025 price action and sees it hitting \$76,000 in early 2025 before breaking above \$85,000 later on in the year. After that, the price of BTC will fluctuate around \$70,000-85,000.

The analysis also suggests that BTC will lose some of its volatility, possibly because of mass adoption.



Month	Average Price	Change
Jan 2025	\$76,761.81	116.69 %
Feb 2025	\$75,790.38	113.95 %
Mar 2025	\$85,840.18	142.32 %
Apr 2025	\$79,872.32	128.47 %
May 2025	\$81,858.96	130.81 %
Jun 2025	\$88,444.48	148.07 %
Jul 2025	\$71,090.90	100.68 %
Aug 2025	\$83,255.10	125.02 %
Sep 2025	\$87,690.51	142.54 %
Oct 2025	\$66,130.32	86.66 %
Nov 2025	\$71,485.46	101.74 %
Dec 2025	\$68,805.78	84.23 %

TradingBeasts

TradingBeasts update their price predictions daily using a combination of historical data and technical analysis. As a result, the site has become a trusted forecaster in the crypto community.

2022

TradingBeasts is less optimistic than DigitalCoinPrice but still expects BTC to have a bullish 2022. According to the prediction, BTC will not break below a minimum price of \$30,000 at any point in 2022, and its average price will fluctuate around \$35,000.

TradinBeasts expects the maximum price of BTC to recover from its February slump and move toward \$46,000 in March.

BITCOIN PREDICTIONS FOR 2022

Month	Minimum Price	Maximum Price	Average Price	Change
March 2022	\$31,332.844	\$46,077.712	\$36,862.170	-0.45 %
April 2022	\$31,416.605	\$46,200.890	\$36,960.712	-0.18 %
May 2022	\$31,465.766	\$46,273.186	\$37,018.549	-0.03 %
June 2022	\$31,481.728	\$46,296.659	\$37,037.328	0.03 %
July 2022	\$31,461.434	\$46,266.815	\$37,013.452	-0.04 %
August 2022	\$31,401.118	\$46,178.114	\$36,942.491	-0.23 %
September 2022	\$31,297.986	\$46,026.450	\$36,821.160	-0.56 %
October 2022	\$31,154.300	\$45,815.147	\$36,652.117	-1.02 %
November 2022	\$30,956.709	\$45,524.573	\$36,419.658	-1.64 %
December 2022	\$30,713.709	\$45,167.220	\$36,133.776	-2.41 %

2025

TradingBeasts has made a **bullish** prediction for BTC, seeing it increase by over 60% from its current price and hit an average price of \$61,000 by the end of 2025.

At no point does TradingBeasts see BTC dropping below the \$40,000 price point in 2025, and they expect a maximum valuation of \$76,000 towards the end of the year.

BITCOIN PREDICTIONS FOR 2025

Month	Minimum Price	Maximum Price	Average Price	Change
January 2025	\$41,760.473	\$61,412.460	\$49,129.968	32.68 %
February 2025	\$42,813.108	\$62,960.454	\$50,368.363	36.03 %
March 2025	\$43,739.952	\$64,323.459	\$51,458.767	38.97 %
April 2025	\$44,740.961	\$65,795.531	\$52,636.425	42.15 %
May 2025	\$45,685.764	\$67,184.946	\$53,747.957	45.15 %
June 2025	\$46,600.572	\$68,506.136	\$54,860.909	40.10 %
July 2025	\$47,539.006	\$69,910.304	\$55,928.243	51.04 %
August 2025	\$48,448.155	\$71,247.286	\$56,997.829	53.93 %
September 2025	\$49,336.656	\$72,553.905	\$58,043.124	56.75 %
October 2025	\$50,177.727	\$73,790.776	\$59,032.621	59.43 %
November 2025	\$51,028.301	\$75,041.619	\$60,033.295	62.13 %
December 2025	\$51,834.269	\$76,226.867	\$60,981.493	64.69 %

LongForecast

LongForecast is run by the [Economy Forecast Agency \(EFA\)](#), which specializes in the long-term forecasting of financial markets. The website adopts a unique modeling method that incorporates historical data analysis with significant market events and cyclical changes.

In the short term, LongForecast has presented a **bearish** BTC prediction, with an expected drop below \$30,000 in March, which would be a breakdown below a critical psychological support level, potentially opening the door to increased downward pressure.

LongForecast sees BTC potentially dropping as low as \$27,000 in mid-2022 before recovering some losses and later closing out the year around \$26,000.

Month	Open	Min-Max	Close	Total, %
2022				
Feb	38365	32949-44583	36306	-5.4%
Mar	36306	28391-39249	35848	-6.6%
Apr	35848	28004-35848	30112	-21.5%
May	30112	23523-30112	25294	-34.1%
Jun	25294	22094-25420	23757	-38.1%
Jul	23757	23757-29487	27558	-28.2%
Aug	27558	23819-27558	25612	-33.2%
Sep	25612	25612-31213	29171	-24.0%
Oct	29171	29171-36207	33838	-11.8%
Nov	33838	29582-34036	31809	-17.1%
Dec	31809	24850-31809	26720	-30.4%

2025

LongForecast is bullish on BTC's 2025 price target, expecting its value to continue its long-term upward trajectory.

By early 2025 LongForecast expects a single BTC to be worth somewhere between \$68,000–88,000. This would represent over a two-fold price increase from its current valuation.

However, LongForecast sees the price spike in early 2025 followed by a sell-off which would see BTC return to below \$50,000 by the end of the year.

2025

Jan	68695	68660-78996	73828	92.4%
Feb	73828	73828-88055	82294	115%
Mar	82294	70043-82294	75315	96.3%
Apr	75315	65422-75315	70346	83.4%
May	70346	54955-70346	59091	54.0%
Jun	59091	52623-60545	56584	47.5%
Jul	56584	49603-57071	53337	39.0%
Aug	53337	45061-53337	48453	26.3%
Sep	48453	48453-60139	56205	46.5%
Oct	56205	44493-56205	47842	24.7%
Nov	47842	37374-47842	40187	4.7%
Dec	40187	40187-49880	46617	21.5%

CryptoPredictions

CryptoPredictions covers an impressive 11,000 coins with its forecasting and uses data from CoinGecko. The site incorporates market capitalization and foreign exchange fluctuations into its calculations.

2022

CryptoPredictions has issued a relatively neutral price prediction for 2022, but unlike LongForecast, it expects BTC to avoid slipping below the \$30,000 level. The analysis suggests that BTC could hit a maximum price of \$45,000 throughout the year, representing a healthy gain, while the average price is expected to remain stable at around \$35,000.

MONTH	MINIMUM PRICE	MAXIMUM PRICE	AVERAGE PRICE	CHANGE
February 2022	\$30,878.887	\$45,410.128	\$36,328.102	-1.53%
March 2022	\$30,981.638	\$45,561.233	\$36,448.986	-1.20%
April 2022	\$31,064.389	\$45,682.925	\$36,546.340	-0.93%
May 2022	\$31,112.048	\$45,753.012	\$36,602.410	-0.78%
June 2022	\$31,125.729	\$45,773.130	\$36,618.504	-0.74%
July 2022	\$31,102.449	\$45,738.896	\$36,591.117	-0.81%
August 2022	\$31,038.148	\$45,644.335	\$36,515.468	-1.02%
September 2022	\$30,929.991	\$45,485.281	\$36,388.225	-1.36%
October 2022	\$30,780.295	\$45,265.140	\$36,212.112	-1.84%
November 2022	\$30,574.794	\$44,962.932	\$35,970.346	-2.50%
December 2022	\$30,322.764	\$44,592.300	\$35,673.840	-3.30%

2025

CryptoPredictions is **bullish** on BTC in the long term, predicting a 30% increase in its average price by early 2025. A bullish trend is seen emerging throughout 2025 with a steady rise in BTC's price from month to month.

By the end of 2025, CryptoPredictions sees BTC's average price above \$60,000 and a maximum price of \$75,000.

Bitcoin Price Prediction for 2025

MONTH	MINIMUM PRICE	MAXIMUM PRICE	AVERAGE PRICE	CHANGE
January 2025	\$41,701.049	\$61,325.071	\$49,060.057	32.99%
February 2025	\$42,743.144	\$62,857.564	\$50,286.051	36.31%
March 2025	\$43,660.105	\$64,206.837	\$51,364.830	39.23%
April 2025	\$44,648.546	\$65,659.627	\$52,527.702	42.39%
May 2025	\$45,582.245	\$67,032.713	\$53,626.170	45.36%
June 2025	\$46,523.389	\$68,418.749	\$54,733.399	48.37%
July 2025	\$47,412.402	\$69,724.121	\$55,779.297	51.20%
August 2025	\$48,309.056	\$71,043.612	\$56,834.809	54.06%
September 2025	\$49,186.207	\$72,332.657	\$57,866.125	56.86%
October 2025	\$50,015.691	\$73,552.486	\$58,841.989	59.50%
November 2025	\$50,856.408	\$74,787.366	\$59,829.892	62.18%
December 2025	\$51,649.793	\$75,955.578	\$60,764.462	64.71%

Predictions Summary

2022

2022 is in its first quarter, and a combination of macro-economic and geopolitical factors have dragged down the price of BTC and the broader financial markets.

Analysts have generally presented positive or neutral outlooks for BTC, with most of them expecting the price of BTC to recover from its decline that began at the end of 2021.

If geopolitical stability improves, inflation resides, and regulatory issues are clarified, the **bullish predictions** could ring true; however, if the situation deteriorates, the bears could dictate BTC price action for the rest of 2022.

Short-term price fluctuations are expected, and predicting them is notoriously difficult due to the influence of external variables.

Long-term investors will be looking beyond 2022 when considering adding to their BTC position so let's examine the 2025 price forecasts.

2025

The 2025 price predictions that we've looked at suggest that BTC will follow an overall bullish trend in the coming three years.

As BTC is the largest cryptocurrency by market capitalization, it's at the top of the list for institutional investors, which means it's most likely to experience widespread adoption.

If adoption continues to grow, then BTC's role as a medium of exchange will also gain traction, which, combined with its deflationary tokenomics, will drive up its price.

One factor that we've already briefly mentioned is regulation, and this is the variable that we can almost guarantee will play a central role in BTC's future price.

Let's examine the most recent regulatory developments.

Regulations

Bitcoin has made it possible to transfer value without involving banks or the government globally. In the early days of BTC, governments didn't pay much attention to it. However, as BTC's popularity soared and the market cap broke the \$1 trillion mark, politicians woke up, and regulations are now being discussed in parliaments worldwide.

There is currently no global framework for regulating Bitcoin or the cryptocurrency market, so we'll focus on the major national players, namely the United States, China, and El Salvador.

China is the world's second-largest economy by GDP. The Eastern giant had carved out a big chunk of the crypto-pie, and around [50% of all Bitcoin mining \(also known as the hash rate\) was processed by China in early 2021.](#)

Crypto was never legal per se in China, it existed in a grey area, and officials essentially turned a blind eye to it. However, in 2021 sentiment in the Chinese Communist Party (CCP) and the People's Bank of China (PBOC) began to shift.

The CCP and PBOC cited the following concerns regarding cryptocurrencies and mining:

Energy: An energy crunch had hit China, and electricity being used to mine BTC was diverting power from citizens' homes.

Fraud: The [PBOC stated that cryptocurrencies facilitate financial crime and capital flight.](#)

Going Green: The CCP stated that the carbon footprint of mining was a setback to emission reduction plans.

The crackdown on mining started in [May 2021 when the Chinese State Council called on the provincial government to restrict both crypto mining and trading](#) and declared all crypto transactions illegal.

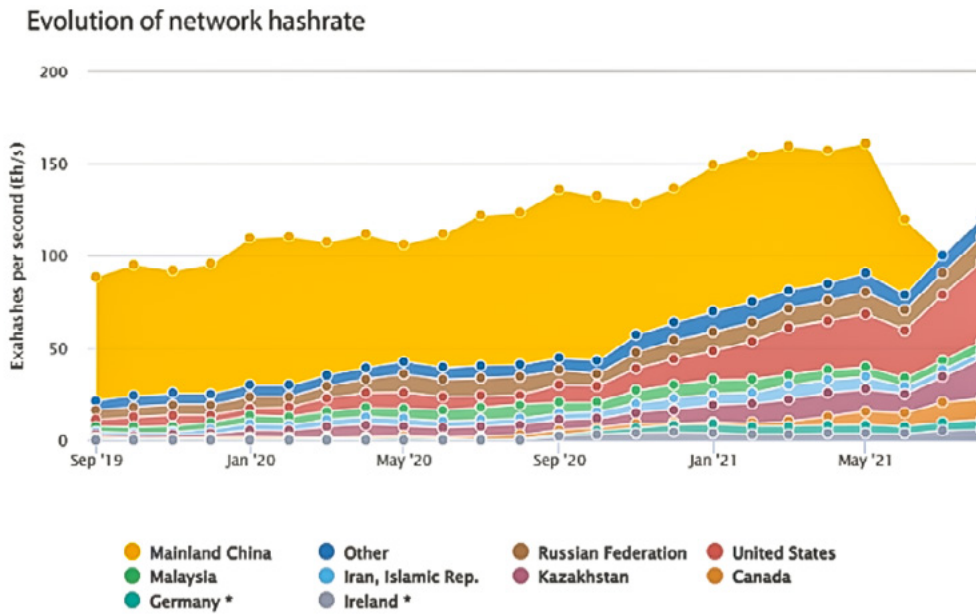
The announcement rocked the Bitcoin market, and as you can see in this graph, the regulatory change led to a flash crash, with BTC diving from a near all-time high of \$50,000 in early May to under \$35,000 by July.

Crypto enthusiasts had long argued that decentralization would protect BTC from regulation. However, the Chinese government proved the decentralization theory wrong and showed that investors must keep up to date with regulatory developments to protect their investments.



The United States stepped into the vacuum left by the departure of Chinese mining power. Data from the Cambridge Bitcoin Electricity Consumption Index (CBEMI) shows the dramatic shift in the share of Bitcoin mining following the Chinese crackdown.

The US was responsible for just 8% of Bitcoin’s hash rate in May 2020, but it controlled 35% by August.



In 2014 there were no US crypto regulations to speak of; however, as crypto adoption and mining increased in the US, so did calls for federal and state regulations.

The U.S. Securities and Exchange Commission (SEC) and its chairman, Gary Gensler, stated that it [has no intention of banning cryptocurrencies](#). Gensler’s statement shows that, at least for now, the US isn’t likely to undertake a blanket ban on cryptocurrencies like China.

However, Gensler has also repeatedly stated that the Biden administration will be heavier handed with crypto than the Trump administration. There is plenty of evidence to suggest Gensler is correct about the Biden administration hawkish crypto approach.

Federal Regulations

[In May 2021, the U.S Department of the Treasury published a proposal](#) requiring all crypto transactions over \$10,000 to be reported to the Internal Revenue Service (IRS).

The Treasury Department stated in the report that cryptocurrencies pose a significant detection problem and facilitate illegal activity, including tax evasion. In addition, the language used in the report is somewhat concerning, but the Treasury Department does require Congressional approval to implement regulatory changes.

Cryptocurrency exchanges have also been subjected to increasing regulations. For

example, the [Bank Secrecy Act \(BSA\)](#) was applied to cryptocurrency exchanges such as Coinbase in August 2021. To become compliant with BSA, an exchange must implement anti-money laundering measures and [Know-Your-Customer](#) programs.

[The 2021 Infrastructure Bill was signed into law in November 2021](#), and its primary purpose was to rebuild crumbling US infrastructure and drive the post-pandemic recovery. However, the following crypto regulations were included in the bill onto of infrastructure spending plans:

The definition of what constitutes a digital asset was expanded.

The definition of a digital asset broker was expanded to include decentralized finance (DeFi) platforms, crypto wallets and miners, and crypto developers and technology providers.

Reporting requirements on crypto transactions have increased.

Payments of \$10,000 or more in digital assets will need to be reported the same way as fiat payments.

What do these changes mean?

Anyone who falls into these categories will need to comply with new digital asset reporting rules that come into effect in 2023. As a result, investors should be prepared to pay more taxes and spend more time completing tax return forms.

DeFi platforms will also face more restrictions, and the requirement to comply with KYC regulations could limit their ability to provide anonymous borderless lending and borrowing services.

The infrastructure bill is unlikely to be the end of the Biden administration's crypto regulation plans, and 2022 will likely see more regulatory legislation passing through congress and the senate.

State-Level Regulations

Even though the federal government is building a regulatory framework to control Bitcoin, several state-level legislatures are embracing the technology.

State-level crypto legislation has been passed or is expected to pass in over [30 US states](#).

However, US states appear to be more interested in becoming leaders in the crypto market than cracking down on the technology.

The two states leading the race are Texas and Arizona.

Greg Abbot, Governor of Texas, and his competing gubernatorial candidate, Allen West, are both very pro-bitcoin.

Abbot has been trying to attract Bitcoin miners to the state, promising low-energy costs and favorable regulations. At the same time, West has stated that Texas will become a world leader in Bitcoin and blockchain technology.

Furthermore, both Abbot and West are open to the idea of making Bitcoin [legal tender in the state](#).

Wendy Rogers, the Arizona State Senator, appears to be one step ahead of Texas; she helped pass bill [HB 2204](#). The bill aims to bring cryptocurrencies legally into line with how traditional fiat currencies are treated in the following ways:

Transaction fees are to become tax-deductible; for example, if you pay gas fees for using the Ethereum network, you can claim these fees back on your tax return.

Arizona taxpayers can deduct casualty loss related to crypto and NFT theft; this is similar to how taxpayers can write off personal property or assets that have been stolen.

HB 2204 passed in the Arizona House of Representatives on February 24th. Rodgers declared: "The provisions in my bill are intended to treat virtual currencies and NFTs in the same way that traditional assets are treated and to provide needed clarity for taxpayers."

Cryptocurrency is not yet a legal tender in any US state, but Texas and Arizona are leading the way.

We must ask, will state-level changes be translated into federal policy? If the answer is yes, then this could potentially push the price of BTC up along with the whole market. However, the state-level optimism could be overshadowed by federal regulatory changes.

Arizona and Texas might be leading the race for crypto supremacy in the US. Still, El Salvador, a small Central American country, is a step ahead of everyone when it comes to embracing BTC.

El Salvador

El Salvador has a population of just under 7 million and a GDP of around 27 billion. To put that into context the state of [New York has a GDP of approximately \\$1.5 trillion](#).

Despite El Salvador's size, it must be mentioned when discussing Bitcoin regulations.

In June 2021, Nayib Bukele, President of El Salvador, took the unprecedented step of announcing a bill that would render BTC legal tender in the country. While many countries are trying to control BTC, El Salvador is embracing it.

Nayib listed various reasons for adopting BTC as a legal tender, including:

Remittances: Using BTC will make it easier for El Salvadorians abroad to send remittances home.

Unbanked: The number of unbanked citizens in the country will be reduced using BTC.

Dollar Dependence: El Salvador has used the US dollar as its official currency since 2001. BTC presents an opportunity to free the economy from its dollar dependency.

Less than a year has passed since El Salvador's experiment. Yet, despite [pressure from the International Monetary Fund \(IMF\) and World Bank](#), Nayib doesn't appear to have any plans to return to the pre-Bitcoin era.

The popularity of the decisions among the citizens of El Salvador has been questioned, with research conducted by [Francisco Gavidia University finding 9/10 citizens preferred to use the dollar over BTC](#). Protests that took place after the law was passed also suggests not everyone is happy about the new policies.

The crypto community has been very optimistic, and many believe that El Salvador is just the beginning of Bitcoin's acceptance as legal tender.

The developments in El Salvador are mainly symbolic as the country's economic size limits its impact on BTC's price. However, if the El Salvadorian regulatory experiment bears fruit, it could mark the start of BTC's rise to legal tender status in other, more prominent countries.

Final Thoughts

Like any disruptive technology, Bitcoin has faced numerous challenges and will surely continue to be confronted by short-term complications, such as macro-economic turmoil and regulatory crackdowns.

2022 has started badly not only for BTC but for the entire stock market and global economy. However, if the clouds of inflation, regulation, and war clear up, bullish BTC predictions will be more likely to come true.

Regardless of where BTC's price is tomorrow, next week, or next month, it's clear that the decentralized peer-to-peer alternative to the traditional financial system is not going anywhere. Therefore, investors and traders should be keeping a close eye on the king of cryptocurrencies.