

Finance facts: Cryptocurrency

What is cryptocurrency?

Cryptocurrency (crypto), is a type of digital currency that allows people to make payments to each other online.

There are many different cryptos that are traded on crypto exchanges, and they can sometimes be used to purchase goods and services directly with sellers that choose to accept it.

Bitcoin and Ethereum are the main cryptos, but there are more than 25,000 different cryptos in circulation.

The value of a crypto is only what people are willing to pay for it in the market; they have no value as legislated legal tender like a \$10 note or \$2 coin.

How does it work?

Crypto is traded on an electronic network without going through a bank or central government. A crypto coin is actually a string of data written on a public ledger, known as a blockchain.

What is a blockchain?

Blockchain is like an open bank statement, that shows all crypto transactions, making it possible to verify that the transactions are legitimate. It is a digital network.

Why is it called blockchain?

Transactions (this is the term for buying and selling) are recorded in 'blocks' that are then linked together on a 'chain' of previous crypto transactions.

Each new transaction is logged as it happens and the blockchain is updated simultaneously with the new information, keeping the records identical and accurate. It works just like a bank account statement or the statement you receive for your credit or debit card.

Everyone who uses blockchain must have a secure key code to use to access their blockchain account. It's like a PIN and it's very important to keep this number safe.



Did you know?

Storing cryptocurrency safely is not easy. Centralised exchanges are targets for hackers, and the exchange has control over your crypto as you don't own your private keys. A decentralised exchange allows you to access private keys but requires more technical knowledge.

Where do I buy crypto?

Cryptos can be purchased through crypto exchanges.

The main way for people to buy crypto is directly through a registered Digital Currency Exchange (DCE), such as Coinbase, Kraken or Gemini.

They offer the ability to trade some of the most popular cryptos, including Bitcoin, Ethereum and Dogecoin.

A number of local or Australian crypto exchanges have emerged in recent years (including Coinstash, BTCMarkets, Coinspot, Swyftx, Cointree, etc).

How do I buy crypto?

- Decide how much you are willing to spend on crypto—you can buy as little as a few hundred dollars.
- Find an exchange that suits your needs.
- Register for an account on your chosen exchange.
- Complete the mandatory 'Know Your Customer' or KYC requirements.
- Deposit funds into your account.
- Start trading cryptos.

It's important to find a reputable exchange. If you would like a more personalised service, you could consider contacting a broker. Make sure they have a clearly established and public track record of activity. All regulated Australian businesses will ask to confirm your identity—either when you sign up, or before you withdraw.

Risks you should know about

There are many features of cryptocurrency that make holding it risky:

- Because it is relatively new, it is likely that some cryptos will fail in time, leaving the holder with tokens of no value
- It is a challenge for governments to regulate cryptos to protect consumers. As such, there is no recourse (refund) to consumers in the event of cryptos being stolen from digital wallets or any other loss
- The value of cryptos change over time depending on consumer demand, and it is impossible to predict their future value.

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What are non-fungible tokens?

Non-fungible tokens (NFTs) are another type of digital token. Each one is unique, they can include any creative idea such as one-of-a-kind art or songs, or real estate. Tokenising these assets makes trading easier and reduces the likelihood of fraud.

The most expensive NFT ever sold was for \$91.8 million. The dynamic NFT, called 'The Merge', was sold in 2021 by an unknown person(s) to over 28k investors. This NFT will increase in value over time as the units transform into coins.

Buying cryptos

- Never buy something you don't understand.
- Be aware that if you buy something that is risky, you could lose your money.
- Always check your holdings on a regular basis.



Fun facts about Bitcoin

- Bitcoin was created in 2008.
- The real identity of who invented Bitcoin has never been revealed, but the whitepaper written in 2008 was by a person or group known as Satoshi Nakamoto.
- Bitcoin reached an all-time high of over USD\$112,000 in May 2025.
- There will only ever be 21 million Bitcoins.
- New Bitcoins are created by 'mining', which is where computers on an interconnected network complete algorithms to verify and record new transactions on the blockchain.

Digital currency regulations and consumer protection

The Australian Government, through APRA, has been working on cryptocurrency policy since 2014, initially looking at tax treatment and anti-money laundering regulations.

With regard to consumer protections, it will need to be determined on a case-by-case basis if the crypto is a 'financial product'. There are certain activities around the marketing of cryptos that will fall under consumer protection laws, even if the cryptocurrency is not deemed to be a financial product.

More guidance from government on crypto is expected as they continue to consult and formulate new regulations.

Glossary

Australian Prudential Regulation Authority (APRA)	is an independent statutory authority that supervises institutions across banking, insurance and superannuation, and promotes financial system stability.
Broker	is a firm or company that provides trading services. Always use a broker that is licensed. A broker can either be a human being who is processing the trade themselves or a computer program that is only monitored by a human.
Digital currency	is any means of payment that exists in a purely electronic form, it is not physically tangible like a dollar note or a coin.
Non-fungible token (NFT)	are cryptographic assets on a blockchain with unique identification codes and metadata that distinguish them from each other.
Private key	is an alphanumeric code generated by a cryptocurrency wallet and used to authorise transactions and prove ownership of a block chain asset.

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Talk Money with Ecstra Foundation is designed to help Australian students learn money lessons for life, to be confident talking about money and to make informed financial decisions. We offer facilitator led workshops for Years 5-10 students and additional resources to reinforce learnings. The program is provided at no cost to schools, enabling more students across Australia to access financial education at key life stages.

About Ecstra: Ecstra Foundation is an independent charitable foundation committed to building the financial wellbeing of Australians within a fair financial system. Ecstra launched Talk Money in February 2022.

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