



Do not buy Bitcoin

Risk & Reward

Smart investors are looking at crypto o

If you really want to take a punt on bitcoin, here's how

The digital currency is booming. Anna Mikhailova gives tips on investing

Anna Mikhailova

December 17 2017, 12:01am, The Sunday Times



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With the price of bitcoin having passed \$18,000 (£13,500) — 23 times its value a year ago — even the most sceptical investors have become curious about the cryptocurrency.

Some have called it one of the biggest speculative bubbles in history, up there with tulips in the 17th century and the South Sea Company in the 18th. Others insist it is the future of finance.

this year. Last week, bitcoin became one of the top 10 most viewed products on the UK's biggest investment platform, Hargreaves Lansdown.

Here is Money's guide to the cryptocurrency of the moment.

What is bitcoin?

It was launched in 2009 as a payment method that allows users to bypass middlemen such as banks. There are no actual coins; the currency is simply a computer code held in a "digital wallet". You need one of these wallets before buying or selling; you can do that free via websites such as blockchain.com.



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Although bitcoin is described as a currency, only a tiny number of retailers accept it. It might be better considered a financial asset, like gold.

"Bitcoin is a commodity, in my view. It's not a currency," said Andrew Bailey, head of the Financial Conduct Authority (FCA), the City watchdog.

What has been happening to the price?

Over the past few weeks, bitcoin's rise has been stratospheric. When first traded in 2010, the value was less than 1 cent. The cryptocurrency achieved parity with the dollar in 2011, was valued at \$1,000 at the start of this year, just under \$5,000 in September and at more than \$17,000 last week.

There have been considerable downs as well as ups, however. Between November 2013 and April 2014, the price more than halved, from \$979 to \$422. It took nearly three years to recover from the fall.

“joke”. Since then, the price has risen about 40 times.

Other big names in business and finance have been similarly scathing. Could the joke be on them, or will the price crash down again? No one can be certain.

“People are rushing in as the fashion fad grows, and as the credibility also grows — and nobody wants to miss out on a quick win,” said Justin Urquhart Stewart of Seven Investment Management. “But this year’s fashion is next year’s tank top.”

Is bitcoin regulated?

No, and the FCA says it has no plans to introduce any rules governing it. This means any money you put into it will not be protected by the Financial Services Compensation Scheme, which protects £50,000 of investments held with each firm.

How can I buy safely?

You can buy directly through bitcoin exchanges, such as coincorner.com, which is based on the Isle of Man and accepts deposits of as little as £10. Customers can pay by debit and credit card as well as by bank transfer. The minimum deposit for coinfloor.co.uk, which accepts only bank transfers, is £2,500.

There have been problems with digital wallet providers. For example, hivewallet.com closed down last year, leaving customers unable to log into their accounts. Recovering their bitcoin proved to be complicated.

The City of London police confirmed to Money that it had seen cases of fraud related to the sale of bitcoin. “People can buy through a company and then later find out the company didn’t exist,” the force said.

There are also fears that conmen could exploit the cryptocurrency craze by setting up fraudulent sites to steal customer’s credit card details.

track record. Before investing, check whether the fund holds bitcoin directly or buys “derivatives” – products based on an asset’s value.

Hargreaves Lansdown, for example, offers two bitcoin ETFs as well as a bitcoin investment trust.

What about other cryptocurrencies?

Bitcoin is the best known of what are also called digital currencies, but more than 1,000 others have already been created.

The four most popular after bitcoin are ethereum, bitcoin cash, ripple and litecoin. These have also posted substantial gains in recent weeks.

Where can I find out more details?

There is wealth of information online, so check as many sources as you can. Coindesk.com is a good starting point to find out about this strange new financial world.



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Finally - a balanced article on Bitcoin. If you want to buy bitcoin - like any other currency, or asset - you have to buy it from somebody (unless you are mining it).

It is interesting that Bitcoin / GBP or Bitcoin / USD is always expressed as though Bitcoin is increasing relative to the fiat currency.

Another way to look at it - is that Bitcoin is holding, and Pounds sterling is weakening against it, as is Dollars.

We are witnessing the migration of money from old technology to new technology. Is an Apple 10 worth 20 Apple 1s? or is it just a replacement of something people will no longer want.

Bitcoin is so expensive to transmit - that it is currently more of an asset, than a currency. Not so the new cryptos.

Congratulations Anna Mikhailova.

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Ultimately, those currently owning Bitcoin will want to cash out into a mainstream currency to crystalise their gains. Effectively therefore, Bitcoin is just another vehicle to invest/speculate in, it is not a currency. If it was, then people would be happy to hold it as a currency and spend it as a currency. That does not really happen because it is too inflexible, too cumbersome and too risky to hold it long term.

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People do hold and spend it as a currency, me for example. I use a Wirex card loaded with Litecoin and Bitcoin. I spend it and withdraw cash in local fiat currency on a daily basis. Buy coins from Coinbase, transmit it to wirex wallet and spend....what's so hard about that?

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@Peter Grant That's where you're wrong, kiddo.

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I still have no answer to my question: when one puts actual money into a bitcoin machine where does the money go? Who has it and what is done with it?

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Money goes to the vendor. There is now a secondary market and you are buying off someone who has mined some, or bought some in the past. Not many sellers, hence the pricing. I think.

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