The LM Financial

CRYPTOCURRENCY BASICS

What is Cryptocurrency?

Cryptocurrency is a currency in digital form in which every transaction is carried out online without any physical exchange. It is a medium of exchange like any other fiat such as INR, USD, EUR, etc. but differs from fiat in the sense that it was designed to exchange digital information through a process known as cryptography.Cryptocurrencies leverage blockchain technology to gain decentralization, transparency, and immutability.

Cryptocurrency empowers ordinary people because no centralized power is required to transact with cryptocurrencies.

What is Bitcoin?

Bitcoin is a currency in digital form which is used for making online transaction without any physical exchange.
Bitcoin works on a technology known as Blockchain.
The most famous Cryptocurrency and the first to be introduced was Bitcoin in 2009. It was designed by a person or a group of persons hiding under pseudonym Satoshi Nakamoto. Two types of Bitcoin users exist: ordinary users and so called Bitcoin miners. Ordinary users of Bitcoin use digital wallet similar to electronic banking applications. The wallet is software for a management of Bitcoin cash, thus for sending and receiving payments in Bitcoin. Bitcoins exist only as information in files in a computer or a mobile device. Access to these files is restricted to the holder of private key, which is used to secure the money.
If file system in the computer is damaged or the wallet file is inadvertently deleted, then the wallet file is lost and the bitcoins it contained are lost forever (in case that the wallet file was not backed up). Although the public address of wallet still exists, it can only be accessed by the private key, which was deleted. Unless one breaks the very secure encryption built into the system, then it would not be possible to recover the lost coins and breaking encryption used by Bitcoin

network by a force is virtually impossible in timely manner.
The mining is process of new Bitcoins creation and it is performed by miners. Miners are second group of Bitcoin users and they are solving artificial mathematical problem by dedicating their computational power to the Bitcoin network. The mining is used to confirm waiting transactions by including them in the block chain. The block chain is created every 10 minutes in the case of Bitcoin. So every payment in Bitcoins is confirmed in time of 10 minutes. It enforces a chronological order in the block chain, protects the neutrality of the network, and allows different computers to agree on the state of the system. For the transactions to be confirmed, they must be packed in a block that fits very strict cryptographic rules that will be verified by the network. These rules prevent previous blocks from being modified because doing so would invalidate all following blocks. Mining also represents some kind of a competitive lottery that prevents any individual from easily adding new blocks consecutively in the block chain. So no individuals can control what is included in the block chain or replace parts of the block chain to roll back their own payments. The creation of block is proof of work system of mining, so the data are costly and time consuming to create in accord with requirements.

What is Token?

A token is a Cryptocurrency that is built on existing blockchain. Tokens do not have their own blockchain but depend or exist on an existing blockchain of a Cryptocurrency. Examples of tokens include Basic Attention Token (BAT), Bancor (BNT), Status (SNT), etc.

What is Coin?

A coin is a cryptocurrency that is independent of any other blockchain. A coin operates on its own independent blockchain and acts like a native currency within a specific financial system. Examples of coins include Bitcoin (BTC), Ethereum (ETH), Ripple (XRP), Tron (TRX), etc.

What is BLOCKCHAIN?

Blockchain is a distributed, decentralized public ledger. We can say, blockchain simply means chain of blocks. This simply means digital information (“the block”) stored in a public database (“the chain”). Blocks on a blockchain have three parts:

a. Blocks show information like date, time and amount.

b. Blocks store information about who carried out the transaction by using digital signature instead of identifiable names.

c. Blocks store information that makes them different from other blocks by the use of a unique code called HASH.