

Cryptocurrency

Cryptocurrency is a rapidly expanding digital asset with a prominent reputation. So far, the total market capitalization for cryptocurrency exceeds 1 trillion dollars. Learning about cryptocurrency is essential for students to prepare their understanding of the financial landscape.

Cryptocurrency is a digital asset that uses a decentralized network called the “blockchain.” The blockchain removes the need for intermediaries of currencies, i.e., banks, for transactions. From its creation in 2009, Bitcoin was the first cryptocurrency, and since then, thousands of new cryptocurrencies have been released. Cryptocurrency can be used in investments and in online transactions. However, cryptocurrency poses a potential risk to prospective owners due to its price volatility (high amount of change in a relatively short period) and its regular usage in illegal activities.

Review Sources:

[Forbes: Cryptocurrency Risk & Opportunity](#)

[A Beginner's Guide on Buying Cryptocurrency](#)

[Investopedia: What is a Blockchain?](#)

Review Questions:

- 1) Explain what cryptocurrency is and how it differs from traditional currency?
- 2) What does blockchain do?
- 3) What are some risks that come with owning cryptocurrencies?
- 4) What are some uses of cryptocurrencies other than for financial transactions?

Note:

Investors should understand how cryptocurrency operates because the asset has risks and investing potential that differs from traditional assets. Cryptocurrency is a volatile and risky investment, thus owners of cryptocurrency and prospective investors should exercise caution when making financial decisions in relation to cryptocurrency.