

# Factbox: What is Bitcoin?

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Australian entrepreneur Craig Wright on Monday [revealed himself as the creator of the virtual Bitcoin currency](#) to media outlets, the BBC, The Economist and GQ magazine.

The move follows years of speculation about who was behind the digital cash system.

Here are some key facts about Bitcoin.

Q. What is it?

A. Bitcoin is a [virtual currency](#) that is created from computer code. Unlike a real-world currency such as the US dollar or the euro, it has no central bank and is not backed by any government.

Instead, its community of users control and regulate it. Advocates say this makes it an efficient alternative to traditional currencies because it is not subject to the whims of a state that may wish to devalue its money to inflate away debt, for example.

Just like other currencies, Bitcoins can be exchanged for goods and services—or for other currencies—provided the other party is willing to accept them.

Q. Where does it come from?

A. Bitcoin was launched in 2009 as a bit of software written under the

Japanese-sounding name Satoshi Nakamoto which, it now appears, hid Craig Wright's true identity. Other digital currencies followed but Bitcoin was by far the most popular.

Transactions happen when heavily encrypted codes are passed across a computer network. The network as a whole monitors and verifies the transaction in a process that is intended to ensure no single Bitcoin can be spent in more than one place simultaneously.

Users can "mine" Bitcoins—bring new ones into being—by having their computers run complicated and increasingly difficult processes.

However, the model is limited and only 21 million units will ever be created.

Q. What's it worth?

A. Like any other currency, its value fluctuates. But unlike most real-world analogues, Bitcoin's value has swung wildly in a short period.

When the unit first came into existence it was worth a few US cents. Its price topped out at well over \$1,000 in 2013. Now, a single Bitcoin is worth about \$460 (400 euros).

There are presently more than 15 million units in circulation. Some economists point to the fact that—because it is limited—its price will increase over the long run, making it less useful as a currency and more a vehicle to store value, like gold. But others point to Bitcoin's volatility, security issues and other weaknesses.

Q. What's the future?

A. Some commentators say that like many technological developments,

the first iteration of a product will encounter difficulties, possibly terminal ones. But the trail it blazes might smooth the way for the next crypto currency.

Problems include an apparent vulnerability to theft when Bitcoins are stored in digital wallets.

The virtual currency movement also faces legitimacy issues because of the way it allows for anonymous transactions—the very thing that libertarian adopters like about it.

Detractors say Bitcoin's use on the underground Silk Road website, where users could buy drugs and guns with it, is proof that it is a bad thing.

Some governments, including Russia and China, have heavily restricted how Bitcoins can be used.

If Bitcoin does become more widely accepted, experts say, it could lead to more government regulations, which would negate the very attraction of the Bitcoin concept.

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