



# E-NEWSLETTER

## CRYPTOCURRENCY: WHAT YOU NEED TO KNOW



### Definition of Cryptocurrency

Cryptocurrency refers to digital or virtual money. It has no innate value since it is not redeemable for another commodity like gold for instance. It has no physical form and is not issued by any central authority and is thus exempt from government interference. Cryptocurrency is created from code and based on cryptography. Cryptography is a secure means of communication that emerged during the second world war. Cryptography gives cryptocurrencies security and makes them difficult to counterfeit. Cryptocurrency came into prominence in 2009 with the launch of bitcoin by Satoshi Nakamoto an alias whose real identity is not yet known.

### Advantages and Disadvantages of Cryptocurrencies

A key advantage of cryptocurrency is that it is fast and global. Transactions are processed nearly instantly and is not limited by geography since it is based on a global network of computers. Another advantage is that it has minimal charges which reduces or eliminates the fees charged by banks for wire transfers.

However, cryptocurrencies are not without some disadvantages. One of such is that despite its security it still faces threats from hackers. Also, there is inherent instability in the rate at which cryptocurrencies can be exchanged for other currencies since its prices are determined by demand and supply.



### How Cryptocurrency works.

Cryptocurrencies make use of decentralised technology to let users carry out secure payments and store money without the need to use their name or go through a bank. Cryptocurrencies run on a distributed public ledger called blockchain, which is a record of all transactions updated and held by currency holders. Mining is the process through which cryptocurrencies are created. Mining uses computer power to solve complex maths problems that generate coins. Cryptocurrencies can also be bought from brokers and stored and spent using cryptographic wallets.

### Common Cryptocurrencies

Some common cryptocurrencies are 1) bitcoin with a market capitalization of \$230 billion as of December 2017, (2) Ethereum with a market capitalization of \$67 billion as of December 2017 and (3) Ripple with a market capitalization of about \$10 billion.



### How valuable are Cryptocurrencies?

Cryptocurrencies are worth a lot. As at December 2017 there were 16.7million bitcoins in circulation each worth about \$14,000 with a market value of around \$230 billion. Today one bitcoin is worth \$10,105.97. In Nigeria you can buy and sell bitcoins on nairex.com, tanjalo.com, bitco.in.africa and jostpay.com