

WHAT HAVE WE OBSERVED IN MAY 2022?



In May 2022 we saw \$40B Terra stablecoin collapse. The project by Do Kwon marked not only the largest crash in crypto history but put in question the feasibility of the whole algorithmic stable coin idea. Vitalik Buterin talked, again, about risks of crypto economics designs that rely on the endless growth. Also, this month, Tron announced its stable coin project launch. Bad timing, indeed.

With Terra's collapse we are witnessing how registered exchanges are held accountable for exposing investors to losses. This is a part of a larger phenomenon, when URL smart contract losses are being chased legally IRL. After all, it is problematic to sue a code with an NFT avatar on it.

Markets shrank with Bitcoin down to \$30,000. People talked about crypto winter coming and big fish pushing further the wave in anticipation of better dips.

Bitcoin adoption as a collateral by Goldman Sachs marked a step towards use of cryptocurrency for something different from speculation by mainstream investors. Fidelity Investments, the largest retirement plan provider, made the headlines this month by offering Bitcoin in their retirement plans.

In DeFi developments we have highlighted an interesting story about liquid staking. The ability to use staked tokens elsewhere is definitely a nice feature for validators but is that a "double spend" yet?

On CBDC arena we were expecting the deadline for public comments on Fed's white paper. In our coming newsletters we will summarize the main points in the responses once they are made public.

There was no major regulatory advance this month, with most of the declarations repeating the need for centralized regulators intervening into the decentralized sphere. The Terra's failure and turbulence caused by Ukraine and Russia conflict just added more confidence to those voices. (For the sake of truth, the IMF's 2022 financial stability report put emphasis on stablecoin's liquidity before Terra's collapse). An interesting observation by a mainstream lawyer involved in regulatory standard setting is that, globally, the policies of national regulators are not yet aligned with each other.

The NFT season continues in crypto, despite the bear market, with top names such as LV, Mercedes and F1, Instagram, NASA and Epic games and even Vatican completing their PR/marketing projects flavored with the hyped acronym.

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