

# Cryptocurrencies

**Bitcoin, Ethereum, Tether and many others are digital currencies and means of payment enjoying considerable attention. To some extent, they even have already entered our daily lives. But what is it these digital currencies promise, and what should you take into account?**

## **When investing in and using cryptocurrencies, you should note the following:**

- Cryptocurrencies are very volatile. Huge exchange rate fluctuations both upwards and downwards within very short periods of time are quite normal.
- There are thousands of different cryptocurrencies. Don't go investing just blindly, but do your research, thoroughly read up on a currency and the identity of the issuer beforehand, and ask your bank.
- With apparently very lucrative offers in particular, for instance on such social media channels as Facebook, YouTube, Twitter & Co., a healthy dose of suspicion is a must.
- Retain your crypto wallet code very carefully and securely. Should you lose your access code, you will irretrievably lose your money, too.
- Once executed, you can no longer cancel a remittance.

## **In general, the following applies:**

- Where there is a promise of apparently quick profits, remember that one simple truth: There is no quick money without any risk of loss! Those who believe this lose out!
- Only invest your own savings and amounts which you would be able to cope with in case of loss.

Thousands of cryptocurrencies vie for users' favour with great promises as to their security, simplicity, transparency and profits to be made. The headlines though often paint a different picture: Exorbitant exchange rate fluctuations and their frequent use by cybercriminals are scratching at this image. What is behind this new-style monetary concept?

## **Cryptocurrencies – what are they?**

Cryptocurrency is the term used to denote digital currencies based on unalterable mathematical and cryptographic principles (the science of encryption) through all stages from generation via storage to their exchange. They do not therefore require regulation by any superordinate institutions. In return, there is no-one to take intervention measures in case errors occur when handling cryptocurrencies.

Cryptocurrencies don't have any real or intrinsic value. Instead, they are virtual assets, with their value solely determined by supply and demand. It therefore takes only minor swings in the market to trigger sometimes major exchange rate fluctuations.

Cryptocurrencies are "mined", stored and exchanged in decentralised networks based on Blockchain technology. In the process, Blockchain plays the part of a distributed account book maintained in a distributed, non-hierarchical computer network. One defining characteristics of cryptocurrencies is that they are not generally issued by any superordinate institution. This way, cryptocurrencies can be used for online payment without the intervention of a

third party, e. g. a bank.

There are thousands of different cryptocurrencies, the biggest and most well-known being Bitcoin.

## Based on Blockchain technology

The smooth working and security of a cryptocurrency is safeguarded by Blockchain technology. As can be inferred from its name, the Blockchain is a chain of interconnected blocks forever increasing in length, where transactions are filed. These interconnected blocks with their listed transactions, also called an account book, are not administered centrally, but via a distributed network of thousands of computers. Every newly generated block has to be verified and confirmed by every node, making it almost impossible to fake transactions.

## No opportunity without risk

Next to their opportunities or advantages, cryptocurrencies also bear risks. One of the largest is the confusingly huge number of different cryptocurrencies in circulation, and the enormous exchange rate fluctuations they are prone to.

You should therefore be careful and consider very thoroughly which (crypto)currencies you invest in. Before you invest, it is well worth using independent sources to check the current exchange rate history with regard to real currencies.

## My wallet, my responsibility!

Cryptocurrencies are stored digitally in so-called wallets, protected by access codes. Your access code is the only way for you to get hold of your assets stored inside a wallet. If you lose your access code, your money is gone, too.

Protect your crypto wallet by:

- preferably using an offline hardware wallet;
- storing your wallet ID and access codes extremely carefully and securely – also offline, for instance on a piece of paper inside a safe;
- never passing on your wallet ID and access codes via e-mail or in any other way, and never entering them on any dubious platforms or apps either.

*“The core problem of conventional currencies is the level of trust required for them to work.”*

Satoshi Nakamoto, Bitcoin inventor, [Whitepaper \(2008\)](https://bitcoin.org/bitcoin.pdf) (<https://bitcoin.org/bitcoin.pdf>)

### Info sheet:



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