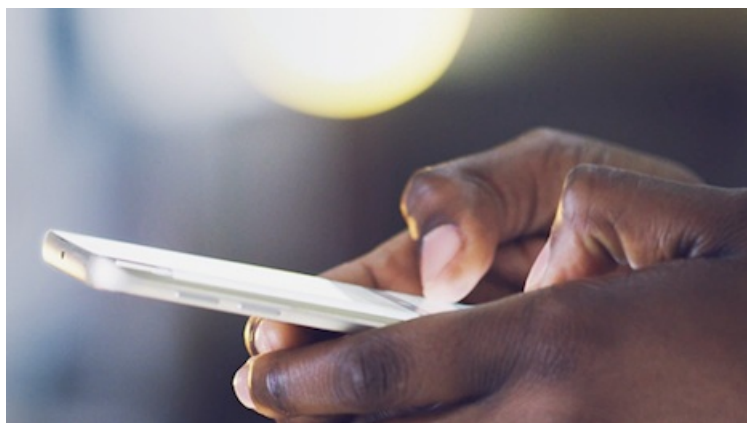


FINANCIAL SERVICES

Consumer, corporate interest in cryptocurrencies climbing: BoA

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The cryptocurrency industry continues to grow. Image credit: Bank of America

By SARAH RAMIREZ

Digital assets have seen their market value surpass \$2 trillion and are primed for more growth and regulations, according to Bank of America.

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Per **Bank of America** Global Research's "**Digital Assets Primer**," the digital asset ecosystem will be changing rapidly as it becomes more mainstream and investors look to cash in. The sector continues to grow in diverse categories, from wallets and custody services to cryptocurrency trading, cryptocurrency mining, merchant services and infrastructure and development.

Room for growth

According to Crypto.com, the number of global users who have traded cryptocurrency or used a blockchain-based application has more than doubled year-over-year, from 66 million in May 2020 to 221 million in June 2021.

As investors take notice, new companies are emerging though it is unlikely all will have staying power. Year-to-date, mergers and acquisitions in the digital asset sector increased to \$4.2 billion up from \$2.5 billion in 2019.



Cryptocurrencies are largely unregulated. Image credit: Unsplash

Globally, governments have varying responses to the growth of digital assets.

While El Salvador has approved bitcoin as legal tender and Ecuador introduced its own digital cash in 2015, China and India are among the countries that have prohibited bitcoin trading. The United States is taking a different approach by trying to apply existing regulatory frameworks to cryptocurrencies.

Central banks from key countries are reportedly exploring Central Bank Digital Currency (CBDCs) to address issues such as taxation and liability.

An estimated 14 percent of U.S. adults 21.2 million own digital assets, and another 13 percent plan to buy digital assets in 2021.

Consumers gravitating towards the development and adoption of digital assets are primarily members of Generation X, Y or Z those who largely grew up with the internet. Among potential buyers, the average age is 44 and more than half, 53 percent, are female.

Bitcoins remain the most valuable cryptocurrency, with an aggregate value of \$887 billion, in part because of scarcity and supply and demand only about 2 million coins still need to be mined out of a total 21 million.



U.S. automaker Tesla has made a large investment in bitcoin. Image credit: Tesla

Meanwhile, other cryptocurrencies are continuing to grow in value, led by ether which up 365 percent year-over-year.

The large amount of resources, particularly electricity, required to mine digital assets has caught the attention of some investors, however. Proponents of cryptocurrencies, however, argue that energy use will improve.

NFT warning

Not only has the strength of the blockchain allowed cryptocurrencies to flourish, but it has also contributed to the popularity of NFTs, according to Bank of America.

NFT are unique, or non-fungible, and easily verifiable digital assets, such as art, music, video and even GIFs and tweets. The NFT market is seeing exponential growth and achieving record sales, even as many consumers still try to wrap their minds around the concept.

While a digital file, including those associated with an NFT, can be replicated endlessly, NFT are intended to give buyers proof of ownership through a unique code. This is verified through blockchain technology, which makes an NFT one-of-a-kind even as creators retain the copyright and others can still use and copy the image, video, etc. online ([see story](#)).

Luxury fashion brands including Burberry, Dolce & Gabbana and Gucci have begun experimenting with NFT and digital assets, including exclusive designs worn by avatars on gaming platforms ([see story](#)).

NFT sales surpassed \$3 billion in August 2021, up from \$250 million in 2020 however, the market has slowed since. Bank of America does caution that NFT remain a risky investment before true adoption is reached.