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Gaming Is Key to the Mass Adoption of Crypto

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6-8 minutes

Last month's assault on the global economy and Bitcoin's (BTC) subsequent crash — the worst in seven years — have been the object of much discussion, with critics questioning the leading cryptocurrency's potential as a [safe haven asset](#).

Plenty has been written as well around why Bitcoin plummeted as dramatically the way it did. Generally, analysts agree that panic caused by the escalation of the COVID-19 crisis led to a stampede, as investors fled toward cash to defend leveraged positions in other markets.

However, [market inefficiencies were also at play](#).

During the commotion, leading derivatives exchange [BitMEX broke records in liquidations](#), with some users reporting that they were not able to log in to their accounts. Meanwhile, [Deribit's Insurance Fund was slashed in half](#), and for a while, the Dutch exchange even suffered outages.

What I'd like to do in this piece, however, is not to analyze what happened but rather open up a discussion around how we're going to build more resilience in the crypto markets, and in particular, the role exchanges can play in driving that growth.

To focus the discussion, I suggest we think about the critical work that needs to be done in terms of education, market infrastructure and diversification.

Education

Perhaps the volatile nature of commodities, such as oil, is warranted. Dynamics around supply and demand can quickly change depending on the environment, geopolitics, operations and so forth. However, when it comes to crypto — rather than the asset itself — volatility is mostly the result of a relative lack of liquidity, as well as the culture we've developed as a trading community.

Engaging crypto has been undeniably made more exciting by dramatic price movements, but if we want to hold our ground amid market turmoil, we will need to be much more steadfast in our convictions about the value and future of crypto.

If it's true that the recent market downturn is primarily the [consequence of over-centralization](#) and outdated hierarchies that govern our economies, then surely once that system starts to show cracks, Bitcoin ought to be the go-to asset in line with its foundational principles.

The extreme panic that took hold of all markets could not have been prevented and, of course, crypto's accessibility also means market participants in crypto differ significantly across means, intentions, strategies — or the lack thereof — and experience. But I nonetheless believe that with increased educational efforts, especially on the part of exchanges, we can strengthen the resolve of the trading community.

It is a good sign to see that [Bitcoin is now in the process of recovery](#), while the global economy continues to slump. This is an opportunity for us all to draw attention to the benefits of crypto and to drive adoption.

Market infrastructure

Building resilience also requires more work at the level of market infrastructure and product design.

The power and speed of an exchange depend, in part, on the matching engine it operates. With the Atom Asset Exchange, [we've opted for the adoption of a proven matching engine](#) — Millennium

Exchange — which is also used by the London Stock Exchange and other tier-one markets. Though, more needs to be done.

To prevent any backlog from forming and keeping price discovery accurate, any exchange that offers futures needs to make sure its matching, as well as liquidation engine, is battle-ready. Especially if we expect these institutional investors to commit to the market, quality needs to come first.

At the level of product design, more innovation is needed around how perpetual contracts are arranged. Over the past several months, more exchanges including OKEx, Delta, Bybit and others, have moved toward offering Tether ([USDT](#)), rather than BTC-settled contracts.

It makes sense to use a more stable currency for settlements to reduce unwanted exposure and to prevent unnecessary liquidations that may occur when the currency held in margin suffers extreme price fluctuations.

Additionally, more innovation is needed to make funding mechanisms and liquidation parameters more transparent, or even to make it possible for participants to opt out of any reliance on exchange insurance funds and associated liquidation arrangements. This is especially relevant to sophisticated traders who may want more control over their own risk exposures.

Diversification

Lastly, resilience is not just about why and how we trade, but also what we trade.

There is an abundance of cryptocurrencies available on the market, but the correlation between them is still too great for any sensible form of portfolio diversification.

Stablecoins play an important role here; they've been put to the test, and [held their ground](#) — but these assets mostly serve to escape volatility for a period of time and present few opportunities for growth in their own regard.

Instead, I suggest we use this time to reinvest in the crypto space and drive more development around the creation of tokenized commodities, indices and security tokens. If you look at commodities alone, while gold may not have done the trick this time around, other commodities, such as eggs and orange juice futures, which have soared over the past few weeks, would have been effective diversifiers.

A more diversified digital asset economy is key to attracting and retaining capital.

Conclusion

We are still in the initial stages of what will once be a global digital asset economy, in which cryptocurrencies are freely traded against fiat currencies, commodities, real estate, stocks and other tokenized assets. This economy is accessible to retail and of interest to institutional investors whose participation will further work to strengthen the market.

I believe we stand at a critical juncture: As economies and society endeavor to adapt to recent events, so too the crypto community must look for ways to diversify, innovate and mature. Investing now by considering our infrastructure, products and fundamentals will yield benefits for years to come.

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