How the artificial intelligence (AI) hype is bleeding into cryptocurrencies

For the past few months, ChatGPT and artificial intelligence have been making the headlines. This trend obviously quickly made its way into the crypto world. Below, we attempt to define AI tokens and take a closer look at some of the most prominent ones.

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Artificial intelligence (AI) aims to develop computer systems capable of simulating human intelligence. It includes techniques such as machine learning, speech recognition, machine translation, computer vision, etc. While the concept of artificial intelligence emerged in the 1950s, the first practical applications of AI began to emerge in the 1960s and 1970s, with the appearance of systems for speech recognition, machine translation, and strategy games such as chess.

Over the decades, advances in computing and algorithms have enabled rapid development of AI models.

The recent runaway success of ChatGPT, developed by OpenAI, has created a tremendous buzz around this revolutionary technology that has the potential to fundamentally change countless industries, including crypto.

Many experts see AI as a key component of new financial and social ecosystems, including decentralized finance (DeFi). It's no surprise, then, that new cryptocurrencies are closely tied to some aspect of AI.

What are AI tokens?

AI crypto-currencies work more or less the same way as traditional crypto-currencies. It is mainly when using the crypto that the operation differs.

Simply put, AI tokens are cryptocurrencies that use AI in some way to improve security, user experience, scalability or a variety of other factors. A crypto AI token is usually based on an artificial intelligence platform. The latter allows its users to create and use AI applications with complex algorithms, through a simplified user interface.

Artificial Intelligence is still a flexible concept. As such, AI cryptos can cater to a wide range of potential uses. In theory, AI can be trained to further automate and enhance trust or efficiency in many cryptographic systems. AI tokens can also be digital currencies designed to power AI-based applications or projects, including decentralized marketplaces or exchanges, image or text generation services, AI-based investment protocols, etc.

As of early February 2023, the market capitalization of all AI tokens was about $1.7 billion, a relatively small amount compared to the overall capitalization of cryptocurrencies (about $1 trillion). Note, however, that the growth of this segment in recent months has been nothing short of spectacular.

The most visible AI tokens

- ### SingularityNET (AGIX) – $500 million market cap

AGIX is the largest AI token, both in terms of volume traded and market capitalization. It is the native token of the decentralized, open access blockchain platform SingularityNET, which allows users to buy and sell a wide variety of AI-related products and services.

One of the key features of this platform is that it allows for the exchange of models, data and other tools used to improve AI through training. In this sense, SingularityNET is a platform both powered by AI and designed to help developers monetize AI services, all on a distributed network that uses the Ethereum blockchain. It does this by using token incentives to bring together the various stakeholders involved in each transaction.

The token is up nearly 800% year-to-date.

- ### Fetch.ai (FET): $430 million market cap

Fetch.ai is a project that aims to democratize access to artificial intelligence tools. It is an open access blockchain network powered by a decentralized artificial intelligence and a machine learning system. Its goal is to enable the growth and development of the digital economy with minimal human involvement. It makes it possible to launch bots for data analysis, decision making and prediction.

FET is the native token of the Fetch.ai platform. Its role is to attract the interest of network participants, facilitate transactions as well as reward each miner who manages to validate new blocks on the blockchain (like bitcoin).

This token is up nearly 350% since the beginning of the year.

- ### Artificial Liquid Intelligence (ALI): $230 million market cap

ALI, for Artificial Liquid Intelligence, is a token used by the image generator Alethea, which uses AI to create images from user input. It is known for CharacterGPT, an AI protocol that uses text descriptions to generate interactive AI-based characters. ALI tokens are used in character NFT generation as well as for upgrades, incentives, and transactions.

This token is up more than 600% year-to-date.

- ### Ocean Protocol (OCEAN): $200 million market cap

Ocean Protocol aims to facilitate the exchange of data in a secure and transparent manner between individuals or businesses. The platform includes many features, such as secure access to data from multiple sources. It allows any developer to use these features to create practical applications.

All Ocean Protocol users are also able to use the platform as a center for buying, selling or trading data assets. Since it is based on the blockchain, every transaction is conducted securely. Thanks to its AI function, the platform allows users to generate smart contracts. This, with the aim of automating the exchange of digital assets between various parties.

The token is up about 180% year-to-date.

- ### Numeraire (NMR): $120 million market cap

Numeraire (NMR) is the native AI token for the Numerai software platform, which is focused on making investment decisions using artificial intelligence. The platform uses a set of predictions from scientists around the world for

analysis and forecasting on various types of investments. It enables portfolio management in the same way as hedge funds.

The NMR token is based on the Ethereum blockchain and is mainly used to reward traders for correctly predicting market movements. In addition to encouraging people to participate in trading activities, this initiative also allows hedge funds and other financial institutions to implement advanced trading strategies.

This token is up about 60% year-to-date.

[NB: These are NOT investment recommendations]

Risks and opportunities for AI tokens

AI tokens are on the rise but still face many challenges, such as the uncertain future of regulations surrounding the crypto-currency market, competition from AI projects and digital tokens, or the public's lack of understanding of the details and complexity of most AI-based projects.

For investors, AI tokens are very risky (or even speculative) investment vehicles with extreme volatility and a very high risk of loss, with many projects likely to disappear in the coming years.

But AI tokens also offer many opportunities: the built-in decentralization and security obtained by blockchain networks or the unlimited number of new applications and use cases.

Sources: Decrypt, BeinCrypto France, cryptonaute.fr, cryptotoast.fr

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