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What is Cryptocurrency? Explained in a Simple Way

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I'm sure you know what a bank is. They help you save your money. But what happens when you want to transfer the money to another person?

- You inform your bank of your decision
- Your bank contacts other financial institutions, such as card companies (MasterCard, visa) or payment services.
- These financial institutions are linked to the Bank of the payee (the person who will receive the money).

These banks and financial institutions are called third parties. The disadvantage of such transactions is cost. These financial institutions will get a share from your transactions and other services. Therefore, the amount received by the recipient is less than the amount deducted from your account. This is not a big problem when remitting in China. However, if you want to transfer money to your family or friends in another country, the cost is usually high, sometimes more than 20% to 30%.

Another problem is time. When remitting money within the border, it can be immediate. But nationwide, it may take days or even weeks.

So What is Cryptocurrency?

Cryptocurrency is a point-to-point digital currency. When you send it to someone, it goes directly from your account to the recipient's account. It does not involve any third parties or intermediaries. It's more or less like giving cash to the recipient. It solves the disadvantages mentioned earlier (cost and time). Remittances to anyone in the world are almost free. The time the recipient receives the money is a few seconds or minutes.



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Additional Advantages

It can be a good store of value because it usually appreciates. It is not controlled by the government. There are several cryptocurrencies that operate in different ways. However, its basic technology is called blockchain. Bitcoin is the most popular of all cryptocurrencies, and if you want to know the details, it's a good start.

What is Blockchain?

Blockchain is just a huge and distributed public ledger. It records every transaction in the network. All transactions have time stamps and are verified by network miners. It works like this: miners with specialized computers compete with other computers to solve mathematical problems. Once they solve a problem, they will get some bitcoin, but they will also add the "blocks" of completed transactions to the blockchain for future viewing and verification.

Once a block is added to the blockchain, the cycle repeats and computers continue to compete to solve these difficult problems. Every transaction on the blockchain is completely transparent and explained in its log. Anyone can see the public key of any transaction they want (although there is no transaction related name). One can trace all the way back to the first transactions on the first block in history. This block is inadvertently called the genesis block.