

# What Parents & Carers Need to Know about CRYPTOCURRENCY

## What is cryptocurrency?

Cryptocurrency is software enabling the exchange and storage of digital 'coins' representing financial value. To monitor who owns which coins, platforms save an online record of every transaction, called a 'ledger' or 'blockchain'. This is secured by cryptography: a set of methods for protecting sensitive information. Bitcoin, released in 2009, was the first cryptocurrency; other platforms have since launched such as Ethereum, Tezos and Filecoin. As cryptocurrency becomes a more established part of digital life, young people are bound to encounter it – so it's vital that trusted adults understand its risks, and how it can be explored and used safely.

### COMPLEX TECHNOLOGY

Like any new software, cryptocurrency comes with bugs, flaws and limitations. Broadly, it hasn't yet evolved to be as user friendly as web browsing or social media. Using it safely means spending time learning about the complicated technology it uses. We would strongly suggest anyone considering getting involved in cryptocurrency should consult specialised tutorials to learn about it properly in advance.

### WIDESPREAD EXAMPLES

Cryptocurrency software for smartphones is often free to download from app stores. Emails with links to cryptocurrency services can land in any inbox. Cryptocurrency is also advertised on search engines, on social media and in online games (for example to buy add-ons which help players level up). It can't be purchased easily without a credit card or bank account, but young people will still be exposed to cryptocurrency in various settings.

### CHANCE OF SCAMS

Cryptocurrency provides another opportunity for scammers to extract personal data and money from unwary web users. Unlike credit card transactions or wire transfers, a bank can't reverse cryptocurrency transactions after a suspected fraud – making it an appealing channel for online extortion. These transactions do leave evidence in the blockchain, however, which means that cryptocurrency scammers can and do get caught.

### BEING LOCKED OUT

If you forget your online banking password, you can reset it by proving your identity in another way. In the world of 'crypto', however, the private key to access your funds can't be reset. Cryptocurrency operates without intermediaries like banks – so no-one stores a copy of users' private keys. This has security benefits, but also presents the huge risk of permanently losing access to your account. Learn how to store private keys securely before purchasing any significant amounts of cryptocurrency.

### RISKY INVESTMENT

Prices can be very volatile, so cryptocurrencies are considered high-risk investments. If you might need your savings soon, don't hold them in cryptocurrency as their value could drop suddenly and sharply. Sometimes, cryptocurrency may be a profitable investment – but note that any gains are taxable. You may even have to pay tax when exchanging one cryptocurrency for another if the currency you're exchanging is priced higher than it was when you bought it.

## Advice for Parents & Carers

### AVOID IF UNSURE

In the UK, cryptocurrency is considered risky, because users aren't well protected if something goes wrong. Most cryptocurrencies use software developed by decentralised communities, so there's no customer service and no support if your funds get stolen or you lose access to your mobile cryptocurrency wallet. Unless you understand cryptocurrency, it's probably best not to use it. After all, if you couldn't comprehend the highway code, it wouldn't be safe for you to drive.

### CHECK CREDENTIALS

Buying cryptocurrency for the first time involves wiring funds from your bank to a cryptocurrency exchange – a business that converts your money into cryptocurrency. They can also store cryptocurrency for you, though this could present a security risk. Cryptocurrency businesses in the UK must now comply with money laundering regulations: the Financial Conduct Authority's website has a list of all business that are approved, and it's best to avoid dealing with any that aren't.

### EXPECT EXPOSURE

If your child plays online games that involve some form of virtual currency, and has access to some kind of payment method, they may find themselves in a position to buy and use cryptocurrency. There's probably no immediate danger, but discussing the potential risks with them could be useful. If your child is old enough to understand the concepts of spending and saving or to grasp the basics of programming, then they're old enough to learn about cryptocurrency.

### STAY CAUTIOUS, STAY INFORMED

Approach cryptocurrency with caution as well as curiosity. Don't click on links in unexpected emails referring to cryptocurrency and beware of promotions promising free cryptocurrency in exchange for personal information. Avoid mentioning on social media that you own cryptocurrency, as this can attract scammers. Stay informed of potential new risks and regulations by regularly checking specialised sources (such as CoinDesk).

### Meet Our Expert

JP Vergne is an educator and associate professor at University College London's School of Management. His award-winning research on technology and organisation has been published in leading academic journals as well as in two books. JP is also a speaker and advises on startups. He tweets at @PirateOrg.



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