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In the Age of Blockchain, Crypto Has a Major Problem

monsitj/Adobe Stock (https://stock.adobe.com/stock-photo/block-chain-network-concept-on-technology-background/127146426?prev_url=detail)

Problems of fragmentation and liquidity currently plague cryptocurrency markets. However, an innovative platform set for a token launch later in 2017 could eliminate these issues and usher in the age of blockchain-based global finance.

Less than a decade after [blockchain](#) first emerged as the foundation upon which digital currency [bitcoin](#) could thrive, the technology has evolved into something with so much more potential. Nearly every facet of society could benefit from the

secure, decentralized database provided by blockchain, and indeed, many already have.

Blockchain has already helped companies across the globe keep track of their international shipments (<https://futurism.com/surprise-a-major-company-is-turning-to-the-blockchain/>), combat insurance fraud (<https://futurism.com/everledger-is-using-blockchain-to-combat-fraud-starting-with-diamonds/>), and develop better autonomous driving systems (<https://futurism.com/toyota-is-using-blockchain-to-get-its-self-driving-cars-on-the-roads-sooner/>). The tech has been used to support the implementation of renewable energy (<https://futurism.com/blockchain-and-renewable-energy-are-utterly-disrupting-society-as-we-know-it/>), provide refugees with food and supplies (<https://futurism.com/a-new-trial-proves-that-blockchain-could-help-us-feed-the-world/>), and manage universal basic income (UBI) trials (<https://futurism.com/the-first-blockchain-based-universal-basic-income-experiment-just-launched/>). Some experts predict that blockchain could improve how we collect taxes (<https://www.bna.com/preparing-digital-taxation-n73014447764/>) and vote in elections (<https://www.forbes.com/sites/realspin/2016/08/30/block-the-vote-could-blockchain-technology-cybersecure-elections/>) within the next five to 10 years, and it could even help usher in the era of quantum computing. (<https://futurism.com/scientists-may-have-found-a-way-to-combat-quantum-computer-blockchain-hacking/>)

Everyone from renowned futurist and Google's head of engineering Ray Kurzweil (<https://futurism.com/ray-kurzweil-says-he-wouldnt-put-his-money-in-bitcoin-but-doesnt-dismiss-blockchain/>) to internet pioneer Brian Behlendorf (<https://futurism.com/an-internet-pioneer-is-working-to-usher-in-the-blockchain-revolution/>) is bullish on the technology, but despite its remarkable growth and expansion, blockchain still has major obstacles to overcome in the industry in which it was born: finance. Though these issues are currently preventing the tech from realizing its full potential, we may soon have a way to solve them.

What is blockchain?



Stunted Potential

Before blockchain can become the foundation upon which the world conducts its financial transactions, we must address a fundamental issue stressing blockchain-supported digital currency markets, such as bitcoin (<https://bitcoin.org/en/>) or ether (<https://www.ethereum.org/ether>): the problem of liquidity.

Liquidity refers to a market's ability to handle a transaction without affecting the asset's price. For example, cash is the most liquid asset, so if someone wanted to buy USD\$1 million worth of Euros, the market would be able to absorb the transaction easily. The value of the dollar and the Euro would remain almost completely unaffected, likely changing by less than .01 percent, and the massive amount of available Euros to buy would mean the trader completes their order at roughly the cost they expected when they placed it.

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However, buying USD\$1 million worth of bitcoin would affect the crypto's value by 1 to 10 percent, meaning a transaction that would barely cause a ripple in the Euro market could cause a relative tidal wave in bitcoin. This is due to the market's lack of liquidity. Specifically, the amount of bitcoin available on the specific exchange at or even close to the market price when the buyer made the decision to buy will run out, leaving the transaction to be completed at a price 1 to 10 percent higher than expected. This will cost the buyer of bitcoin between \$10,000 and \$100,000 more than the original price to make the \$1 million trade, and that liquidity cost alone could be enough to discourage trading.

Compounding this issue, trading of [cryptocurrencies](https://bitcoin.org/en/exchanges) is fragmented across many exchanges. Bitcoin alone is traded across dozens of exchanges (<https://bitcoin.org/en/exchanges>): Coinbase, Gemini, Kraken, etc. This prevents any one bitcoin exchange from offering as robust liquidity as it could. The

exchanges themselves are also struggling to keep up with increases in volume, causing outages that can further dampen liquidity. For example, during bitcoin's value surge in late May and throughout June, some exchanges had trouble keeping up with increased activity (<http://www.cnn.com/2017/06/12/now-bitcoin-is-crashing-along-with-the-drop-in-technology-stocks.html>). The crypto's value plummeted briefly when Coinbase — an exchange CryptoCompare (<https://www.cryptocompare.com/>) claims accounts for roughly 17 percent of bitcoin's trade volume — suffered outages due to “unprecedented traffic and trading.

A Volatile Situation

A combination of these two issues contributed to the flash crash ether experienced in June (<https://futures.com/why-the-gdax-ether-flash-crash-isnt-surprising-and-what-it-means-for-crypto/>).

After a multi-million dollar market sell order was placed on the GDAX exchange, the value of ether dropped by more than 99.9 percent, from \$317.81 to \$0.10 within a second. The initial sell order dropped the price to \$224.48, but this further triggered additional sell orders from customers who had stop loss orders and margin positions. Ether sales from the triggered stop loss orders further triggered even more automated stop loss orders, creating a cascading effect that sent the price of ether down to \$0.10 within a second.

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The ether market did stabilize soon after, with the price returning to more than \$300, but this price volatility is one of, if not the, biggest barriers to widespread cryptocurrency adoption (<https://techcrunch.com/2017/04/20/whats-keeping-cryptocurrencies-from-mass-adoption/>). The average person doesn't want to invest in an asset prone to large value swings, and until we find a way to stabilize the market, a global finance system built upon blockchain will remain a pipe dream.

For the foreseeable future, cryptocurrencies will continue to be traded on multiple exchanges with no single, stable asset keeping their value in check. That means overcoming the problems of fragmentation and liquidity will require a different solution, and that solution is Omega One (<https://omega.one/>).

The End to Crypto Markets' Woes

The Omega One platform is designed to support the growth of the digital currency market by addressing its fragmentation and liquidity problems. It facilitates trades across all cryptocurrency exchanges, thus preventing the destabilization that can occur when a single exchange is forced to absorb a major transaction.

Omega One Discussing Liquidity at Ethereum Conference



The way it works is rather simple. When an Omega One user decides they want to make a transaction, they place an order through the platform. Once the system verifies that they have the necessary funds, the order is locked. They cannot spend those funds elsewhere, but they retain control of them for the duration of the transaction.

The platform then completes the transaction. However, instead of executing it as a single trade on a single exchange, Omega One breaks it into smaller transactions across multiple cryptocurrency exchanges, executing those transactions over a period of time rather than all at once if necessary.

By intelligently implementing transactions in this way, Omega One increases the liquidity of cryptocurrency markets and prevents a large transaction from destabilizing an asset's value the way the multi-million dollar ether sell order did in June. Users aren't hit with higher-than-expected liquidity costs, and they maintain custody of their funds until the process is complete.

The platform is set for a token launch later in 2017, at which point its potential to solve blockchain's woes will be put to the test. Right now, however, Omega One seems like the most promising solution to the problems preventing the blockchain revolution from truly transforming the world of finance.

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References: Omega One (<https://omega.one/>), CNBC (<http://www.cnbc.com/2017/06/12/now-bitcoin-is-crashing-along-with-the-drop-in-technology-stocks.html>), CryptoCompare (<https://www.cryptocompare.com/>)

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