



Cryptocurrencies are "Apps" or Tokens Issued on a Distributed Ledger

Seven basic types of tokens

1. **Currency tokens:** "or Coins" - bitcoin, ethereum, dogecoin, Litecoin
2. **Commodity tokens:** linked to gold, diamonds other commodities.
3. **Utility tokens:** offers functions- rewards, membership, discounts, access to content, special payments, gaming
4. **Security tokens:** ownership shares in an enterprise, investment vehicles
5. **Stablecoins:** lined to fiat currencies (yen, dollars, etc.)
6. **Central Bank Digital Currencies (CBDCs):** issued by Central Banks
7. **Non-fungible tokens or NFTs:** Usually unique collectibles.

What is fiat currency?

The term fiat currency is commonly used to distinguish regular money from cryptocurrency.

For More Information:

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Our Best Customer is an
educated customer.

Educate yourself before
Investing in Cryptocurrency

UNITED STATES VIRGIN ISLANDS
OFFICE OF THE LIEUTENANT GOVERNOR
DIVISION OF BANKING, INSURANCE
AND FINANCIAL REGULATION

WHAT U.S. VIRGIN ISLANDS CONSUMERS
NEED TO KNOW BEFORE INVESTING IN

BITCOIN



Cryptocurrency



What is Bitcoin?

Bitcoin, often described as a cryptocurrency, a virtual currency or a digital currency. A type of money that is completely virtual. It's like an online version of cash. You can use it to buy products and services. Bitcoin operates free of any central control or the oversight of banks or governments. Instead it relies on peer-to-peer software and cryptography. A public ledger (**Blockchain**) records all bitcoin transactions and copies are held on servers around the world.

Definition of Cryptocurrency:

Cryptocurrency: any form of currency that only exists digitally, that usually has no central issuing or regulating authority but instead uses a decentralized system to record transactions and manage the issuance of new units, and that relies on cryptography to prevent counterfeiting and fraudulent transactions.

How Does Cryptocurrency work?

Cryptocurrency, sometimes called crypto-currency or crypto, is any form of currency that exists digitally or virtually and uses cryptography to secure transactions.

Cryptocurrencies don't have a central issuing or regulating authority, instead using a decentralized system to record transactions and issue new units.

Is Cryptocurrency real money?

Cryptocurrencies are digital assets people use as investments and for online purchases. You exchange real currency, like dollars, to buy "coins" or "tokens" of a certain kind of cryptocurrency.

What is a Bitcoin Blockchain?

Bitcoin's blockchain is a distributed ledger, a series of linked blocks containing transaction records, that is undergirded by complex mining processes to ensure the integrity of transactions. The blockchain is public, meaning anyone can view transactions occurring on it.

Can Bitcoin be converted into money?

Yes, through a cryptocurrency exchange, Bitcoin ATM, Bitcoin Debt Card, Peer to Peer transaction, or Bank transfer.



What is a Blockchain in Simple Terms?

Blockchain is a system of recording information in a way that makes it difficult or impossible to change, hack, or cheat the system. A blockchain is essentially a digital ledger of transactions that is duplicated and distributed across the entire network of computer systems on the blockchain.

The Properties of Distributed Ledger Technology (DLT)

Programmable
A blockchain is programmable (i.e. Smart Contracts)

Secure
All records are individually encrypted

Anonymous
The identity of participants is either anonymous or pseudonymous

Unanimous
All network participants agree to the validity of each of the records

Distributed
All network participants have a copy of the ledger for complete transparency

Immutable
Any validated records are irreversible and cannot be changed

Time-stamped
A transaction timestamp is recorded on a block

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Pros:

- Protection from inflation
- Self-governed and managed
- Secure and private
- Currency exchanges can be done easily
- Decentralized
- Cost-effective mode of transaction
- A fast way to transfer funds

Cons:

- No consumer protection/unregulated
- Lack of standardized policy for chargebacks or refunds
- Transaction fraud; goods that the seller never delivers, can't request a refund through Bitcoin
- If a hard drive crashes, or virus corrupts data, virtual currency can be lost never to be recovered
- The value of virtual money is volatile (not stable)
- Tax implication

