

# Crypto 101

Cryptocurrency; it's been talked about a lot lately. In fact, it's the 2nd most popular way to make 'quick cash' among adults in the UK.<sup>1</sup> Plus, a quarter of students already own some, with a further 1 in 3 intending to buy.<sup>2</sup> 🤖

But, 72% of students feel they lack knowledge about it... And since trading cryptocurrency carries financial risk, here are the basics you need to know.



## What is cryptocurrency?

At a very basic level, cryptocurrency is an internet-based medium of exchange. In other words, it's a type of digital currency that can be bought and sold.

Cryptocurrency is decentralised (not run by a central authority like a bank or government). Records of ownership and transactions sit on a public ledger, supported by [blockchain technology](#).

It's also private. Transactions are publicly recorded but the traders are not - they remain anonymous. 🤖

## Why are there different names for cryptocurrency?

'Cryptocurrency' is the overarching term - there are thousands of types of cryptocurrency, just as there are multiple currencies around the world. The top 10 cryptocurrencies by total market value (excluding 'stablecoins' - types of cryptocurrency whose value is tied to an outside asset, such as the US dollar) are:

- Bitcoin
- XRP (Ripple)
- Ethereum
- Polkadot
- Binance Coin
- Dogecoin
- Cardano
- Shiba Inu
- Solana
- Terra

## How do you get cryptocurrency?

1. Buying it (how most people get involved with Cryptocurrency)
2. 'Mining' it by solving complex mathematical equations online that require a lot of computing power



## What are the dangers of cryptocurrency?

### Volatility and the potential to lose big

The value of cryptocurrency fluctuates based on supply, demand and the sentiment of those who want to hold it. Its value is hugely volatile - growing and falling by large percentages daily - thus there's the potential to lose big.

### Market manipulation

Cryptocurrency's value is particularly vulnerable to market manipulation - a Tweet or comment by a famous person (e.g. Elon Musk 🤖) or government can hugely impact its value. In other industries, such activity is illegal - but not in the world of cryptocurrency.

### Lack of regulation and protection

There's zero regulation around how cryptocurrency is run, sold and exchanged. If something goes wrong (falling victim to a scam, for example), it's unlikely the FSCS (Financial Services Compensation Scheme) will be able to help. There's also no way of knowing what would happen to your investments if cryptocurrency was banned in the UK tomorrow.

### Fake endorsements and scams

Other dangers include misinformation from '[finfluencers](#)', fake celebrity endorsements and scams.

## Environmental impact

The 'mining' of cryptocurrency is terrible for the environment - it uses an extremely high volume of energy, leaving a ginormous carbon footprint. Getting involved with cryptocurrency, even if not mining it yourself, is contributing to this.

## Where do people usually buy cryptocurrency?

Like all trading and most investment activity, cryptocurrency is bought and sold through an app or website (also called 'exchanges') to which funds need to be transferred. Some of the most commonly used cryptocurrency exchanges are:

- Coinbase
- Binance
- Zignaly
- Gemini
- Coinjar
- CoinCorner
- QuickBitcoin

There are also platforms on which you can trade cryptocurrency but can also trade other things, including stocks and shares. These include:

- Robinhood
- eToro
- Bitpanda
- Revolut

## How can you use cryptocurrency safely?

- Research before spending any money
- Use a reputable exchange
- Learn how to store digital currency safely and recognise scams
- Be aware of additional fees
- Diversify investments to spread risk (don't put every penny into cryptocurrency - maybe consider traditional stocks & shares, too)
- Understand personal risk tolerance and avoid involvement if risk-averse
- Prepare for volatility and only invest what you can afford to lose
- Steer clear of shorting and fast trading - think about any investment as long-term



**In summary, cryptocurrency is hugely volatile, unregulated and super risky. But it's not going away.**

**The best thing you can do if you decide to get involved is to understand the risks, dangers and downsides so you can make an informed decision.**

<sup>1</sup> FCA report

**We've got more cryptocurrency and financial risk-related content on our platform:**

<https://www.blackbullion.com/>

<sup>2</sup> <https://blockchaintechnology-news.com/2021/06/a-quarter-of-students-now-own-cryptocurrency/>