

CRYPTOCURRENCIES AND THEIR PROBLEMS IN THE FINANCIAL SECTOR

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Abstract: This article focuses on cryptocurrencies and their challenges for the digital financial industry, as well as their advances as a result of new interactions with modern financial systems. In our article, we considered it necessary to give our scientific assumptions about how the cryptocurrency system is related to modern financial systems, their work in the global financial sphere and the problems that can be encountered in this area.

Key words: Cryptocurrencies, financial sector, blockchain technology, decentralization, regulation, tokenization, financial systems, stable currencies.

Аннотация: В этой статье основное внимание уделяется криптовалютам и их проблемам для цифровой финансовой индустрии, а также их достижениям в результате новых взаимодействий с современными финансовыми системами. В нашей статье мы сочли необходимым дать наши научные предположения о том, как система криптовалют связана с современными финансовыми системами, их работой в мировой финансовой сфере и проблемами, с которыми можно столкнуться в этой сфере.

Ключевые слова: Криптовалюты, финансовый сектор, технология блокчейн, децентрализация, регулирование, токенизация, финансовые системы, стабильные валюты.

Introduction. Cryptocurrencies are one of the innovative types of electronic currency that have caused major changes in the cyberfinance industry today in the digital economy. These currencies are decentralized through blockchain technology, meaning there is no authority over their management. And the problems with cryptocurrencies and their financial sector lead to sufficient progress in other financial systems.

There are several important issues in this new field, such as the modern nature of cryptocurrencies, their high level of anonymity and lack of integration with financial systems. We decided to highlight the main 3 of them:

- Firstly, due to the fact that the prices of cryptocurrencies are very volatile, their widespread support may suffer, even if it does not exist at the time of publication. In addition, this situation creates difficulties in financial planning and investment support.

- Secondly, cryptocurrencies can provide a high degree of anonymity when identifying their users and monitoring transactions. This corresponds to the application and journaling of money in the life cycle. Therefore, legislation takes a dangerous decision to solve financial problems in the field of cryptocurrencies.

- Thirdly, these are the limits of integration of cryptocurrencies and financial systems. The lack of coordination between other financial systems and countries through financial relationships and regulatory rules creates some problems when introducing cryptocurrencies into formal systems.

Main part. Cryptocurrencies, with their decentralization and blockchain technology, are creating new financial ideas that show how they are driving change in the global financial sector. Such cryptocurrencies, due to the lack of a separate banking or regulatory system, create new problems and opportunities in the financial sector.

1. Decentralization and features. Cryptocurrencies, unlike current financial systems, operate on the principle of decentralization. This ensures that they are not operated by a bank or authority and all transactions are carried out using blockchain technology. Such features, challenges and opportunities make it difficult to integrate cryptocurrencies into the financial sector.

2. Price volatility. Cryptocurrency prices are highly volatile, and when their value fluctuates from day to day, financial planning and investment support can be at risk. This situation creates financial problems related to cryptocurrencies for users, investment companies and countries.

3. Anonymity and the financial world. Since cryptocurrencies provide a high level of anonymity in transactions, they influence the identification and financial monitoring implemented in modern financial systems. This affects how money is transferred, how it is used and how it is recorded, and also complicates regulation in countries.

4. Integration and regulation. Integration processes between cryptocurrencies and financial systems are limited by the presence of limits and regulations in other financial systems. States have problems integrating cryptocurrencies into formal financial systems and protecting them.

Let us highlight the current problems of this area and give them our scientific proposals:

✚ Stable currencies and tokenization:

Challenges: The volatile nature of cryptocurrencies makes financial planning and investment support difficult.

Solution: Stable currencies or tokenization affect the processes of representing or exchanging real assets in temporary electronic form. This method helps to increase the value of currencies and provide accurate calculations.

✚ Regulation and transparency:

Challenges: Inadequate regulation of cryptocurrencies leaves countries, banks and businesses vulnerable to risk regulation and financial monitoring.

Solution: In order to increase transparency, it is necessary to develop private systems of regulation and financial monitoring in the field of cryptocurrencies. This is important to ensure future order and understanding of users and financial institutions.

✚ Debt tokens and smart contracts:

Challenges: There are difficulties in developing bond procedures and contract terms.

Solution: Debt tokens and smart contracts are used to automate contracts and increase leverage. This will reform the procedure and frequent processing of payment systems.

✚ CBDC (Central Bank Digital Currency) and DAVO (Digital Autonomous Organizations):

Problems: Due to the lack of integration processes between cryptocurrencies and foreign countries, there is no place for effective interaction of financial systems.

Solution: States can solve problems in the field of cryptocurrencies by developing their own CBDCs and integrating them. DAVOs play an important role in the development of financial institutions managed on the basis of the principle of decentralization.

✚ Blockchain Compatible:

Challenges: There are integration challenges between multiple blockchain networks due to the fact that they are short and rely only on their own systems.

Solution: Blockchain improves on solutions demonstrated in the financial industry by facilitating interoperability, integration, exchange of transactions and mutual exchange of information between blockchain networks.

Conclusions and offers. Cryptocurrencies and related financial sector issues are bringing new and major changes to the global financial sector. Decentralization, price volatility, anonymity and integration of financial systems are important issues. To solve these problems, innovative approaches and solutions must be used. Developing a digital economy means introducing innovation. We need to find ways to implement any innovation with high speed integration. In this regard, instead of a conclusion, we give the following suggestions:

1. Regulation and transparency: States must make appropriate decisions regarding the adoption of cryptocurrencies, their regulation and the expansion of financial monitoring. It is important to increase transparency between them and reform financial institutions.

2. Blockchain compatibility. Interoperability between blockchain networks is important to facilitate the integration of cryptocurrencies and financial systems. Cohesion between standards and protocols must be strengthened or added.

3. Stable currencies and tokenization. Cryptocurrency prices have volatile characteristics, and stable currencies and tokenization solutions should be widely used to reduce this volatility. Representation of real assets through electronic currencies (tokens) provides convenience for financial institutions.

4. Debt tokens and smart contracts. Debt and smart contracts are playing an important role in changing the financial world through innovative solutions. This will help reform the system and facilitate legal processes.

5. CBDC (Central Bank Digital Currency) and DAVO (Digital Autonomous Organizations): States should develop their own CBDCs and use them to integrate in the cryptocurrency space, modernize financial systems, and overcome challenges associated with the implementation of electronic currencies. DAVOs can make a big difference in the development of financial institutions governed by the principle of decentralization.

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