

## DIGITAL CURRENCY – BITCOIN



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### What is digital currency?

Digital currency is a type of money that is **only available electronically**. Unlike banknotes and coins, digital currency is not available in physical form. We can transfer digital currency between users or entities using technology like smartphones, tablets, computers, or the Internet. As with traditional money, we can use digital currencies to purchase goods and services. Sometimes, however, you can only use a digital currency for specific purposes, such as a social network or online game. We also call it digital money, virtual money, virtual currency, or cybercash.

## What is bitcoin?

Bitcoin is a digital currency — a virtual form of cash — that allows users to make anonymous payments online. Bitcoin transactions are validated by a vast network of computers, instead of banks or governments, making it a decentralized form of money that many have hailed as a privacy-friendly answer to corporate banking.

Computers track and encrypt bitcoin transactions in a process called mining, saving the data in a record called a blockchain. New bitcoins are created in the mining process. The bitcoin blockchain is a public ledger of every bitcoin transaction between any two parties. Because it's constantly validated by thousands of computers, this ledger is said to be virtually incorruptible, as a hack would need to outstrip the combined processing power of every computer working on the bitcoin blockchain.

## What can I use bitcoins for?

Bitcoin was designed to transfer sums of money between two strangers without the need for a middleman to verify the validity of the transaction. This means you can pay another person directly online, without having to provide identifying details such as a PayPal account or credit card information.

Mainstream retailers from Microsoft to Expedia are opening their registers to bitcoin. In theory, bitcoin could become a viable way to pay for things online without leaving the same type of trail a credit card leaves and without adding to the in-depth profile advertisers have of what you like, buy and search for.

## Bitcoin was not designed as an everyday currency

Value of Bitcoin is very instable. The more people use it as a medium of exchange, the more you would expect that to calm down. But people are not keen to hold on to bitcoin as a payment method because it's so instable. Financial institutions are also making it difficult to get bitcoin in the first place. Citigroup, Bank of America and JPMorgan Chase are among the major U.S. credit card issuers banning purchases of bitcoin and other cryptocurrencies from known exchange platforms, making it harder for first-timers to enter the bitcoin market.

## Should I invest in bitcoin?

That depends on your taste for risk. Nobody should put the large share of their retirement savings into bitcoin, but it does diversify your investments. Many banks have denounced the "bitcoin bubble," suggesting its market will collapse and the value of a bitcoin will fall to zero though many economists doesn't predict that will happen.



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## Should I mine bitcoin?

No. The scale of the computing equipment needed in the mining process to create new bitcoins is unfeasible for the average person, and the vast amounts of electricity consumed are unlikely to make it worth your while.

When the first bitcoins were mined in 2009, a personal computer could have turned out a couple of hundred bitcoins in a few days. That's no longer possible, due to the rising difficulty of the mining

process, which requires increasingly more computing power as the total number of bitcoins created approaches its supply cap of 21 million. As an individual miner, you'd usually join forces with a pool of other miners, but this involves fees that cut into your profits.

### **How can I get bitcoins?**

First, you'll need a place to keep your bitcoins a wallet.

Wallets (that is, the strings of text identifying your bitcoin holdings) can be held online, offline in "cold storage" hardware such as a USB stick or even on paper (this more complex method involves a piece of paper with a QR code that, when scanned, offers access to an online wallet). Blockchain is a popular, free wallet with 15 million users. It can be accessed via a web browser as well as Android and iOS apps. Recently, in Slovak Republic some public places such as shopping malls, busy streets tend to have bitcoin purchase machines where you can withdraw cash from your debit account to a bitcoin wallet or deposit cash as bitcoin (in other words, buy bitcoin). By outlook them seems like an ATM, however there you can purchase bitcoins.



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