# CAN BITCOIN BE CONVERTED TO CASH?

*And 15 Common Questions About Electronic Currencies...Answered!*

ANTHONY KATUSIIME

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## And 15 Common Questions About Electronic Currencies… Answered!

Anthony Katusiime

The characters and events portrayed in this book are fictitious. Any similarity to real persons, living or dead, is coincidental and not intended by the author.



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# Introduction

Hey there!

Does the world of Bitcoin seem complex, intimidating, and hopelessly high-tech? Have you heard words like "blockchain," "decentralized currency," "mining," and "proof-of-work system" thrown around but found yourself struggling to understand what everyone is talking about? After all, these words don't even sound like they belong in the English language!

What is Bitcoin, exactly? How does

it work? And can it be converted into cash?

In my world of banking, people have been whispering about Bitcoin for many years now. The buzz started small, in 2008, with fantastical stories of teenagers making millions trading virtual currency during the global economic crash. Next, tales began circulating about the mythical founder of Bitcoin, *Satoshi Nakamoto*. Who was this man and what were his intentions?

Swept along by the buzz, I dug deeper and soon became a Bitcoin researcher at a leading consultancy. As I started to spend my days studying the ins and outs of Bitcoin I quickly realized the

way most people think about it are misguided and unhelpful. In fact, the basic view most people have about virtual currency is actually *downright wrong*.

As I became an expert on Bitcoin, my friends, family, acquaintances, and even co-workers started coming to me asking for help understanding the complexities of virtual currencies. I learned that everyone else was just as confused as I had been about what Bitcoin is, how it works, what makes it safe, and why it was even invented.

There were certain questions everyone seemed to have about Bitcoin. And the answers I found circulating on the internet were often misleading,

lacking detail, or even entirely false.

I was so amazed at the popularity of these questions and the lack of good information out there that I decided to write this short book on common Bitcoin questions, for anyone else who is wondering the same things.

I hope you find the answers helpful!

Sincerely,
Anthony Katusiime
June, 2020

# 1. What Is Bitcoin?

The technology to make payments over the internet has progressed rapidly in recent decades but certain limitations persist. Importantly, all transactions must be routed through a financial institution. But what if you want to cut out the middleman and do digital business with others directly?

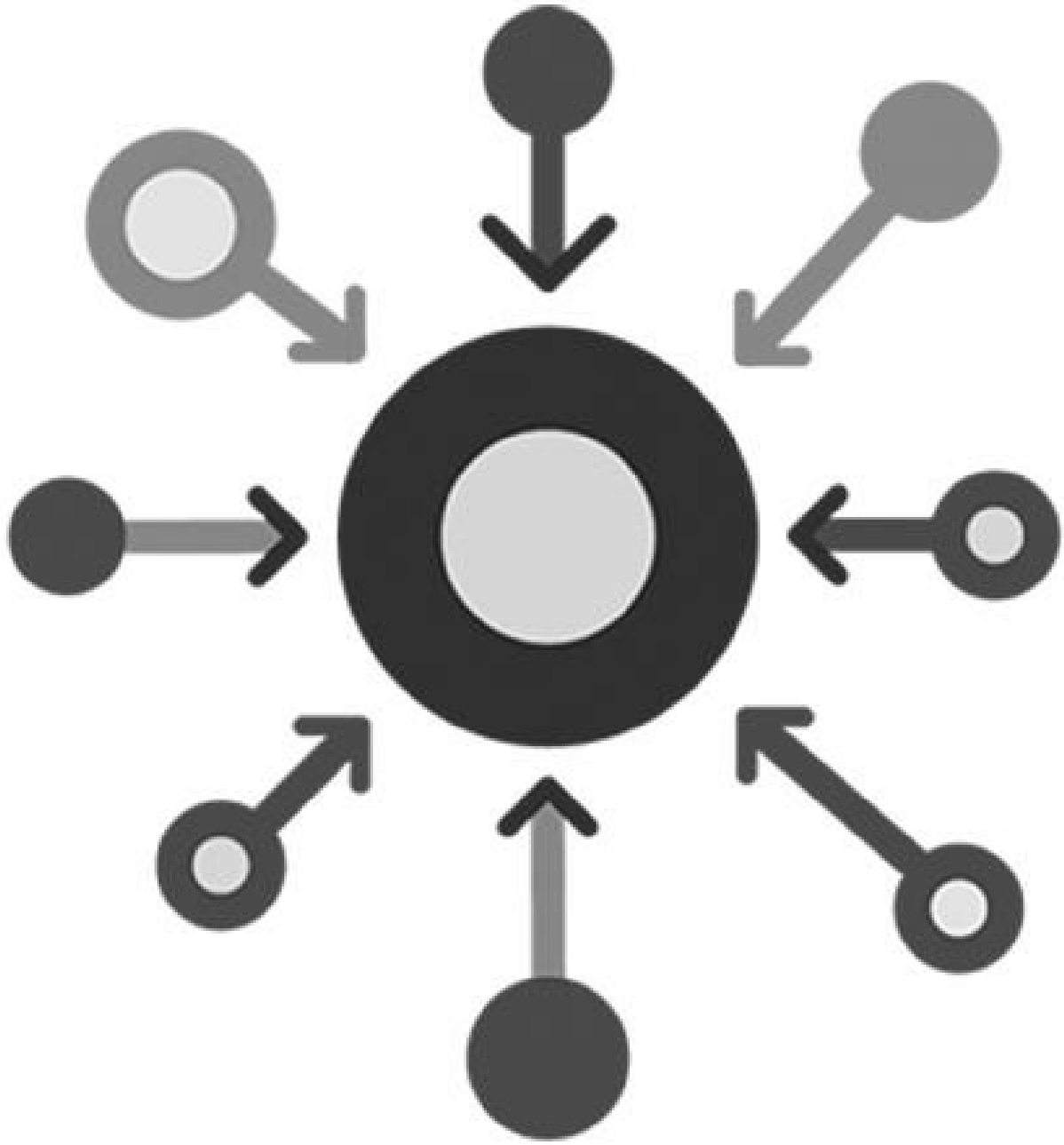
Bitcoin was created to make 'peer-to-peer' electronic transactions possible without the need for a trusted third party. That's why it's sometimes referred to as 'electronic cash.' With Bitcoin you can send money directly to another person and the system is managed by computers, and not financial institutions.

The innovation of Bitcoin is that it makes use of peer-to-peer technology to function without the need for financial institution mediating the transactions.

Bitcoin is entirely public and open to everyone and it can be used to do anything that is lawful, such as purchasing and selling products, sending funds to friends or family members, or issuing credit. Bitcoins can also be sold, purchased, or exchanged for any other currency. Completely virtual in nature, there is no actual 'physical' coin for you to hold onto when you own a Bitcoin. You'll just have a handful of secret code numbers that you can use to transfer ownership of your Bitcoins to someone else in the network whenever you like.

# 2. How Does Bitcoin Work?

The technology that powers Bitcoin was created by combining several different existing innovations together, like the ‘HashCash’ algorithm and b-money cryptocurrency system. The result is a peer-to-peer electronic cash system that is not dependent on a central authority for issuance, settlement of currency, or validation of transactions.



Central to the functioning of Bitcoin is something called the Blockchain, which is a public list of every transaction that is made. The Blockchain

is made up of a series of ‘blocks,’ with a new block being produced every 10 minutes or so. Because the Blockchain is distributed across many computers called ‘nodes,’ they don’t have to trust any one another to have an accurate version of the transaction history.

# 3. Who Created Bitcoin?

The origins of Bitcoin were initially shrouded in mystery and legend. The idea was first officially mentioned in a 2008 white paper published under the alias Satoshi Nakamoto. But who actually wrote this white paper?

Dr. Craig Steven Wright has claimed credit for the Bitcoin white paper and has come forward as the real Satoshi Nakamoto. Many accept Dr. Wright as the creator of Bitcoin today.

Born in October, 1970 in Brisbane, Dr. Craig S. Wright is an Australian computer scientist, inventor, and businessman. Today, Dr. Wright is the

Chief Scientist at *nChain,* a research and development group focused on leveraging advisory blockchain technologies to ignite the adoption and massive growth of Bitcoin.

There is sufficient proof available

that he is who he says he is. For example, the Kleiman v. Wright case would have no legal standing if Dr. Wright is not Satoshi Nakamoto.

Prior to his work on Bitcoin, Dr. Wright worked in information security and digital forensics. He conducted more than 1,200 engagements related to information security for over 120 international and Australian organisations. He has also served as a researcher and lecturer in the computer sciences department of Charles Sturt University, where he is well known for his academic articles on Bitcoin, cryptocurrency, IT, and security issues.

Though many different versions of Bitcoin exist today, the one that most

closely follows the original protocol laid out in the white paper is Bitcoin Satoshi Vision, known as the Bitcoin SV, or BSV, for short.

# 4. What Are The Benefits Of Bitcoin?

Bitcoin has a fixed supply, meaning there will only ever be 21 million Bitcoin issued. This means it's value will increase over time, rather than

decreasing over time as a typical Fiat currency does. Bitcoin also has very low transaction fees and provides transparency. It can be accessed and used by anyone without the requirement of an internet connection.

There are also many security benefits associated with conducting your transactions in Bitcoin. Moreover, it's highly durable, infinitely divisible, and easily transmitted to others at low cost. This is likely why it is the *least favourite* currency of criminals. Because of it's traceable nature Bitcoin encourages good behaviour and honest transactions in business and life.

# 5. What Is The Proof-Of-Work System?

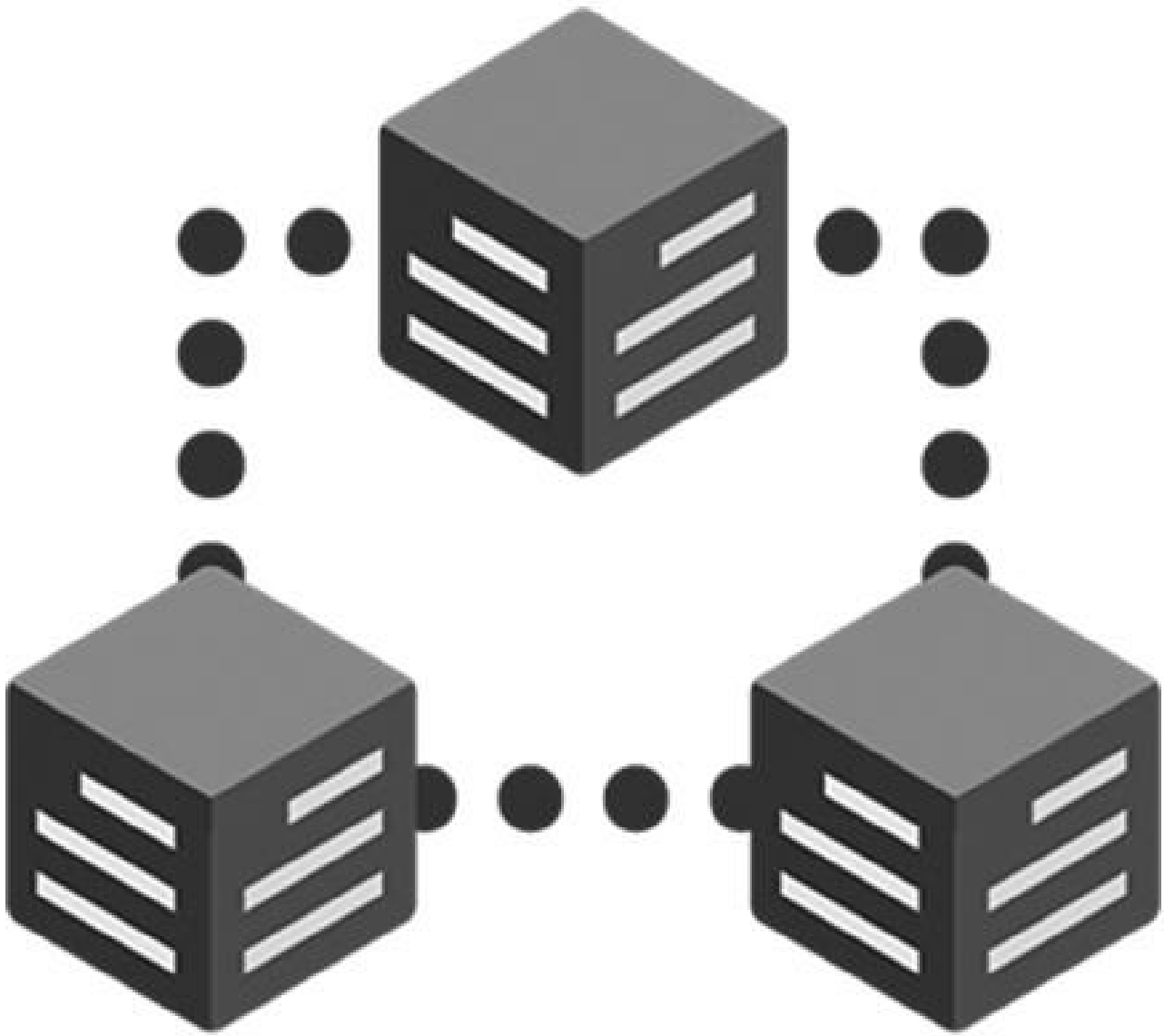
The Bitcoin network consists of transaction processing computers all over the world, known as nodes, who participate in something called ‘mining.’ These nodes are critical to maintaining the blockchain. Every ten minutes the nodes all compete with each other to see who will win the right to add the next block to the Blockchain. If you win and your block is accepted you can be rewarded in Bitcoin, so you can actually make money doing this.

Think about it like a lottery or a

raffle. Every ten minutes a new random number is chosen and all of the nodes all over the world start making guesses as fast as they can until they crack the code. In this game, the only way to win is to try a lot of different codes really fast, which requires a lot of processing power. Thus, when you guess the code first, it proves that you've been working hard for a long time. That's why it's known as 'proof-of-work.'

# 6. How Does The Blockchain Work?

The ‘blockchain’ is the name given to the public ledger recording every Bitcoin transaction. Each ‘block’ in the chain contains a ‘hash,’ or encrypted summary, of the previous block along with an official record of all new transactions added since the last block. This creates an unbroken chain going all the way back to the genesis of the currency.



The block stores the dollar amount, time, and date of every transaction as well as collecting some data regarding participants. To ensure confidentiality a

novel username must be assigned to each participant, known as a digital signature. These signatures are stored instead of actual names. Once a block is written it is extremely difficult to modify.

# 7. What Is Bitcoin Mining?

Bitcoins are produced using a procedure known as ‘mining,’ which doesn’t actually involve rocks, ores, or precious metals. Each time a new vote is called to write the next block in the chain, all of the nodes in the network begin competing to find the solution to a complicated mathematical problem. This requires a significant amount of computing power and is known as ‘mining.’

Nodes that correctly solve the problem are rewarded with Bitcoins at random, incentivizing people to join the network. Thus, miners who persist will

occasionally ‘strike gold’ and win a Bitcoin for their troubles.

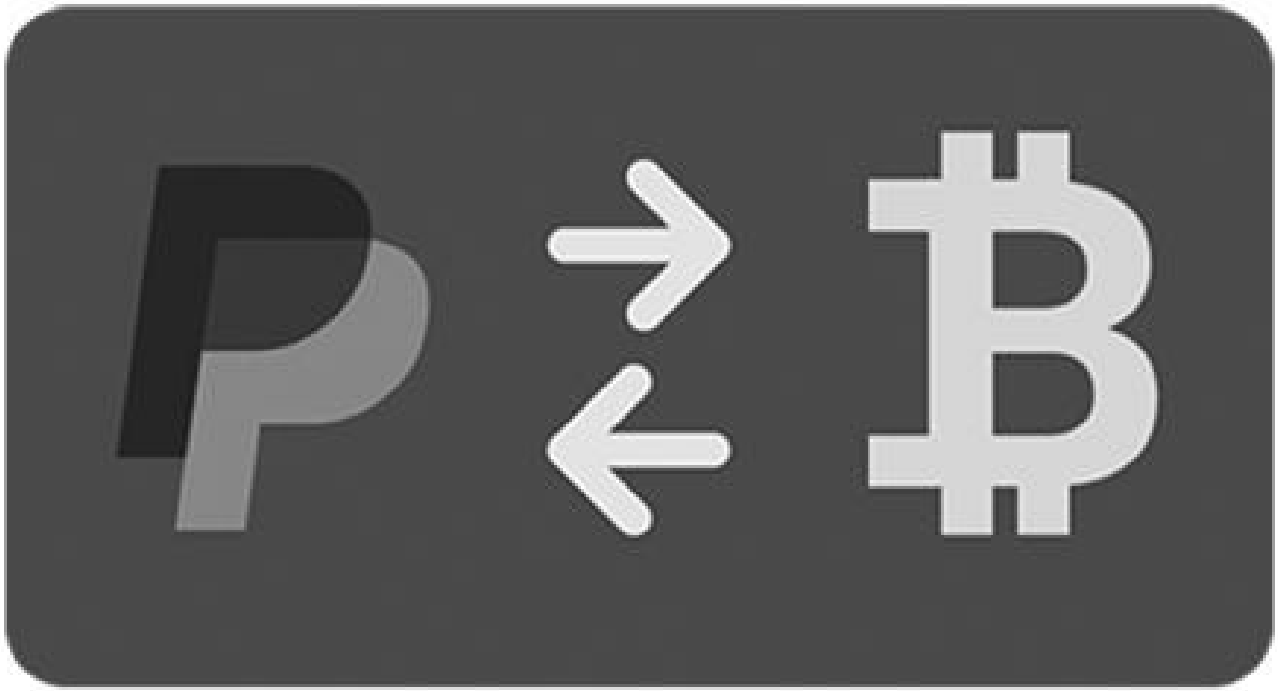
Every 10 minutes, on average, one node successfully validates the transactions of the past 10 minutes and is rewarded with newly-released Bitcoins. The difficulty of the tasks given to miners to perform is continually adjusted so that a node is able to succeed every 10 minutes regardless how many miners are working. The rate at which Bitcoins are released will be automatically reduced by half after every 4 years, until the total number of Bitcoins released is 21 million.

Bitcoin mining is costly and painstaking but can pay off for those with high performance machines. Having

a large number of nodes constantly validating all transactions in parallel ensures that every Bitcoin trade is legitimate. Bitcoin mining prevents the double-spending phenomenon, promoting honest transactions.

# 8. Can Bitcoin Be Converted To Cash?

Yes, it's quite simple to convert between Bitcoin and other currencies. First, in order to own and hold Bitcoin you'll need a virtual wallet. This is essentially just an encrypted app that keeps the private access codes for your Bitcoins all safe and secure in one place. Using an exchange like buybsv.com or Gravityeco you can then exchange your Bitcoin to any major Fiat currency offered on the respective platforms.



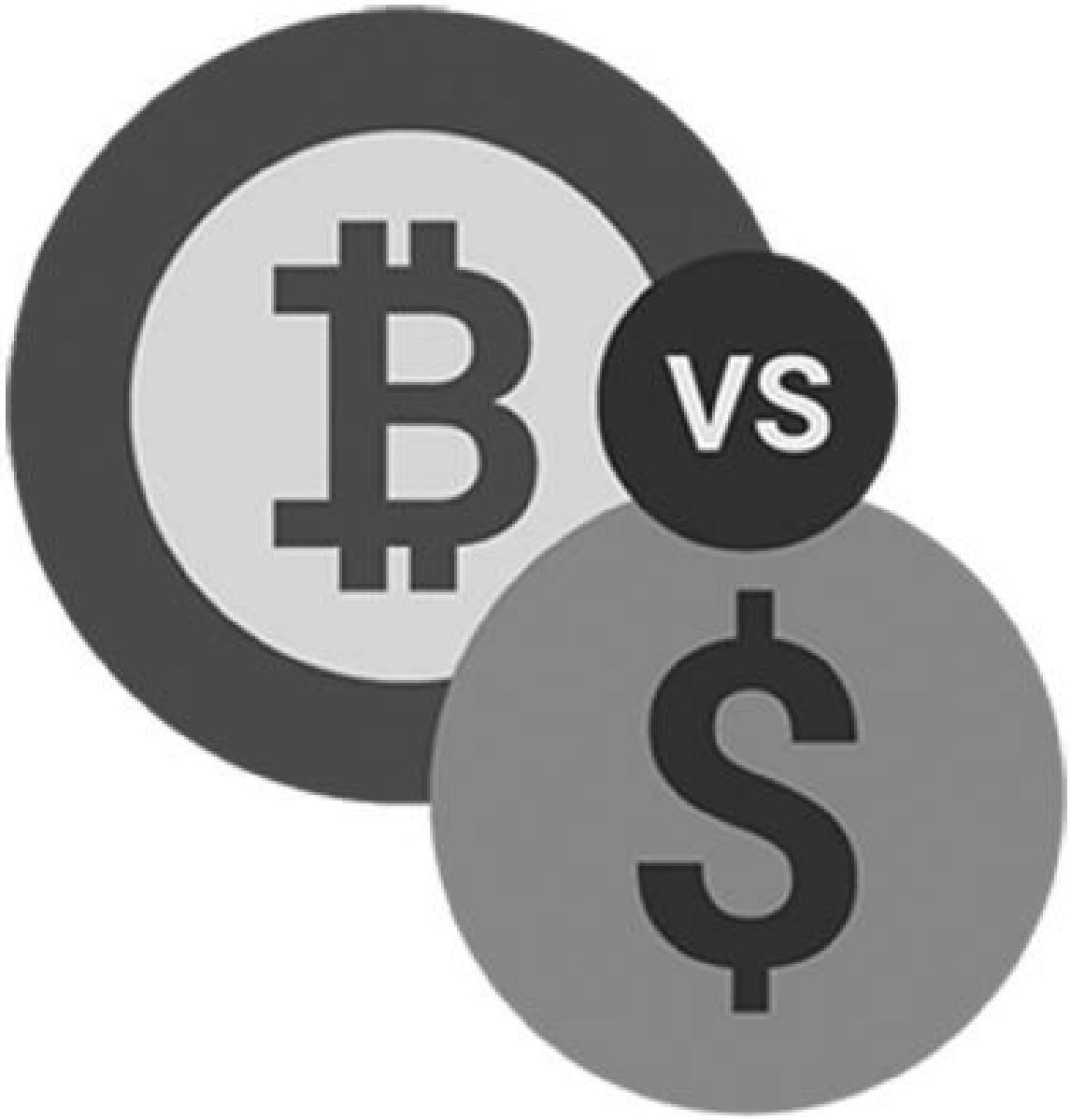
What is more important however is that Bitcoin can be used directly as electronic cash with the key benefit of the extremely low transaction fees, which enable micro-transactions.

# 9. Is Bitcoin Anonymous?

One of the major misconceptions about the bitcoin is that it is anonymous. Actually, the Bitcoin blockchain is *public* record. Of course, the muddled strings of numbers and letters used in the blockchain to represent the parties in Bitcoin transactions don't mean much to the public. But they can provide clues to law enforcement agencies and other motivated investigators.

# 10. Can Bitcoin Replace Fiat Currency?

This is actually the wrong question to be asking. The purpose of Bitcoin is not to *replace* currencies like the US dollar. Rather, Bitcoin could co-exist with the dollar and both currencies would benefit from having each other in the picture. Bitcoin has many desirable features such as extremely low transaction fees, and the lack of a need to go through a financial institution.




One day, I believe Governments will tokenise national currencies on the Bitcoin blockchain. This would be an ideal way of expanding financial

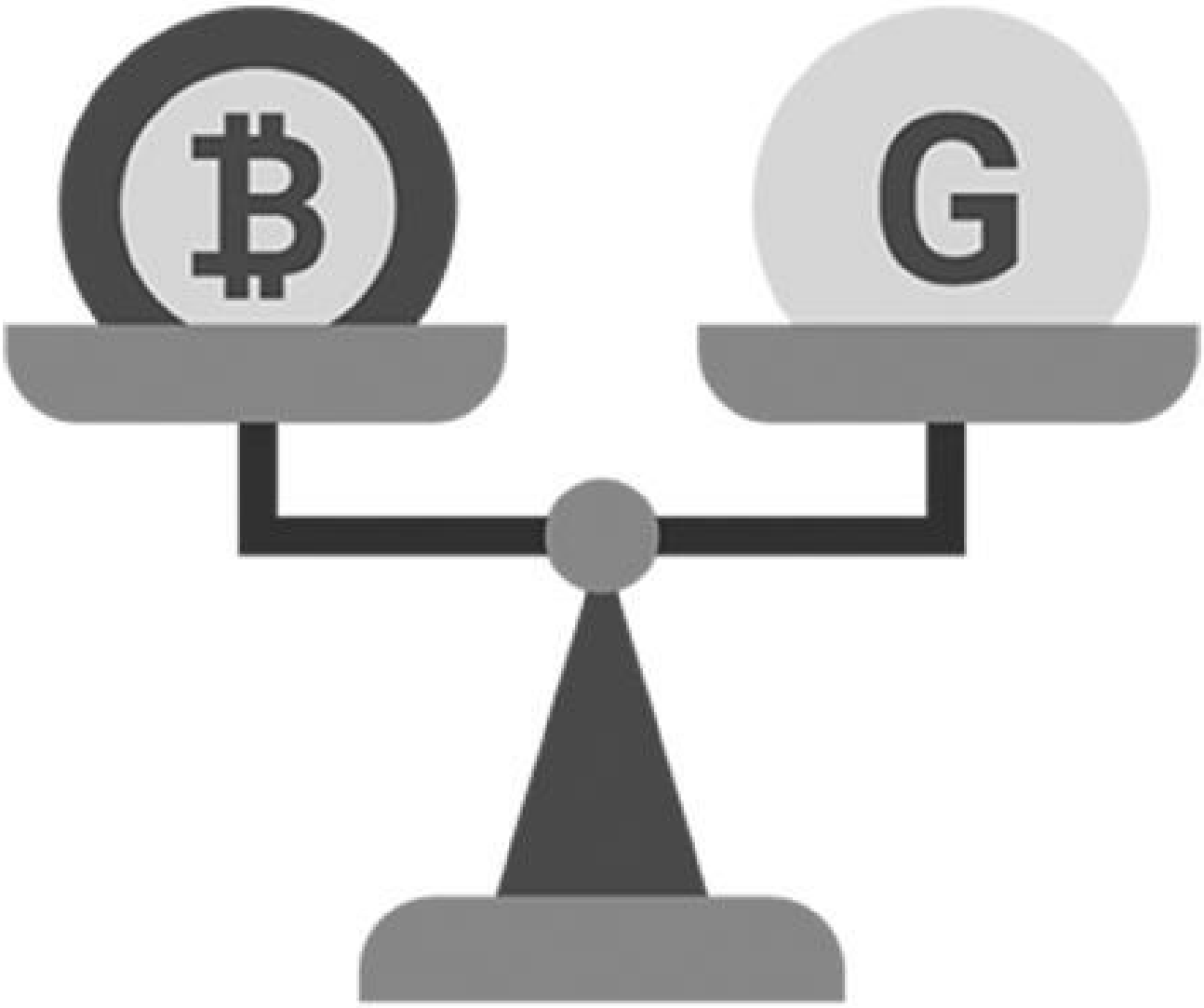
inclusion by lowering transaction fees and enabling micro-transactions with minimal disruption to the operation of national currencies.

# 11. How Is Bitcoin Taxed?

The legal frameworks relating to Bitcoin differ in different regions. For instance, in Bahrain and Qatar, citizens

are not allowed to engage in cryptocurrency transactions at the local level. In Israel Bitcoin is taxed as an asset, whereas in Spain and Argentina it is taxed as income. In Bulgaria it is regulated as a financial asset. Switzerland regulates Bitcoin as foreign currency and the UK regulates it as a tax on income as it renders gain. Therefore, Bitcoin is regulated differently around the world and how it is taxed depends very much on which country you're in.

# 12. Is Bitcoin A “Bubble?”




When the price of anything increases quickly in a short amount of time there's always talk that it might be a "bubble." Some people confuse price with value.

The price of something is not necessarily the value of the thing, especially in the season of 'unlimited' fiat-currency creation. I plan to have another book in the future to explore this phenomenon in detail.

Bitcoin has value because it is useful and has a fixed supply. As people and businesses accept it in exchange for goods and services, the value of Bitcoin increases. This will become more prominent once national currencies are tokenised on the Bitcoin blockchain.

# 13. What's the Difference Between BTC and BSV?

Bitcoin has split off a few times since it was created and each of the branches has formed a different cryptocurrency. Two of the most prominent branches of Bitcoin are known as BTC and BSV. The latter, BSV, is considered to be the main branch of Bitcoin. The BTC abbreviation stands simply for Bitcoin Core. The latter, BSV, stands for Bitcoin Satoshi Vision or Bitcoin SV. This currency is thought to be more true to the

original intent of the Bitcoin white paper.

Due to its ability to potentially scale infinitely, it is thought that when Governments begin tokenizing national currencies they will opt to use the BSV blockchain, rather than BTC.

# 14. Can Bitcoin Be Hacked?

Some people believe Bitcoin is a currency for criminals or internet geeks. However, this isn't the case. The blockchain network is not entirely immune to hackers but in general it's more secure than other forms of currency.

Satoshi described “a greedy attacker” being “able to assemble more CPU power than all the honest nodes.” While theoretically possible, this would be exceptionally resource intensive to pull off. If you were able to amass this much computing power, it would actually be more profitable to participate in mining than to attack the network. So there is never any incentive to hack Bitcoin.

# 15. How Do You Receive Bitcoin?

You can receive Bitcoin through a public address, key, or paymail address. These could be linked to your Bitcoin wallet, which is software to help you store Bitcoin. Technically, the Bitcoin itself isn't actually stored in your wallet. Rather, the private key of your Bitcoin wallet is the confirmation of the Bitcoin that you control. A Bitcoin wallet also helps you to send Bitcoin.

A Bitcoin address is simply an alphanumeric identifier which is used to represent the destination for the Bitcoin. The Private Key is a secret number that

makes a Bitcoin eligible for spending. Each key is unique and random to ensure security.

# 16. What Is The Future Of Bitcoin?

According to Dr. Craig S. Wright, the future of Bitcoin is the replacement of the Internet with the Metanet, a Blockchain-based Internet where all data is assigned value. This in conjunction with tokenized Fiat currencies, makes Bitcoin Satoshi Vision (BSV) the key to the 'Fourth Industrial Revolution' where 'data is the new oil'.


BITCOIN
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