

WHAT IS A CRYPTOCURRENCY?

Cryptocurrency is a digital asset designed to work as a medium of exchange that uses cryptography to secure its transactions, to verify the transfer of assets, and to control the creation of additional units of the currency. Cryptocurrencies are classified as a subset of digital currencies and are also classified as a subset of alternative currencies and virtual currencies. Bitcoin, the first and most widely used cryptocurrency, was created in 2009. There are more than 7,000 cryptocurrencies in existence as of January 2021, with the total market capitalisation exceeding \$927 billion.

Cryptocurrencies use decentralised control as opposed to centralised digital currency and central banking systems. The control of each cryptocurrency works through a blockchain, which is a public transaction database, functioning as a distributed ledger. Bitcoin, the first and most widely known cryptocurrency, was created in 2009. There are more than 7,000 cryptocurrencies in existence as of January 2021, with the total market capitalisation exceeding \$927 billion.

Cryptocurrencies are often used as a store of value, and some of the most popular ones include Bitcoin, Ethereum, and Litecoin. They are also used as a medium of exchange, and they can be traded on cryptocurrency exchanges. One of the main benefits of cryptocurrency is that it is decentralised, meaning that it is not controlled by any government or financial institution. This means that it is not subject to inflation, as the supply of most cryptocurrencies is fixed.

There are also several drawbacks to using cryptocurrency. One of the main drawbacks is that it is highly volatile, with the value of some cryptocurrencies fluctuating significantly in a short period of time. In addition, cryptocurrencies are not yet widely accepted, and it can be difficult to find merchants who will accept them as payment. Finally, there is a risk of fraud and security breaches, as cryptocurrencies are often targeted by hackers.

Despite these drawbacks, many people are still interested in investing in cryptocurrency, as it has the potential to offer significant returns. It is important, however, to do thorough research and to understand the risks before investing in cryptocurrency.