

# **MASTERING CRYPTOCURRENCY**

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## 1-0 – What Is Cryptocurrency?

What is cryptocurrency? I'm sure many of you are curious of this so called "21<sup>st</sup>-century money of the future and due to its increasing recognition and security, the cryptocurrency market looks bright ahead.

By the end of this e-book, you'll certainly know more about cryptocurrency than most people out there. For this first chapter, we will be covering 5 topics:

1. What Is Cryptocurrency?
2. How Do Cryptocurrencies Work?
3. How Are The Cryptocurrencies Value Determined?
4. What Is Cryptocurrency Used For?
5. Why Cryptocurrency?

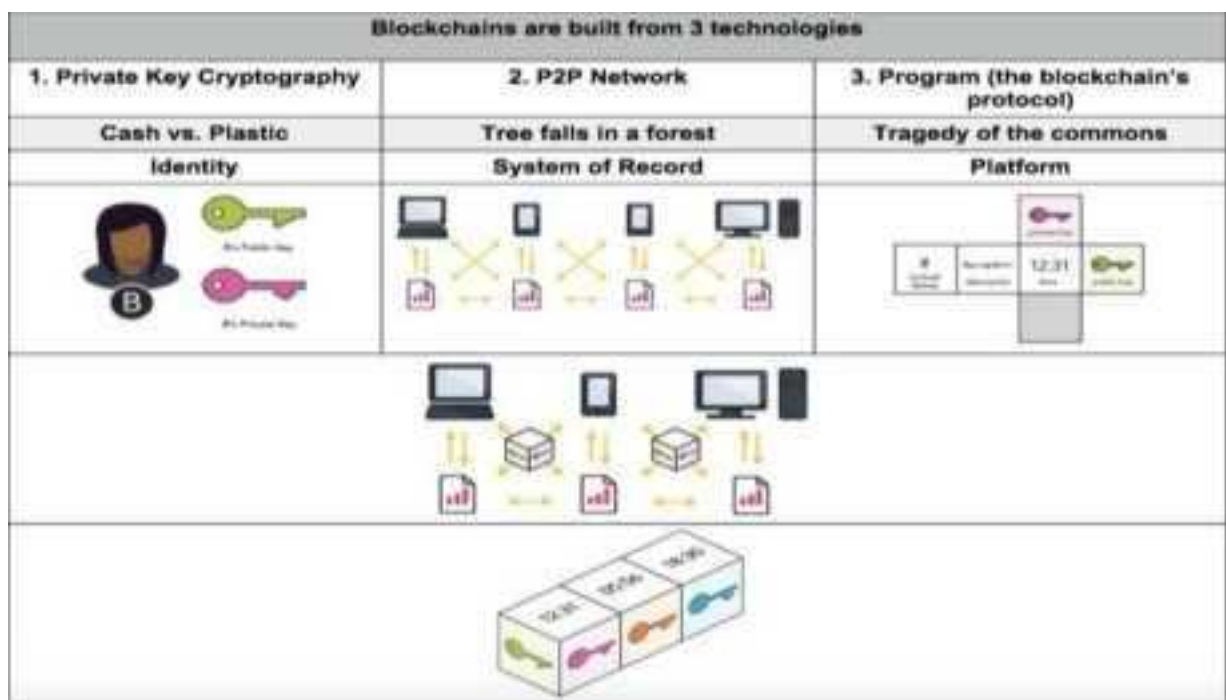
### What Is Cryptocurrency?



This is one of the most frequently asked questions out there. What is cryptocurrency? To make it simple, cryptocurrency is a digital version of money where the transactions are done online. A cryptocurrency is a medium of exchange just like your normal everyday currency such as the USD, but designed for the purpose of exchanging digital information through a process known as cryptography.

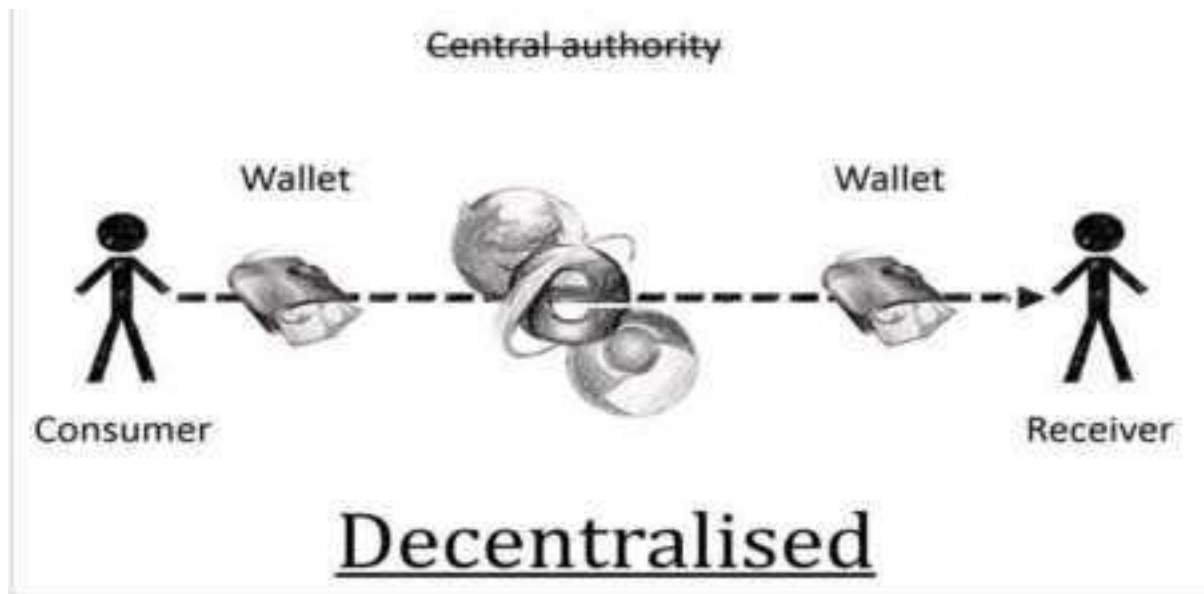
The first ever-successful cryptocurrency emerged from the invention of Bitcoin, by Satoshi Nakamoto. This was then followed by the birth of other types of cryptocurrencies competing against Bitcoin.

## How Do Cryptocurrencies Work?



The reason why cryptocurrencies are such in demand right now is because Satoshi Nakamoto successfully found a way to build a decentralized digital cash system. What is a decentralized cash system?

A decentralized system means the network is powered by its users without having any third party, central authority or middleman controlling it. Not the central bank or the government has power over this system.



The problem with a centralized network in a payment system is the so called "double spending". Double spending happens when one entity spends the same amount twice. For instance, when you purchase things online, you have to incur for unnecessary and expensive transaction fees. Usually, this is done by a central server that keeps track of your balances.



This is most commonly known as the Blockchain Technology. Cryptocurrency is derived from the word “Cryptography”, which refers to the consensus-keeping process secured by strong cryptography.

Blockchain technology functions in managing and maintaining a growing set of data blocks, and this is by using the decentralized or known as the P2P (Peer to Peer) network. In blockchain, once a piece of data is recorded it cannot be edited or changed.

To put it in simpler terms, it enables you to send a gold coin via email. The P2P network is a consensus network, which allows a new payment system and the transactions of new digital money.

Let’s illustrate an example. Cryptocurrency like Bitcoin consists of its own network of peers. Every peer has a record of the complete history of all transactions as well as the balance of every account.

By the end of every transaction and upon confirmation, the transaction is known almost immediately by the whole network. A transaction includes a process where A gives X amount of Bitcoins to B, and is signed by A’s private