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## Cryptocurrencies: Breaking Records

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# Cryptocurrencies: Breaking Records

**A new world order is taking shape.  
What should we make of it?**

*“Every informed person needs to know about Bitcoin because it might be one of the world’s most important developments.”* - Leon Louw, two-time Nobel Peace Prize nominee

On the price of a single Bitcoin, the world’s oldest cryptocurrency breached \$67,000, reaching its all-time high. In just over a decade since it was created by the enigmatic Satoshi Nakamoto, the digital currency has turned heads across the globe. The total market capitalization of all cryptocurrencies reached a mind-boggling \$2.7 trillion. They have their share of disbelievers who point to all the volatility associated with the shiny new asset class. On the other hand, virtual currencies have also garnered a cult following with all sorts of applications that promise to change the world.

Small wonder that it can get a bit intimidating. There is already way too much information on social and mass media. Experts use jargons that laypersons can’t get their heads around. Many are not bothered with understanding the technology and suffer from the fear of missing out. Many want to get in on some of the action before it’s too late.

Some 15 million Indians have shown faith in cryptocurrencies, making India among the most popular countries for crypto-adoption. ZebPay, among the oldest in the business alone caters to 4m users with volumes of over \$1bn every month.

According to Finder, a market research outfit, the top five countries that have the highest ownership of bitcoin all hail from Asia. The firm also estimates that people from the age-group of 18 and 34 years of age account for two-fifths of all users across the world. In India, there has also been more than proportionate interest from tier-2 and tier-3 cities. This can be attributed to the general rise in digital adoption, cheap smartphones and falling broadband rates.

More crucially, Pollyannaish believers point towards the promise of financial inclusion. Where else, they argue,

can one buy a share of a product for as little as 10 rupees? For instance, on the stock market, if a share is valued at a few thousand rupees, one can’t have a part of that pie. And if you don’t have the money, you cannot be part of the action. Today cryptocurrency exchanges have also started offering Systematic Investment Plan (SIP) options for users who can park, say 100 rupees every month and invest them in a variety of cryptocurrencies of their choice.

But what does the future hold for cryptocurrency? Can it be considered as an “asset class” where you can park your money and expect steady returns in the long run? What is blockchain, the underlying technology that keeps a track of all cryptocurrency transactions? Is it safe to trade in this newfangled instrument? Is it legal? Is this all a passing fad or will it be around when my children grow up? Which are the crypto exchanges in India that one can trust?

These are all fair questions. The sector is maturing and learning by the day. Every technology takes time before it settles in. However, cryptocurrencies have been on fire for the last few years. This report, first of many in a series, will attempt to answer some of these head-scratchers.

 **The total market capitalization of all cryptocurrencies reached a mind-boggling \$2.7 trillion.**



Photo by Michael Förtsch on Unsplash

# All hot air or the hot new asset class?

## Blockchain, the underlying technology that keeps track of crypto transactions has some fascinating applications

**"We have elected to put our money and faith in a mathematical framework that is free of politics and human error."** –Tyler Winklevoss, American cryptocurrency and Bitcoin investor, rower, entrepreneur, and founder of Winklevoss Capital Management.

**"Jo dikhta hain, woh bikta hain** [What is visible, sells] is an old chestnut. It illustrates that for products to sell, they need to be seen. For those who continue to believe in that saying, cryptocurrencies and blockchain are a hard sell. After all, virtual currencies are not "coins" but lines of code on a ledger that is not controlled by any centralized institution. Transactions are logged and verified by a network of computers around the world. Blockchain is a database that records such transactions. So what are some of the practical applications—now and in the future—of the newish runaway technology which you cannot see? Here are some highlights:

**Legal tender:** In September El Salvador in Central America became the first nation to adopt Bitcoin as a legal tender. Expats working abroad send money to their families every month through banks which charge a fat commission to wire the money. Remittances account for

around 22% of the country's GDP. In 2020 this amounted to \$6 billion. President Nayib Bukele reckons that moving bitcoins would save its citizens some \$400 million each year in fees.

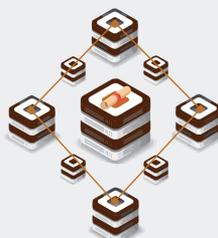
**Blockchain as a service (BaaS):** You would have heard of "Software as a Service" (SaaS) which allows companies to access software on a cloud by paying a subscription fee. Such a model has many advantages. The plug & play software ensures faster "go to market", has lower costs and is scalable. Similarly, BaaS refers to "third-party cloud-based infrastructure and management for companies building and operating blockchain apps". In 2015 Microsoft partnered with ConsenSys to launch an Ethereum BaaS on Microsoft Azure. Amazon has its own BaaS called Amazon Managed Blockchain to "manage scalable blockchain networks".

**Smart contracts:** The term "smart contracts" is not entirely new. It dates back to 1993 but has found more purchase lately after the release of the "Ethereum Project" in 2013. It is a "decentralized platform that runs smart contracts: applications that run exactly as programmed without any possibility of downtime, censorship, fraud or third party interference."

## Smart Contracts



Option contract written as code into a blockchain.



Contract is part of the public blockchain.



Parties involved in the contract are anonymous.



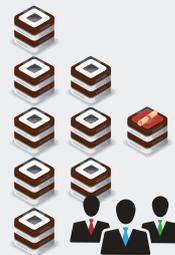
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According to The Economist, “the Ethereum blockchain stores and records lines of computer code, including entire programs, which are visible to all. That makes it possible to construct smart contracts—self-executing agreements in which a chain of actions follows when certain conditions are met. These are automatically enforced and cannot be tampered with.”

This has applications in multiple industries. For instance, in healthcare, health records of patients can be stored permanently on blockchain with a private key ensuring confidentiality. Blockchain can create a secure space for tamper-proof voting. All in all, the underlying technology, that fuels the world of cryptocurrencies, shows tremendous promise.



**Contract executes itself  
when the conditions are met.**



**Regulators use blockchain to  
keep an eye on contracts.**

# Tell me more. Sign me up!

Whereas the crypto craze has caught on among millions of individuals in India, how does one get started?



Photo by Art Rachen on Unsplash

What was once considered to be the preserve of techies is now available for retail investors over two or three taps via cryptocurrency exchanges. Today fund managers recommend the \$2.7 trillion asset class to people such that they can have it in their investment portfolio. According to The Economist, “financial “platform” firms now have over 3bn customers who use e-wallets and payments apps.” Clearly, crypto’s popularity has surged from merely “passing interest” to “serious business”.

But how can a layperson with absolutely no background in technology (and with some spare cash) enter the fascinating world of cryptocurrencies?

**First, go for a trusted cryptocurrency exchange:** Buying bitcoins should not be like buying books where one may visit multiple e-commerce websites to look for the lowest price. Do not look for the “best rates”. It is important to sign up on a platform that has the users’ trust. For instance, ZebPay is one of the fastest-

growing and most popular crypto exchanges with presence in India, Singapore and Australia. It attracts investors from across the globe with exceptional security protocols.



**All virtual currencies are volatile. But there was a time when you needed to store them in physical wallets. They could be stolen. Today, crypto exchanges do that for you. So, again, pick the right one.**

### Keep it simple:

There is an influx of information available online on social media with many experts claiming to know everything there is to know about the mysterious world of cryptocurrencies. There may also be friends, relatives and financial advisors who will, no doubt, have their say. To begin with, do not over-complicate things. Start small. You can buy just 100 rupees worth of cryptocurrency too. Test the waters and see for yourself.

### Is it legal?

That's a frequently asked question. Yes, the system is legal in India. A cryptocurrency bill, too, is expected to be introduced in the parliament shortly.

### Is it safe?

Well, all virtual currencies are volatile. But there was a time when you needed to store them in physical wallets. They could be stolen. Today, crypto exchanges do that for you. So, again, pick the right one.

### Do not lose sight of the future

In a recently concluded podcast with Forbes India, Sayali Rai, a partner at FinCocktail, an outfit that demystifies finance for regular folks, summarises her thoughts on why it is important to think "long term":



"Cryptocurrency in countries like India is not used as a "currency" itself. But there is a technology behind it which is where it derives its value from and that technology has applications in the real world in the future which is what we are banking on. So, the advancements in the technology is what you need to pay attention to.

You may not be an engineer. You may not understand every single aspect of how cryptocurrencies exactly work, but you can get a general idea. There is so much information available online. Just go on YouTube. There are thousands of podcasters that are creating content and some of them are really good. Do your research. As you keep learning, you will understand where you want to put your money."

– Sayali Rai, partner FinCocktail



**"While buying cryptocurrencies, do not look for the "best rates". Sign up on a platform that you can trust."**



# Know your cryptocurrencies

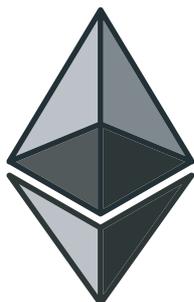
With scores of cryptocurrencies trading on various exchanges around the world, focus on the ones that matter.

Since the launch of Bitcoin back in 2009, thousands of cryptocurrencies have taken shape. Some have stood the test of time. A few others have dodgy names like Idiot coin, PutinCoin and TrumpCoin. Which are the popular digital currencies that you must know about? Here's a quick primer on each of those.



**Bitcoin:** A person by the name of Satoshi Nakamoto mined the first Bitcoin right after the 2008 banking crisis in America. The idea was to wrest the control of currency-creation from banks to a decentralized network. Nakamoto called it "peer-to-peer electronic cash system". The idea, whose

time had come, has since given birth to an industry. Globally, according to JP Morgan, if investors opt for bitcoin as much as gold, its price would rise to as much as \$146,000. The digital currency is often compared to gold given that it's a scarce commodity. Only 21 million bitcoins can be mined of which 80% are already in circulation. With the rising interest in Bitcoins in India, don't be surprised if this shiny invisible coin gives "gold" a run for its money.



**Ethereum:** Vitalik Buterin, a Canadian-Russian computer science student founded the blockchain technology which is run by developers. Unlike Bitcoin which is being pitched as a "store of value" Ethereum has some practical applications beyond serving as a ledger that records cryptocurrency

transactions. Its technology has the ability to hold assets and enables developers to create smart contracts. It is considered to be the "building block" for most of the decentralized applications for finance. Ethereum also hosts Ether, the second-most valuable currency.



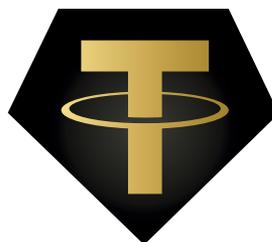
**Solana** is the hot new cryptocurrency on the block whose market capitalization jumped from \$1.8 at the start of the year to nearly \$200 in October. It competes with Ethereum in decentralized finance. Whereas the work on the project began back in 2017, the currency officially kick-started

in March 2021. It is among the fastest blockchains in the world claiming to process a whopping 50,000 transactions per second. This cryptocurrency is worth watching out for.



**Cardano** was created by Charles Hoskinson, a co-founder of Ethereum. With its own digital currency, ADA, the blockchain network facilitates peer-to-peer transactions. The name "Ada" is in the honour of Ada Lovelace, the English mathematician and writer who is often credited

to be the world's first software engineer for having created an algorithm back in the 19th century. Cardano's Ada, was for a while, among the fastest growing cryptocurrencies.



**Tether** is a "stablecoin" that is pegged to the American dollar. In other words, it is theoretically more stable than other cryptocurrencies because it is backed by a fiat currency. It is favoured by investors who are looking for reasonably consistent returns over the long term.

# What on earth is “Going to the moon”?

## Know your crypto-jargons

**W**ith every new technology, comes a fancy bunch of jargons. Cryptocurrency is no different. If you are looking for a “cocktail party payload” or want to appear a little more informed than others, it won’t hurt to know the crypto-syntax.

**FUD** is an acronym that stands for “Fear, Uncertainty and Doubt” to dismiss any naysayers and non-believers in the concept of cryptocurrencies. Folks who spread “fud” are called “fudsters”.

**Have fun staying poor:** The seemingly flippant phrase is directed by crypto-enthusiasts to both the critics and those who are on the fence. It’s a nonchalant way of dismissing sceptics who may not entirely grasp the big picture or the larger goal of the underlying technology of blockchain.



**Hodl:** “Hodl” was born out of an accident when “hold” was misspelled on some cryptocurrency forum in 2013. Some smart-alecky person may have then given it a nice ring by expanding the acronym to “Holding On For Dear Life”.

It’s a rallying cry for those who

believe in the long term implication of cryptocurrencies. It is for those who would like to “stay invested” instead of “speculating” for a quick return. According to the Financial Times, “Hodling is not simply about keeping crypto-investments no matter how low they fall. It also reflects an almost religious belief in the inevitability of a return to profitability and a rejection of both the fickle, unmanly day trader and the myopic, untrustworthy crypto-sceptic.”



**Memecoin:** Think of memecoin and the name “Dogecoin” comes to mind. Dogecoin was launched as a

Bitcoin-parody by founders who wanted to scoff at the sometimes preposterous trading highs and lows that a digital currency may undergo without any concrete reasons. Memecoin is any cryptocurrency that smacks of a meme or an online joke.

**Metaverse:** Metaverse is defined as “a virtual-reality space in which users can interact with a computer-generated environment and other users.” Some call it the “future internet” which depicts reality in a “parallel digital universe”.



**Mining:** Gone are the days when the word “mining” was only associated with coal miners sweating it out. Today, it also refers to the act of verifying cryptocurrency transactions by solving cryptographic calculations through a large network of computers.

**Mooning, aka Going to the Moon:** When the price and trading volume of a cryptocurrency are going off the charts, it is deemed as “going to the moon”.

**Private key:** A private key is a complicated password that is required to access a virtual currency wallet.

**Whale:** Much like the aquatic mammal, cryptocurrency whales are quiet and subdued creatures who surface once in a while, but make a splash. They are known to hold a large proportion of any cryptocurrency, often more than 5%. Their action of buying or selling can have an impact on the overall price movements.

# Cryptocurrency in pop culture

Cryptocurrencies have captured the imagination of the world and now are immortalized in print, online and mass media.



Photo by Art Rachen on Unsplash

When a new phrase or a word is added to the lexicon, it is a big moment. But when it starts appearing in songs, television and films, it is immortalized. Since 2009 cryptocurrencies have made a quantum leap in that sense. What are some of these moments where virtual currencies have made a name for themselves?

In January 2012, Bitcoin was featured in “The Good Wife”, a legal drama during a fictionalized trial. Jim Cramer, the host of CNBC’s Mad Money, an American finance television programme, played himself in a courtroom scene. He testifies that Bitcoin operates in an environment where “there’s no central bank to regulate it; it’s digital and functions completely peer-to-peer”.

In May this year Elon Musk, legendary billionaire entrepreneur appeared on Saturday Night Live, an American television sketch comedy show and spoke about Dogecoin about which he has Tweeted multiple times. Often its price either soars or plummets depending upon Mr Musk’s comments.

“Startup”, a show on Netflix starring Adam Brody and Martin Freeman digs deep into the world of cryptocurrency. Although it was released back in 2016, it has found more relevance with its audience today as the cryptocurrency market has ballooned since.

A Japanese pop group called “Kasotsuka Shojo” or “Virtual Currency Girls” has eight members, each representing the traits of different cryptocurrencies, including Bitcoin, Ethereum and Ripple. The characters wear masks that have cryptocurrency symbols on them. Their first single was called “The Moon and Virtual Currencies and Me.”

And finally, the pinnacle of all pop culture references, is arguably “The Simpsons”, an animated sitcom with following around the world since 1989. In one episode, a high-school bloke Corky James “Jimbo” Jones is shown on a billboard adjacent to a speech bubble with the words: “send me your lunch money online!” and “ACCEPTING BITCOIN” in capital letters at the bottom.



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# Get started with



**F**or all the complicated nature of cryptos, ZebPay makes and keeps it simple. Its mobile app is intuitive and you just need 100 rupees to start your first investment. Create an account, make a deposit and start trading. There's also a portal for advance traders with premium charting tools on a web interface which allow you to manage your account, execute trades and observe market trends.

## What are three key reasons why ZebPay is a good bet?

**Multi-level security:** With customers from across the globe, ZebPay values security over everything else. It's not just about being user-friendly but also ensuring that the platform has the highest standards of security and compliance. The security system is iron clad with a host of internal controls.

## Lend your crypto and get upto 12%\*

**additional returns:** It is a known fact that in addition to saving money, you need to also make your wealth work for you. ZebPay lending platform allows you to lend your crypto for 7-day, 30-day, 60-day and 90-day periods. The rate of return will vary depending upon the period you opt for. Potential earnings include to the tune of 12%\*. In other words, this scheme allows you to earn money on your "passive income" without having to sell any crypto assets.

**Trade in over 50 + crypto assets:** Overall, there are thousands of crypto assets that are introduced almost every second day. But which are the ones that matter? ZebPay lists them all.

*\*on select crypto*



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