Don’t Conflate the Scams of the Crypto Industry with the Value of the Technology

Blockchain, Digital Currencies and Tokenized Assets are here to stay:

*Effective Regulations could have Prevented the Grand Crypto Scams*

*They are Still Needed to Prevent Misuse in the Future*
Many Challenges Remain: Call to Action

- **Centralization**
  - Centralization takes over investor or other centralized party control

- **Security Threats**
  - Smart contracts exploits, disable security controls, key mgt.

- **Immature Blockchain Technology**
  - DeFi and cross-chain especially

- **Lack of Protections**
  - for consumers, businesses, unsecured creditors

- **Over-Regulation**
  - Regulators stifle innovation

- **Tax Clarity Lacking**
  - Inconsistent treatment of crypto by different regulators

- **Regulatory Clarity Lacking**
  - on crypto and digital assets

- **Scalability**
  - Network latency performance at scale

- **Financial Risks**
  - Stablecoin pegs
  - Counterparty risk
  - NFT gaming economies crash

- **Crypto Price Volatility**
  - Large price swings every day

- **High Fees**
  - from exchanges for conversions, withdrawals, transactions, and public networks transaction fees

- **Fraud Threats**
  - Account takeover
  - Fake NFTs
  - Copyright infringe
  - Deep fake NFTs

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- **DeFi and cross-chain especially**
Consumers Adopt Cryptocurrencies

- For personal use only
  - I am a developer
  - I am not familiar with the technology

- For work other than development only
  - I know what the technology is but do not use it personally

<table>
<thead>
<tr>
<th>Technology</th>
<th>For personal use only</th>
<th>For work other than development only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cryptocurrencies (n=1133)</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>Non Fungible Tokens (NFTs) (n=705)</td>
<td>59%</td>
<td>26%</td>
</tr>
<tr>
<td>Blockchain (n=691)</td>
<td>55%</td>
<td>35%</td>
</tr>
<tr>
<td>Virtual Reality (n=910)</td>
<td>54%</td>
<td>25%</td>
</tr>
<tr>
<td>Artificial Intelligence (n=955)</td>
<td>52%</td>
<td>39%</td>
</tr>
<tr>
<td>Web 3 (n=499)</td>
<td>46%</td>
<td>42%</td>
</tr>
<tr>
<td>Augmented Reality (n=659)</td>
<td>45%</td>
<td>30%</td>
</tr>
</tbody>
</table>

n varies. All respondents who know and could comfortably explain the technology to a non-technical person (S04)

S05: How do you personally use these technologies?

Source: Gartner 2023 The Uncharted Digital Future Survey

ID:
Close to 2/3 are extremely concerned about the privacy and security of their data and content

Extent of concern about privacy and data security of own data and content
1- Not at all concerned to 7- Extremely concerned

Mean: 5.5

n=1388, All Respondents, excluding Don't know

Q5: To what extent are you concerned about the privacy and security of your data and content?

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Consumers believe Blockchain can address privacy & security concerns & support fairer ecosystem

**Extent of Agreement**
1- Strongly Disagree to 7- Strongly Agree

Blockchain, cryptocurrencies, NFTs, Web3 technologies can adequately address my privacy and security concerns

- **Disagree**: 41%
- **Neutral**: 57%
- **Agree**: 57%

Blockchain, cryptocurrencies, NFTs, Web3 technologies can help create a fairer and decentralized online ecosystem.

- **Disagree**: 40%
- **Neutral**: 59%
- **Agree**: 59%

Social media and other online services should be required to provide users with greater control over their own data and content

- **Disagree**: 30%
- **Neutral**: 69%
- **Agree**: 69%

n pver 1360, All Respondents, excluding Don't know
Q08: To what extent do you agree with the following statements? Source: Gartner 2023 The Uncharted Digital Future Survey

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Security risks & high costs are top 2 difficulties in accessing Cryptocurrencies and NFTs

Difficulties in accessing NFT’s and cryptocurrency
Multiple Responses

<table>
<thead>
<tr>
<th>Difficulty</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security risks</td>
<td>42%</td>
</tr>
<tr>
<td>Costs or fees to access and use can be too high and even prohibitive</td>
<td>38%</td>
</tr>
<tr>
<td>Not all platforms or applications are integrated with these technologies</td>
<td>37%</td>
</tr>
<tr>
<td>Adoption is still in its early stages and it can be difficult for users to use these technologies, which limits their utility</td>
<td>36%</td>
</tr>
<tr>
<td>Lack of resources to help users learn the technology and the potential benefits</td>
<td>32%</td>
</tr>
<tr>
<td>Lack of guidance and explanation about getting started and using the technologies</td>
<td>31%</td>
</tr>
<tr>
<td>Underlying principles of blockchain and how it works are technically complex</td>
<td>29%</td>
</tr>
<tr>
<td>I lack understanding or background in computer science or cryptography</td>
<td>22%</td>
</tr>
<tr>
<td>Other</td>
<td>0.3%</td>
</tr>
<tr>
<td>None of the above</td>
<td>5%</td>
</tr>
</tbody>
</table>

n = 1385, All Respondents, excluding Don’t know

Q10: What difficulties do you experience when accessing and using NFTs and cryptocurrencies as blockchain or Web3 technologies?

Source: Gartner 2023 The Uncharted Digital Future Survey

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# The Good News: Regulations are Progressing

## Figure 3: Global Crypto Regulations Overview

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Regulatory Framework</th>
<th>AML / CTF</th>
<th>Travel Rule</th>
<th>Stablecoins Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>In progress</td>
<td>In progress</td>
<td>In progress</td>
<td>In progress</td>
</tr>
<tr>
<td>Bahamas</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Brazil</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>In progress</td>
</tr>
<tr>
<td>Cayman Islands</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>China</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Colombia</td>
<td>In progress</td>
<td>In progress</td>
<td>In progress</td>
<td>In progress</td>
</tr>
<tr>
<td>European Union</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>In progress</td>
</tr>
<tr>
<td>Japan</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Singapore</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>In progress</td>
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<tr>
<td>South Korea</td>
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<tr>
<td>United Arab Emirates</td>
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<tr>
<td>United Kingdom</td>
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<td>In progress</td>
</tr>
<tr>
<td>United States</td>
<td>In progress</td>
<td>✓</td>
<td>✓</td>
<td>In progress</td>
</tr>
</tbody>
</table>

Source: The Block, Research. © 2023 Gartner, Inc. and/or its affiliates. Gartner is a registered trademark of Gartner, Inc. and its affiliates.
Gartner Hype Cycle for Blockchain & Web3

Organizations will embrace Web 2.5

N = 774; Source: Gartner IT Executives Webinar Roll, August 2023

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Milestones in the Journey to the Plateau of Productivity

- **Technology Trigger**: R&D
- **Peak of Inflated Expectations**: First-generation products, high price, lots of customization needed
- **Trough of Disillusionment**: Supplier consolidation and failures
- **Slope of Enlightenment**: Second/third rounds of venture capital funding
- **Plateau of Productivity**: Third-generation products, out of the box, product suites

**Key Milestones**:
- **On the Rise**: Early adopters investigate
- **At the Peak**: Mass media hype begins
- **Sliding Into the Trough**: Activity beyond early adopters
- **Climbing the Slope**: Negative press begins
- **Entering the Plateau**: Supplier consolidation and failures

**Note**:
- Less than 5 percent of the potential audience has adopted fully.