

Cryptocurrency Terminology

361 Administrator Thu, Jan 18, 2018 [Computer and Technology](#), [General Knowledge](#) 0 6095

Cryptocurrencies have become a worldwide phenomenon that almost everyone has heard about. As their prices keep rising up, more and more people are willing to invest in cryptocurrencies. While being so famous and knowing about their existence, many people don't know much about them. In this article, we will learn some of the basics of cryptocurrency.



What is Cryptocurrency?

Cryptocurrency is a digital or virtual currency that is designed to be secure and, in many cases, anonymous. The transactions are transferred between peers and are recorded on a public ledger called blockchain. It uses cryptography, the process of converting legible information into an almost uncrackable code, to provide security for purchases and transfers. One of the reasons some cryptocurrencies hold high value is because of their limited supply. Once they reach a certain number of coins, they are done.

What is Blockchain?

The blockchain is a decentralized ledger, which consists of a continuously growing list of

records, called blocks. These blocks are linked and secured using cryptography and are recorded and added to the blockchain in a chronological order, which makes it easy to keep track of all the transactions. Blockchains are inherently resistant to modification of the data.

Wallet

A cryptocurrency wallet is a software program that is used to store the private and public keys needed to send and receive digital currencies.

Mining

Mining is a process that includes 2 functions: adding transaction records to the Bitcoin's blockchain and creating new bitcoins in each block. Mining requires a computer and a special program, that helps miners in solving complex cryptographic problems, in order to add a new block to the ledger.

Initial Coin Offering (ICO)

This is a process of fundraising for a new cryptocurrency. The creators of the new cryptocurrency offer the investors a certain amount tokens of the new currency in exchange for other cryptocurrencies like Bitcoin or Ethereum.

Altcoin

Altcoin is a combination of two words: "alt" and "coin". Alt is short for alternative and coin signifies currency. Thus together they imply a category of cryptocurrency that is alternative to the digital currency Bitcoin.



Popular Cryptocurrencies

Bitcoin (BTC)

Bitcoin is the most famous cryptocurrency at the moment. It is completely virtual, created by computer algorithms, and can be used to purchase services and goods. One of its greatest advantages is that it is decentralized, which means that it isn't controlled by any institution, e.g. government or banks. What is more, Bitcoins are completely transparent, information about every single transaction is stored in the blockchain, the transactions are really fast and there are almost no transfer fees. Bitcoin has a supply cap of 21 million coins.

Bitcoin Cash (BCH)

Bitcoin Cash is an upgraded version of the Bitcoin cryptocurrency, that is created in August 2017. Since its release, Bitcoin has been criticized for its scalability. The Bitcoin's block size is set at 1 MB, which would slow down transaction processing time and limit its potential. Bitcoin Cash's main goal is to increase the number of transactions that can be processed by increasing the block size from 1MB to 8MB and also decreasing the transaction cost.

Ethereum (ETH)

Ethereum is a blockchain-based platform that features a cryptocurrency called ether. Launched in 2015, it has quickly become one of the most used cryptocurrencies right now. It uses a blockchain but exceeds bitcoin's technology, as it allows to store and execute future smart contracts (computer code that can facilitate the exchange of money, content, property, shares, or anything of value). The smart contract runs like a self-

operating computer program that automatically executes when certain conditions are met.

Litecoin (LTC)

An alternative to Bitcoin released in 2011. It is based on bitcoin's source code and also works with blockchain. Although Litecoin is similar to Bitcoin in many ways, it has faster network and block generation rate and offers a faster transaction confirmation. Also, Litecoin has lower transaction fee, sometimes close to zero, and has higher supply limit of 84 million coins.

Ripple (XRP)

Ripple is a real-time gross settlement system (RTGS), currency exchange and remittance network by Ripple. Also called the Ripple Transaction Protocol (RTXP) or Ripple protocol, it is built upon a distributed open source Internet protocol, consensus ledger and native cryptocurrency called XRP (ripples).

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