

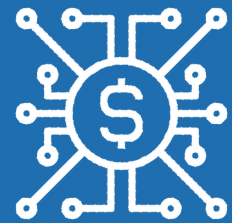
# The Basics of Cryptoassets

Cryptoassets continue to be popular among investors whether they're young or old, novice or expert, new or experienced. However, no matter your investment experience or how wealthy you may be, investing in cryptoassets continues to evolve and can be extremely risky.

## Cryptoasset Terms

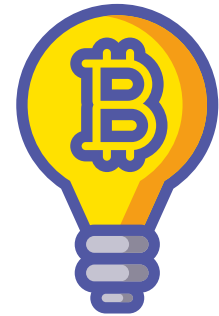
### Cryptocurrency

A cryptocurrency is a form of digital asset. It can be traded, or in some instances used to buy products or services. Many cryptocurrencies are decentralized, not legal tender, and are recorded and tracked through an electronic ledger known as the blockchain.



### Bitcoin:

The first and most popular cryptocurrency. It is decentralized and runs on the blockchain. Canadian securities regulators do not consider Bitcoin itself to be a security. However, the manner in which Bitcoin is usually traded on a trading platform or through dealers brings those transactions under securities laws.



### Blockchain:

An electronic ledger that records transactions. The ledger is designed with secure features and shared on multiple computers around the world which is intended to make it difficult to change or manipulate.



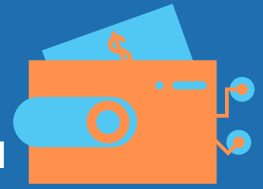
### Mining:

New Bitcoins are issued through a process called mining. Maintaining the ledger of transactions on the blockchain involves solving complex algorithms using very powerful computers which result in the addition of blocks to a cryptoasset's blockchain. In exchange for solving the algorithms and adding these blocks, miners receive a fee in cryptocurrency.



### Digital Wallet:

Digital wallets are used to store the data which comprise cryptocurrencies. This can be done online through hot wallets, which are data storage devices connected to the internet, or through cold wallets, which are not connected to the internet.



### Public Keys:

One way of protecting cryptocurrencies. A public key is used to verify the number of crypto units stored at the wallet address connected to the public key.



### Private Keys:

A special pass code used by an owner of a digital wallet that is needed to gain access to the wallet and the cryptoassets it holds.



### Initial Coin Offerings:

Also known as an ICO or Initial Token Offering (ITO). It is a way of raising capital to finance a start-up that is intended to develop a new type of coin or token attached with a new or established blockchain. Investors are offered coins or tokens that potentially could increase in value dependent on the success of the start-up and acceptance of the new coin or token.



### Other Cryptocurrencies:

Some other well-known cryptocurrencies include:



Ethereum



Litecoin



Dogecoin



Cardano



Ripple



# Cryptoasset Risks



## Volatility

Cryptoassets can be extremely volatile, as seen in the large price swings Bitcoin has seen during its lifespan. Your cryptoassets can rise or decline in value by substantial percentages multiple times a day.

## Lack of oversight

Canadian securities regulators have developed rules for registration of CTPs for investor protection. However there remain many unregulated CTPs which have no guarantee of legitimacy, reliability or security. This can lead to investor losses without any recourse due to the lack of investor protection measures.. Registration does not, however, offer any protection against price volatility of cryptoassets.

## Liquidity risk

Since cryptoassets are not legal tender, it can sometimes be difficult to trade or prices may widely fluctuate. How liquid your cryptoassets are can change quickly and may force you into accepting trades below your comfort zone due to speculative demand.

## Technology risk

There are already several examples of people losing their cryptoassets because they cannot access their digital wallets. This could be because they lost their private key, or their flash drive malfunctioned or was lost. Since cryptoassets are completely digital they are always at risk of technological failure. There have also been cases in which CTPs have been hacked and their users have lost access to their cryptoassets.

## Fraud risk

Cryptoassets have become a popular hook for fraudsters and scammers. Some developers have received money from purchasers through an ICO and then failed to deliver what they promised.

# How do I purchase/sell cryptoassets?

There are several different ways through which you can currently purchase or sell cryptoassets.

## Over-The-Counter (OTC) Market



On an OTC market an individual can trade cryptoassets directly with another owner for other cryptoassets or other assets, including fiat currency.

## Cryptoasset Trading Platforms (CTPs)



CTPs allow individual to trade cryptoassets using an online dealer or marketplace. To legally operate in Canada CTPs must be registered with securities regulators.

## Investment Funds



Some mutual funds and exchange-traded funds (ETFs) invests in cryptoassets. Investment funds are intended to replicate the performance of a specific cryptoasset, such as Bitcoin.

The cryptoassets landscape in Canada and around the world in constantly changing. For the latest securities rules and regulations around cryptoassets visit the website of your local securities regulator.



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