

A Beginners Guide to **BITCOIN**

**Straight answers to the 24
most frequently asked
questions about bitcoin
and cryptocurrencies**



A Crypto Traders' Academy Guide

A Beginners Guide to **BITCOIN**

**Straight answers to the 24 most
frequently asked questions about
bitcoin and other cryptocurrencies**

* Figures as of 1st December 2020.

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Introduction

Welcome to the amazing world of cryptocurrencies!

This is a market has been booming over the last few years.

Since 2016, Bitcoin has increased in value by a whopping 2,479%.

To put that in 'real money', a single Bitcoin picked up for £560 in December that year is worth **£14,445*** now.

The last few months have been particularly dramatic.

As you might know, Bitcoin peaked in December 2017 at a price of £14,592.

Then it collapsed – falling nearly 80% from peak to trough.

At the current £14,445, the market is breaking out and heading towards a new all-time high.

This has happened before.

In fact, there have been four or five of these bubbles in Bitcoin over the past six years or so. You have never seen a more volatile asset class than cryptocurrencies. Coins can go up 2,000%, 3,000%, 5,000% in a matter of weeks or months.

By the same token they can also crash hard if investors or speculators get jittery about a particular coin. This is a wildly volatile space.



The point is that the current price action is entirely normal.

And if you are positioned for one of those big upsurges in the market, it can be enormously profitable.

It's a brilliant opportunity to position oneself for the next move higher.

That's why we have written and updated this beginners' guide – to prepare investors for the next great upswing in the market.

You have time to prepare

Right now, the whole crypto market is growing and maturing.

Many of the major financial institutions like Goldman Sachs are setting up crypto trading desks.

This will bring huge money into the market – and set off the next move higher.

We're talking about the potential for Bitcoin shoot through its all-time high of £14,592 in the next bullish cycle.

In fact, we think Bitcoin could go to £60,000 or higher in the next cycle.



As you'll see these huge gains can be made when the market turns...

Here are the biggest gainers in the crypto markets in a recent 7-day period during the bull run in 2017...

Biggest Gainers*						1h	24h	7d
#	Name	Symbol	Volume (24h)	Price	% 7d			
1	 GCoin	GCN	\$2,152,030	\$0.000187	1,123.44%			
2	 Electra	ECA	\$9,955,250	\$0.004987	976.07%			
3	 CryptoForecast	CFT	\$82,388	\$0.170465	876.90%			
4	 PACcoin	PAC	\$2,918,710	\$0.000040	823.39%			
5	 Network Token	NTWK	\$129,037	\$0.122418	730.39%			
6	 Social Send	SEND	\$1,067,980	\$0.500214	640.88%			
7	 Experience Points	XP	\$13,787,700	\$0.002180	573.32%			
8	 Flash	FLASH	\$154,253	\$0.032228	525.76%			
9	 Interzone	ITZ	\$50,972	\$0.496051	507.45%			
10	 Presearch	PRE	\$174,091	\$1.39	449.96%			

1,123%... 976%... 876%...

And remember these are gains made in a single week.

But here's the thing...

If you want to make serious money investing in crypto you do need to know what you're doing.

You need to know what to buy. And you need to know when to buy.

In fact, the vast majority of coins are complete junk.



A key skill (which can be learned) is:

- 1) Knowing which cryptos offer genuine real-world use and
- 2) Knowing when to invest.

Here at the *Crypto Traders' Academy* our team have successfully beaten and profited from the crypto market for the past 5 years running.

We believe it's still the most incredible opportunity to make money most people will see in their lifetimes.

So to get you started we'll answer some of the most commonly asked questions we receive.

Q: What is bitcoin?

A: Bitcoin is a digital form of money.

It allows people to send or receive money securely over the internet, even to someone they don't know or trust.

The total supply of Bitcoins is capped at 21 million, so like gold it has a finite supply.

What sets Bitcoin apart is that it's decentralised, meaning there's nobody in control of it who can tamper with it or forge it. It's the first decentralized peer-to-peer payment network that is powered by its users with no central authority or middlemen.

However, just like the pound, dollar or euro you can:

- Send it from one person to another
- Trade it
- Hold onto it as an asset (like gold)
- Use it to pay for goods/services



Q: How can I make money from bitcoin?

A: You can buy and hold bitcoin just like you can with any asset such as shares, property or gold.

If the value goes up over time you can sell it back into pounds for a profit.

You can also trade bitcoin for other cryptos (more on this later) and again the principles are the same. If you buy low and sell high you make a profit.

Advanced traders can make money from bitcoin in falling markets too by 'shorting' it (making a prediction the price will go down) like you can with spread betting.

However, unlike spread betting, you typically can't lose more than you put in as you cannot short more than the bitcoin you physically have in your account.

Q: Who created bitcoin?

A: Bitcoin was invented on the 31st October 2008 by Satoshi Nakamoto and then released as open source software in 2009.

It has an inbuilt system of checks and balances that mean it's at all times audited and provable by everyone.

This means it cannot be corrupted in the same way that 'traditional' currencies can.



Satoshi's anonymity often raises unjustified concerns because of a misunderstanding of bitcoin's open-source nature.

Satoshi has no way of undermining the system - it is entirely independent of him - and indeed everyone has access to all of the source code all of the time.

The bitcoin system is peer-to-peer and because of this no one person or group controls it or can manipulate it.

That means any developer can review or modify the software code and indeed the original code has been adapted and improved over the years.

So in this sense the identity of bitcoin's creator is about as relevant today as the identity of the person who invented paper.

Q: How does bitcoin work?

A: Bitcoin is a “digital” currency.

You can send it from one person to another or use it to buy goods and services.

From a technical perspective, the blockchain (the technology which powers bitcoin) is the brains behind it.

The blockchain records every single bitcoin transaction – past and present – and the ownership of every bitcoin in circulation.

Once again, this record (often referred to as a decentralised ledger) cannot be forged or manipulated by individuals, groups or even governments.

This is one of the reasons that bitcoin is so popular. Technology-wise it's a bit like upgrading from snail mail to email.



Q: Do I trade cryptos or do I actually own them?

A: You actually own them*

You can exchange them for different cryptocurrencies if you want to and of course you can sell them back into currency (pounds, dollars etc.,) more on this in a moment.

** Some companies are now offering the opportunity to buy options on them, but we suggest that until you are very familiar with cryptocurrency trading you stick to the traditional investing style.*

Q: It looks very expensive; do I have to buy a whole Bitcoin?

A: Absolutely not. Otherwise you'd have to stump up thousands for a single Bitcoin each time which would make it out of reach for most.

Think of Bitcoins in decimals.

You can buy 0.1 of a Bitcoin if you want to, or 0.5 and so on. In the exchanges where you buy Bitcoin you can simply enter the sum you want to spend on them e.g. £100 and it'll work it out for you.

Q: How do I access my funds? Is it real money?

A: Yes! It's absolutely real money.



If you want to sell any of your coins back into currency it's just a case of following a few simple steps and the money is transferred into your bank account.

You can do this any time you want.

Most exchanges say it can take a few days to clear but typically it's around 24 hours.

Q: How do I buy bitcoins?

A: The most common place to get hold of bitcoin is on one of the online cryptocurrency exchanges.

These are websites where you can exchange your money (pounds, dollars, euros) for bitcoin.

In return the exchange takes a small commission.

There are also some offline vendors as well where you can buy and sell bitcoin and even a growing number of bitcoin ATMs.

Three reputable online exchanges where you can buy and sell bitcoin in the UK and Europe are Coinbase, Kraken and Bitstamp (**Important Note:** we are not acting as an affiliate to any of these exchanges but mention them purely because they are the ones our team use).

Of course there's other ways to get hold of bitcoin...

You can be sent it by a friend or relative, just like you would if you used your online bank to send or receive money.

And if you are selling goods or services, you can accept bitcoin as a form of payment.



Q: How are bitcoins priced?

A: Bitcoin is like any other currency in that its value can go up and down relative to other currencies.

As there are only a fixed number of bitcoins that can ever be in circulation (the total number of bitcoin is capped at 21 million) it's not subject to inflation in the same way that state or national currencies are. You can't just print off more bitcoin.

So the price is entirely dependent on supply and demand. If 10 million people are all trying to buy bitcoin at the same time, the price will rocket and vice versa.

Q: What's the difference between bitcoin and other cryptos or cryptocurrencies?

A: Bitcoin is the original and by far the most widely used and accepted cryptocurrency.

At the time of writing the market cap of bitcoin (it's equivalent value in dollars) is £268 billion.

The next biggest cryptocurrencies currently hover at around £52bn, £21bn, £14bn and £4bn respectively.

That should give you an idea of the kind of scale we're looking at here.

So why do these alternative cryptocurrencies even exist?

Well, like Bitcoin, they also offer a way to pay for things or to transfer money from person A to person B.



Where they differ slightly is in how they use the technology.

Some claim to be completely untraceable to governments or individuals (bitcoin, with a lot of effort can be traced).

This makes them appealing to people who want total anonymity.

Others claim they are faster or require less energy to run. The bitcoin network uses quite a lot of electricity when you tally up the whole enterprise.

So there are some differences between them and each has its own target users.

You then also have non-currency based cryptos.

You may have heard of alt coins like Ethereum. It soared in value by more than 8,200% in 2017, before falling with the rest of the market.

Some alt coins like Ethereum are not currencies, they are platforms. Ethereum is a place where developers can build services.

So when you invest in an alt coin that's a platform, like Ethereum, you're effectively investing in the company or the idea and how scalable it is – a bit like if you were to invest in stocks or shares.

Simply put:

Coins like Bitcoin = cryptocurrency

Coins like Ethereum = platforms that use cryptocurrency technology



Q: What are the advantages of using bitcoin?

A1. It's often a more stable alternative to 'traditional' currency

Bitcoin cannot be manipulated, counterfeited or otherwise meddled with by governments, corporations or any one individual.

This might not sound like a big deal but this is really important.

Governments can, and do, regularly manipulate national currencies to suit their own ends.

In Argentina, a country recently beset by bad debt and economic mismanagement, inflation hit 40% in 2016.

In Venezuela, a once prosperous economy bursting with oil and natural resources, inflation recently hit 248.6%!

And in Zimbabwe the government printed so much money to cling onto power that inflation reached 79.6 billion percent in 2015.

These are not isolated cases.

In countries where there is high inflation but good internet access, bitcoin is extremely prevalent and it's easy to see why.

Bitcoin is a secure and valid store of wealth and method of payment for people in uncertain economic environments.

After all, why put your trust and hard earned money into the national currency when it could be worth half as much in a year's time as it is today?

While we might feel immune from this kind of economic mismanagement in countries like the UK and USA we are still at the mercy of government policy.



Regardless if there's a change of government, a war, a regime change, Bitcoin cannot be meddled with.

A2. It's popular with libertarians and individuals who don't want their activity traced

Bitcoin is popular with libertarians who don't think that governments and individuals should be able to control and manipulate wealth.

They want an alternative model that puts freedom in the hands of people not governments.

It has also found a fanbase among some darker regions of the internet and is often used by criminals to buy and sell drugs online because, like cash in the offline world, it is harder to trace. (However bitcoin itself is not completely untraceable and unless users go through some effort to cover their tracks it often can be linked back to an individual. With that said there are alternative cryptocurrencies which cannot be tracked).

A3. It's a more advanced way to deal with financial transactions and doesn't require middlemen

When you make transactions using traditional currency you need all sorts of complicated, often manual, checks and balances in place as well as intermediaries... a bank, a clearing house, all the associated staff and of course all the regulators, including the government.

Bitcoin dispenses with a lot of that while providing a more secure and transparent system with which to make transactions.



Q: Where can you use bitcoin?

A: More and more businesses are acknowledging bitcoin and to date it is estimated that around 200,000 merchants accept it as payment worldwide.

This includes companies like Paypal, Microsoft, Expedia, Dell, Wikipedia and Reddit.

Q: Who uses bitcoin?

1. Ordinary people who want to use a currency that isn't held and controlled by banks and governments.
2. People in countries that are suffering from economic problems (whether that's hyperinflation, government corruption or strict controls) and want a safer space to store their wealth and a trustworthy way to transfer money to friends and family both domestically and internationally.
3. Investors who can see the rapid adoption of this exciting new technology and currency as inevitable and want to profit from its increasing value.
4. The biggest proven use case of blockchain so far is money. Bitcoin has become a substitute for gold in many countries. And the cryptocurrencies that followed in its wake are disrupting many of the traditional pillars of the financial system: lending, securities, derivatives, exchanges. Billions of pounds and dollars have migrated to this new system in the last year. And there are huge potential gains for early investors.



Q: Who controls the bitcoin network?

A: No one person controls the technology behind the internet and it's the same with bitcoin.

You can't 'take it down' because it exists on millions of separate devices.

That's the clever thing about bitcoin and it's what prevents it from being controlled or manipulated by self-interest.

However, in order to ensure the whole system runs smoothly there are certain universally recognised rules that everyone follows.

And just like the internet this universal language allows it to function properly.

Q: How are bitcoins created?

A: There are 21 million bitcoins in total although not all of them are in circulation yet. The remainder have to be brought to the surface in a process called 'mining'.

Think of it like gold.

There's only a fixed amount of gold on our planet. It's there for the taking, but it needs to be mined (just carry on reading to understand what 'mining' for bitcoin involves!).

It's the same with bitcoin.

Current estimates are that this won't be completed until around the year 2140.

Even after the very last bitcoin has been mined, miners will be incentivised to keep confirming transactions.



Q: What is mining?

A: When someone mines bitcoin they do two things:

They help verify other bitcoin transactions and also release bitcoin into circulation.

This is how the blockchain works and it keeps transactions secure and reliable.

Miners are rewarded for verifying transactions which keeps the system running.

What are they mining exactly?

The process of mining bitcoin involves solving a computational problem. This allows them to chain together blocks of transactions.

In return they receive transaction fees and newly-created bitcoins.

Q: Why is it called mining?

A: Bitcoin mining gets its name because it's a bit like traditional mining.

When mining gold you have to exert a lot of power and effort to physically remove it and there is only a finite supply.

The same is true with mining bitcoin but in this case instead of using pick axes you're using machines to solve a computational problem.

Like gold, there is a limited supply of bitcoin (capped at 21 million) and the more that is mined the harder it gets to mine the remainder.



Q: How do you mine a bitcoin?

A: You need a bitcoin wallet (that's the easy bit!) and special hardware to mine bitcoin.

This hardware can cost anywhere from a few hundred pounds to tens of thousands of pounds.

In the early days of bitcoin anyone could mine using a simple PC from home, however as the network grew and more bitcoin was mined, the algorithms became more complex and the process more costly.

The cost of the electricity alone means it's usually not worthwhile for most people and generally it is best left to the large scale miners.

Q: What is the blockchain?

A: The blockchain is the engine that powers bitcoin (and the crypto world).

If bitcoin was electricity, then blockchain would be the grid.

How does it work?

Here's where it gets a little more complicated...

The blockchain is a peer-to-peer network of users – people like you and I.

Every participant remains anonymous at all times.

It has a clever system of checks and balances inbuilt to ensure there's no foul play.

In other words everyone using the network participates and keeps the system running, but no-one can control or influence it.



This means that bitcoin and the blockchain cannot be taken down or destroyed and it means every transaction is logged with verifiable setups.

Q: What is Ethereum?

A: Ethereum is a platform built with blockchain technology that enables people to create what are known as smart contracts.

It has its own currency that is used to secure the network and also allows anyone to issue their very own currency very easily. ERC-20 tokens, Ethereum's standard, now account for a large portion of the top 20 tokens globally.

What can smart contracts be used for?

They have a wide range of possible uses in the future (although none of these have been fully utilised to date).

Smart property – Think of services like AirBnB without the middlemen charging fees. You could also have a similar version for car sharing.

Decentralising finance– imagine a financial system without the middlemen. No banks, brokers, market makers or lawyers. That's what's being built right now. Billions have been listed on “decentralized finance” exchanges in the last year and most or all of it is being built on the Ethereum platform.

Q: How can I find the price of cryptos?

A: The best place to find the price of individual cryptos is on the Coin Market Cap website.

You can find it here:

<https://coinmarketcap.com>



You can search by coin or simply scroll down the list. There's also an option to view historical data on any crypto.

Q: Is it risky to invest or trade in bitcoin/cryptos?

A: It can be, but there are ways to reduce that risk significantly.

While the markets can be very volatile, at Crypto Traders' Academy, we firmly believe cryptos are here to stay.

The useful ones that find a place in our day to day lives will continue to go up in value.

From an investor's point of view they are extremely volatile and coins can go up 2,000%, 3,000%, 5,000% in a matter of weeks or months. By the same token they can also crash hard.

You do need to have a strong stomach. Wild gains can easily be followed by devastating losses. It's important to put in what you can potentially afford to lose in the short term. If you are prepared to wait for the long term, the potential returns are extraordinary.



Q: Is the market in a bubble?

A: All markets experience bubbles, this is not something that's unique to the crypto markets.

Right now there are over 7,850 cryptos and at least 95% of these are junk and have no worthwhile use.

The skill - just as in the early days of the internet - is knowing which cryptos solve a genuine, useful problem and have the right development to see it through.

This technology has been touted for a great many industries. Right now companies are investing millions and in some cases billions in developing blockchain technology to radically overhaul...

- Banking
- Payments
- Identity Protection
- Online Gambling
- Central Banking

Just about anywhere you can think of that needs a way to record and transfer data that is transparent, secure, auditable, and resistant to manipulation...

Someone's figuring out a way to use blockchain technology to make it better.

That is a huge opportunity – and one that's only now taking shape... and has years to run.



What next....

Well we hope that's given you a taster.

If you're new to this world we understand it can feel a little scary and strange.

There's so much hype and nonsense written about this subject, that our mission is to cut through all that.

Most of its written by people who don't have a clue what they're talking about.

This misinformation makes us angry because it's dangerous and could lose you money. So our aim at Crypto Traders' Academy is to guide you on the right path and give you the right tools and mindset for trading the crypto markets profitably.

Our lead expert at the Academy, Michael, has been trading the crypto markets for over 6 years now and it's made him a millionaire.

More importantly he also understands the tech behind it.

He's an expert in analysing which coins have a future in this sector and which don't.

That's one of the reasons he's hired by some of the world's leading institutions to advise them on this field.



The good news is this...

If you're careful, and you follow a few basic rules, then this really could be the most incredible opportunity to make money that many of us will encounter in our lifetimes.

We can't emphasise that strongly enough.

As Michael says, if we have another year like 2017 – and he strongly believes that we will – then he'll never have to work again.

His analysis of 44 crypto cycles is that there is average upside of 6,000% from peak to trough.

So the opportunity here is outrageous, really.

That's why we've created this service to help you get started in the world of crypto trading.

If you are brand new and just want to get started there is our *Crypto Programme*.

This will get you up and running and you'll also get our top alt coin tip to get your portfolio started.

We're delighted that you could join our flagship *Crypto Traders' Academy*

And if you found this report useful please do share it with others. The more people that start to understand how bitcoin and the crypto world runs the safer it will be.

The Crypto Traders' Academy Team

PS. Read on for our crypto Jargon Buster



Crypto jargon buster

Alts / Alt Coins

An 'alt coin' or 'alt' is simply any crypto that's not Bitcoin.

For example, Litecoin, Ethereum and Neo are all alts. There are more than 7,000 alt coins at the time of writing and you can see a full list of them all here: <https://coinmarketcap.com>.

You can typically buy or trade alt coins on exchanges such as Binance, Coinbase or Kraken.

Bitcoin

Bitcoin is a digital form of money.

It allows people to send or receive money securely over the internet, even to someone they don't know or trust.

The total supply of Bitcoins is capped at 21 million, so like gold it has a finite supply.

What sets Bitcoin apart is that's it's decentralised, meaning there is no single point of failure, there's nobody in control of it who can tamper with or forge it.

It's the first decentralized peer-to-peer payment network that is powered by its users with no central authority or middlemen.

Just like the pound, dollar or euro you can:

- Send it from one person to another
- Trade it
- Hold onto it as an asset (like gold)
- Use it to pay for goods/services



Bitstamp

Bitstamp is an exchange where you can buy and sell bitcoin, Ripple, Litecoin and Ethereum. They are the first fully licensed bitcoin exchange in the EU.

Blockchain

The blockchain is the engine that powers bitcoin (and the crypto world).

How does it work?

Here's where it gets a little more complicated...

The blockchain is a peer-to-peer network of users – people like you and me.

Every participant remains anonymous at all times.

It has, inbuilt, a clever system of checks and balances inbuilt to ensure there's no foul play.

In other words, everyone using the network participates and keeps the system running, but no-one can control or influence it.

This means that bitcoin and the blockchain cannot be taken down or destroyed and it means every transaction is logged and verifiable.

Buy Order

A buy order is an instruction you place on an online exchange (such as Kraken) to buy crypto for you automatically when it reaches a certain price.

For example, let's say bitcoin is currently priced at around £10,000 but you don't want to buy it for that because you're waiting for it to dip.



You could place a buy order on Kraken to purchase 0.5 bitcoin when the price drops to £9,500. That way if the price drops while you're asleep, or if you're away from your computer, you can still buy at the price you want.

Coinbase

Coinbase is one of the largest bitcoin exchanges and currently serves 32 countries. As well as bitcoin, users can also buy and sell Ethereum and Litecoin. Bitstamp and Coinbase are currently the only exchange in the UK which accepts debit cards or credit cards as payment.

Decentralised Finance (DeFi)

The biggest story in crypto at the moment is movement towards Decentralised Finance: a new financial system that is built on Ethereum, which allows people to trade, borrow, lend securely, Without the need for middlemen.

This includes:

Decentralized exchanges (DEXs): online exchanges help users exchange currencies for other currencies, whether U.S. dollars for bitcoin or ether.

Stablecoins: a cryptocurrency that is tied to an asset outside of cryptocurrency (the dollar or pound, for example) to stabilise the price. This is an easy to trade and transfer currency that provides all the speed and efficiency of a cryptocurrency, without the volatility that often comes with crypto.

Lending platforms: these platforms use smart contracts to replace intermediaries such as banks. A huge spike in lending this year as kicked off a craze in "yield farming", with investors lending their money on platforms such as Sushiswap and Yearn Finance in order to earn huge income payments.



Ethereum

Ethereum is a crypto that was co-created by Vitalik Buterin and launched in July 2015. It's an open source blockchain based platform that introduces something called smart contract functionality.

This is heralded by many as a revolutionary breakthrough because it:

- Allows for blocks to be created much faster than they are with bitcoin
- It means that applications (not just currency) can run on the network. For example, files on cloud-based storage on a decentralised version of something akin to Dropbox

Several new app-based cryptos are being developed that run on the Ethereum blockchain (platform).

Fiat

This means traditional state currency, such as the pound, dollar, euro etc. e.g. You could say: "I'm withdrawing some of my Bitcoin into fiat" (this means I'm selling my Bitcoin and transferring it to pounds/dollars/euros).

Fork

A fork happens when a group of developers decide to take the source code from one piece of software (such as bitcoin for example) and then create a completely new and independent software development from it.

You then end up with two separate pieces of software, the original one and the new version.

A fork (or split) like this happened in the bitcoin community on August 1st 2017 and we ended up with 1. bitcoin and 2. bitcoin cash.



The reasons for a fork can be varied (such the desire to speed up transaction times or tweak functionality). Because projects like bitcoin are completely open source, forks can take place without breaching any copyright law. However, the success of a fork (for the new software at least) will be dependent on how widely it is adopted.

Hodl

Hodl simply means 'hold', as in "I'm holding bitcoin" (or rather "I'm hodling bitcoin!")

The misspelling caught on thanks to an early meme in the cryptocurrency community and is frequently used in forums, Facebook groups and reddit threads.

Kraken

Kraken is a bitcoin and crypto exchange that's the preferred choice by many professional traders due to the lower transaction and trading fees.

You can buy a number of cryptos on Kraken including Ethereum, Uniswap, Yearn Finance and more.

Mining

When someone mines bitcoin they do two things. They help verify other bitcoin transactions and also release bitcoin into circulation.

This is how the blockchain works and it keeps transactions secure and reliable.

Miners are rewarded for verifying transactions which keeps the system running.



What are they mining exactly?

The process of mining bitcoin involves solving a computational problem. This allows them to chain together blocks of transactions. In return they receive transaction fees and newly created bitcoins.

In the early days of bitcoin anyone could mine using a simple PC from home, however as the network grew and more bitcoin was mined, the algorithms became more complex and the process more costly.

The cost of the electricity alone means it's not worthwhile for most people and is best left to those with professional (and expensive!) setups.

Mooning

When a cryptocurrency is rocketing upwards in value, as in going up to the moon.

e.g. "Uniswap is mooning right now".

Proof of Work (PoW)

Proof of Work is a measure that's put in place to stop system abuses taking place when an individual or party uses a service provider. For example, it could be used to stop spammers flooding email providers. Or to stop hackers trying to take websites offline using DDoS attacks.

How does it work?

It requires some 'work' from the party requesting a service before granting them access. This work needs to be difficult (but possible) from the requester's side but easy to confirm on the side of the service provider.

This is known as the CPU cost function. In simple terms it's designed so that the amount of work needed to try and get past/overwhelm/break the Proof of Work system in place is so immense as to make it virtually impossible.

Proof of Work is used in bitcoin mining to ensure that transactions are correctly approved.



Private Key

A private key is a bit like your pin number or password.

When you open a wallet, you will be given a private key which allows you spend bitcoin or crypto or send it to others.

It's extremely important to keep this safe (and ideally kept offline somewhere secure) because if someone steals it they can access and/or spend your crypto.

Satoshi

A Satoshi is currently the smallest fraction of a bitcoin that can be sent.

It is a hundredth of a millionth of a bitcoin (or 0.00000001 BTC).

Smart Contracts

Smart contracts allow people to exchange items of value (such as money, property or shares) without the use of a middlemen.

For example: Banks act as middlemen when we exchange money. Solicitors, estate agents and banks act as middlemen when we exchange property. Brokers act as middlemen when we exchange shares.

Smart contracts could remove the need for any of these. They were first conceptualised in 1994 by legal scholar and cryptographer Nick Szabo. In 2015 Vitalik Buterin used blockchain technology (the technology behind bitcoin) to turn this into a workable protocol. This is called Ethereum.



Tokens

The term token causes a lot of confusion in the crypto space because it can refer to a number of different things, Such as:

A type of currency used between people (e.g. bitcoin)

A digital asset or right (ownership of a thing)

A stake or share in a startup (for example if you got involved in the Ethereum token sale)

And those are just 3 definitions (there are more!). Some people use the word token to describe non-currency cryptos which use the Ethereum platform (as opposed to currencies and coins like bitcoin). This is because Ethereum generates tokens rather than coins, so this is perhaps the clearest use. However, the reality is many people use the term 'token' interchangeably, so context is important.

Wallet

A wallet is a piece of software that you can use to send and receive bitcoin and crypto, a bit like online banking. An example of a wallet you can use for bitcoin is Electrum.

Whales

Bitcoin whales are the major bitcoin investors or players in the markets. They're called whales simply because they're the biggest creatures in the ocean.

Whales typically include hedge funds and bitcoin investment funds.

Because they control such huge amounts of bitcoin, the whale's movements in the markets can have significant impacts on price. Major selloffs can cause dips and major buy ins can trigger bumps.

The Jargon buster is ever evolving! If there something you'd like us to add make sure you email us at insider@cryptotradersacademy.com



