



A GUIDE TO TRADING & INVESTING IN CRYPTOASSETS

In this guide, we'll walk you through the basics of cryptoassets and explain how you can trade and invest in cryptos through eToro.



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In recent years, interest in cryptoassets such as Bitcoin, Ethereum, and XRP has grown exponentially. It's not hard to see why. A major development in financial technology, crypto has the potential to completely revolutionise the financial services industry.

Interested in learning more about cryptoassets and how to trade them? This guide to crypto is a great place to start. We'll walk you through the basics of cryptoassets and explain how you can trade crypto through eToro.

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WHAT ARE CRYPTOASSETS?

Broadly speaking, cryptoassets are cryptographically-secured digital assets that can be transferred, stored, and traded electronically.

A defining feature of all cryptoassets is that they are underpinned by distributed ledger technology (DLT). A distributed ledger is essentially a computerised database of transactions that is implemented across a network of computers and has no central administrator or centralised data storage. Because all of the information in the database is stored across the network, it's said to be 'decentralised.' With a distributed ledger, any transaction that takes place on the network is recorded in multiple places at the same time. This means there is a higher level of security relative to a 'centralised' ledger, where data is stored in one place.

[Blockchain](#) is the most well-known type of DLT. This is the technology that many popular cryptoassets are based on. Blockchain groups transactions into 'blocks' that are chained together, and uses cryptography to secure and verify all transactions. All transaction data is public and available for everyone to see. This makes it virtually impossible for anyone to forge a transaction.

CRYPTOASSETS CAN GENERALLY BE DIVIDED INTO THREE MAIN CATEGORIES:



CRYPTOCURRENCIES:

Sometimes called 'payment tokens' or 'exchange tokens', cryptocurrencies are digital currencies that are designed to work as a medium of exchange. Cryptocurrencies are in some ways similar to traditional currencies, however, what makes them unique is that they are generally not issued by any central authority. This means that they are theoretically immune to government interference and manipulation. Examples of well-known cryptocurrencies include [Bitcoin](#), [Bitcoin Cash](#), and [Litecoin](#).



UTILITY TOKENS:

These are tokens which entitle the owner to use a function, product, or service provided by the token issuer. When you invest in a utility token, you receive some form of definable benefit in return. Examples of well-known utility tokens include [Ethereum](#) and [XRP](#).



SECURITY TOKENS:

These are digital assets that represent legal ownership rights in real world assets such as stocks, commodities, or real estate. Security tokens are designed as investment opportunities, and have characteristics associated with traditional financial instruments.

WHY TRADE CRYPTOASSETS?

There are a number of advantages to trading cryptoassets which include:



MORE VOLATILITY:

Cryptoassets such as Bitcoin, Ethereum, and XRP tend to be far more volatile than traditional assets such as stocks, bonds, and real estate. This high level of volatility means that there are always plenty of opportunities where you can trade in both directions, meaning it's possible to profit from both upward and downward price movements.



LEVERAGED EXPOSURE:

When trading cryptoassets with CFDs, it's possible to use 'leverage' to trade a larger amount of money than you have deposited. This can work to your advantage by potentially magnifying your gains. On the downside, however, leverage can also increase your losses, so it's important to be aware of the risks. Etoro currently offers leverage of x2 (meaning you can trade \$2,000 with a deposit of \$1,000) on all cryptoassets.



LOW MINIMUM INVESTMENTS:

You can start trading cryptoassets with just a small amount of money. At eToro, you can place a crypto trade after depositing just \$200.



AROUND THE CLOCK TRADING:

A major appeal of cryptoasset trading is that the market is open 24/7. This means that you can trade at any time, on your own schedule.



LOW TRANSACTION FEES:

Cryptoasset trading transaction fees are generally low. The only fees you pay on eToro are 'spreads' (the difference between the buy price and the sell price of the cryptoasset) and small overnight fees on CFD positions*.

* CFD positions that stay open overnight incur a small fee, relative to the value of the position. This is essentially an interest payment to cover the cost of the leverage that you use overnight.

MAJOR CRYPTOASSETS

There are thousands of different cryptoassets available to traders and investors today. Here's a look at some of the most well-known cryptoassets.



BITCOIN

[Bitcoin](#) (BTC) is undoubtedly the most well-known cryptoasset. Launched in 2009 by Satoshi Nakamoto (a pseudonym), Bitcoin is a decentralised digital currency that is based on blockchain technology. It can be sent from user to user on the global peer-to-peer Bitcoin network without the need for intermediaries such as banks.

Bitcoin was designed to be an alternative to traditional 'fiat' currencies such as the US Dollar and Euro. It is not managed by any central authority or government meaning that it cannot be manipulated in the same way that traditional currencies can be. All Bitcoin transactions are recorded on the blockchain ledger and must be verified, which makes them traceable and highly secure.

Bitcoin was the first cryptoasset to be launched and remains the world's largest cryptoasset by market capitalisation today.



ETHEREUM

Launched in 2015, [Ethereum](#) (ETH) is a programmable blockchain technology that enables decentralised blockchain-related applications to be built and run without any downtime, fraud, or interference from a third party.

Ethereum has the potential to be an incredibly disruptive technology because it allows smart contracts to be written into the code on the blockchain. For example, it can be used to record banking transactions, legal contracts, and property deeds. This means that it has applications across a wide range of industries including financial services, law, and real estate.

When people talk about trading Ethereum, what they are actually talking about is trading 'Ether' – a tradable token designed to fuel the Ethereum ecosystem.



BITCOIN CASH

[Bitcoin Cash](#) (BCH) is a cryptocurrency that was created as a result of a 'hard fork' with Bitcoin in December 2017. A hard fork is when a single cryptoasset splits into two cryptoassets. It occurs when members of the cryptoasset network have a disagreement – usually regarding improvements to the network software. In this case, it was a disagreement in relation to an increase in the block size.

Like Bitcoin, Bitcoin Cash can be sent from user to user without the need for intermediaries such as banks. The advantages of Bitcoin Cash, however, are that it has faster transaction times and lower processing fees than Bitcoin.



LITECOIN

[Litecoin](#) (LTC) is a cryptocurrency that was set up in 2011 by Charlie Lee, a former Google employee. It was also created as a result of a hard fork with Bitcoin.

Litecoin is similar to Bitcoin in that it is a peer-to-peer cryptocurrency. However, it has some notable improvements. For example, Litecoin can process transactions up to four times faster than Bitcoin.

Litecoin is often described as the 'silver to Bitcoin's gold.'

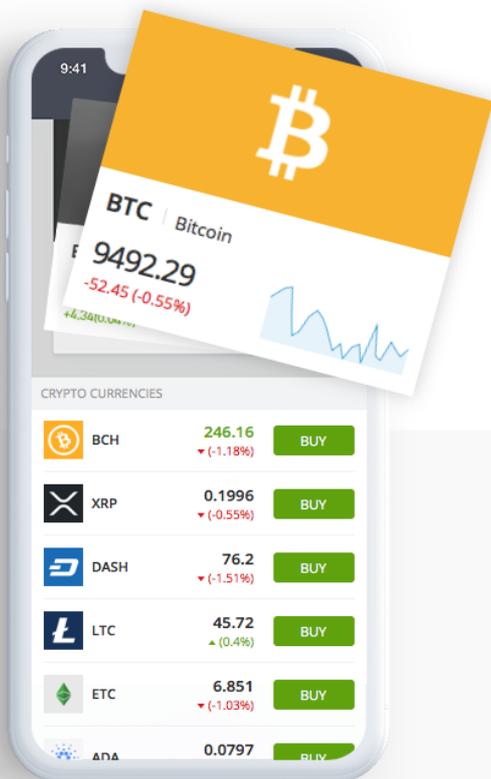


XRP

[XRP](#) is the token of Ripple – a payments company that provides efficient solutions for global money transfers.

Ripple was created as an international payment system designed to help banks and financial institutions move large amounts of money around the world. It enables institutions to transfer any currency across the network at a fast speed, with a low cost. This direct-to-bank settlement eliminates intermediate financial institutions and currency exchanges.

Unlike most cryptoassets, XRP doesn't use a blockchain to reach a network-wide consensus for transactions. Instead, an iterative consensus process (a range of independent servers comparing their transaction records constantly) is implemented, which makes it faster than Bitcoin but also makes it more vulnerable to hackers.



Build your ultimate crypto portfolio

- ✓ Trade a wide variety of leading [cryptocurrencies](#) and crypto crosses
- ✓ Follow each coin's trends with advanced charts and analysis tools
- ✓ Create a custom Watchlist and stay informed with real-time updates

Create account

TOP CRYPTOCURRENCIES TO TRADE

CRYPTO	PRICE	CHANGE (1D)	
BTC	\$9492.29	▼ (-0.55%)	BUY
XRP	\$0.1996	▼ (-0.55%)	BUY
ETH	\$235.2525	▼ (-0.97%)	BUY
BCH	\$246.16	▼ (-1.18%)	BUY
LTC	\$45.72	▲ (0.4%)	BUY

This is not investment advice

WHAT DRIVES CRYPTOASSET PRICES?

Cryptoasset prices are driven by supply and demand.

Higher demand for a particular cryptoasset will push its price up, while excess supply will push its price down.

Supply and demand can be impacted by many different factors. Here's a look at some of the main factors:



ECONOMIC DEVELOPMENTS:

Economic developments that impact traditional asset classes such as stocks, bonds, and cash can have an impact on the demand for cryptoassets. For example, if investors believe that fiat currencies such as the US Dollar are going to be devalued by governments in the future, they might turn to cryptocurrencies for protection.



MEDIA COVERAGE:

There are many websites dedicated to covering cryptoasset developments and news in relation to a particular cryptoasset can influence supply and demand in the crypto market. Positive news, such as news that a certain cryptoasset is seeing a higher level of adoption, can increase demand. By contrast, negative news, such as news that a crypto exchange has been hacked, can reduce demand.



GOVERNMENT REGULATION:

Governments around the world are increasingly looking to regulate cryptoassets and developments in relation to crypto regulation can affect supply and demand. For example, when China announced that it was blocking all websites related to cryptocurrency trading in early 2018, demand for Bitcoin and other cryptocurrencies fell significantly, pushing their prices down sharply.



INVESTOR SENTIMENT:

The crypto market tends to be highly emotional and investor emotions such as fear and greed can have a significant impact on cryptoasset supply and demand. When crypto prices are rising, investors tend to get greedy, pushing demand up further. Conversely, when prices are falling, investors tend to be fearful, which results in excess supply. A great example here is Bitcoin in late 2017 and early 2018. When Bitcoin's price was rising rapidly in late 2017, the dominant emotion among crypto investors was greed. This had the effect of increasing demand. However, when Bitcoin's price began falling, the dominant emotion switched from greed to fear. This resulted in excess supply of the cryptocurrency, which pushed prices down.



TIP: The News Feed on eToro’s Crypto home page is a great resource for crypto information. Here, traders and investors share information that can be very useful when trading cryptoassets.

HOW TO TRADE CRYPTOASSETS

There are two main ways to trade cryptoassets on eToro:

1. You can buy and sell cryptoassets outright (i.e. buy the underlying asset)
2. You can trade cryptoasset price movements via Contracts For Difference (CFDs). CFDs are financial instruments that enable traders and investors to profit from a security’s price movements without actually owning the underlying security.

Here’s a look at how these two approaches work.



BUYING THE UNDERLYING ASSET

Buying the underlying asset involves exchanging traditional currency (i.e. US Dollars) for cryptoasset tokens (coins) such as Bitcoin, Litecoin or XRP.

When you buy a cryptoasset this way, eToro purchases the tokens on your behalf and registers them in a segregated account under your name.

If the price of the cryptoasset rises while you own it, you'll profit. However, if the price falls, you'll generate a loss.

The main advantage of this approach is that you own the cryptoasset outright. This means that the tokens are yours to keep and use as you like. You can transfer the tokens to a wallet, exchange them for other cryptoassets, send them to other people, or pay for goods and services with them.

For example, if you buy \$1,000 worth of Bitcoin this way, you can use it to pay for goods at retailers that accept Bitcoin.

When you buy the underlying asset on eToro, you have the ability to transfer your cryptoassets to the eToro Wallet. This is an easy-to-use, multi-crypto, secure digital wallet. As well as providing secure storage for your cryptoassets, the eToro Wallet allows you to send and receive cryptoassets to and from other wallets, and convert one cryptoasset to another cryptoasset.

TRADING CRYPTOASSETS WITH CFDS

When you trade a cryptoasset via a CFD you're effectively betting on the future price movement of the asset, without owning the asset itself.

For example, if you buy \$1,000 worth of Bitcoin CFDs, you will profit if Bitcoin's price rises, however, you won't actually own any BTC tokens.

There are two main advantages of trading crypto with CFDs.

Firstly, with CFDs you can trade in both directions. This means that you can potentially profit from both upward price movements and downward price movements.

If you believe that a cryptoasset is going to rise in price, you would enter a BUY CFD trade (this is called 'going long'). However, if you believe that a cryptoasset is going to fall in price, you would enter a SELL CFD trade (this is called 'going short.')

Secondly, with CFDs you can use leverage to boost your exposure. For example, with x2 leverage you can control \$1,000 with just \$500. This means there's the potential for higher profits (but also the potential for higher losses).

The downside of trading CFDs is that you don't own any crypto tokens yourself. This means that you can't transfer them to a wallet or use them to pay for goods and services.

BUYING THE UNDERLYING ASSET VS TRADING CFDS: WHICH IS BEST?

Which approach is better for you will depend on your objectives and your risk tolerance.

Buying the underlying asset may be the best approach if you:

- Plan to hold the cryptoasset for an extended period of time
- Only want to profit from upward price movements
- Want to transfer the cryptoasset to a wallet or use it to pay for goods and services
- Are happy to pay the full value of the trade upfront
- Don't want to use leverage to increase your exposure

Trading via CFDs may be the best approach if you:

- Want to trade in both directions
- Want to use leverage to increase your exposure
- Are not concerned about owning the underlying asset
- Do not want to exchange your currency for cryptoassets
- Do not want to set up a crypto wallet

HOW TO PLACE A CRYPTOASSET TRADE ON ETORO

SELL BUY

BUY BTC
9553.28 133.99 (1.42%)
PRICES BY ETORO, IN USD | MARKET OPEN

AMOUNT - \$1,000.00 + UNITS
Deposit \$1,000 in order to open this trade | Learn More

No SL STOP LOSS X1 LEVERAGE \$10,000.00 TAKE PROFIT

YOU ARE BUYING THE UNDERLYING ASSET

Open Trade

BY BUYING CRYPTOCURRENCIES YOU'RE ACCEPTING OUR CRYPTOCURRENCIES ADDENDUM

BUYING THE UNDERLYING ASSET

1. [Login](#) or create an account by going to www.etoro.com
2. Head to our [Markets](#) page, and then select Crypto to access the full list of cryptoassets
3. Select the [cryptoasset](#) that you wish to buy, then select Trade
4. Select BUY
5. Ensure leverage is set to x1
6. Enter the amount or number of units you wish to trade
7. Set the take profit parameter if you wish to
8. Select Open Trade

SELL BUY

BUY BTC
9552.51 133.22 (1.41%)
PRICES BY ETORO, IN USD | MARKET OPEN

AMOUNT - \$1,000.00 + UNITS
Deposit \$1,000 in order to open this trade | Learn More

-\$500.00 STOP LOSS X2 LEVERAGE \$10,000.00 TAKE PROFIT

X1 X2

CFD TRADE
HIGHER LEVERAGE MEANS HIGHER RISK

Open Trade

OVERNIGHT FEE: DAILY: 50.75 | WEEKEND: 50.00

TRADING VIA A CFD

1. [Login](#) or create an account by going to www.etoro.com
2. Head to our [Markets](#) page, and then select [Crypto](#) to access the full list of cryptoassets
3. Select the cryptoasset that you wish to buy or sell, then select Trade
4. Select BUY or SELL depending on the direction you wish to trade
5. Enter the amount or number of units you wish to trade
6. Set the stop loss, leverage, and take profit parameters
7. Select Open Trade

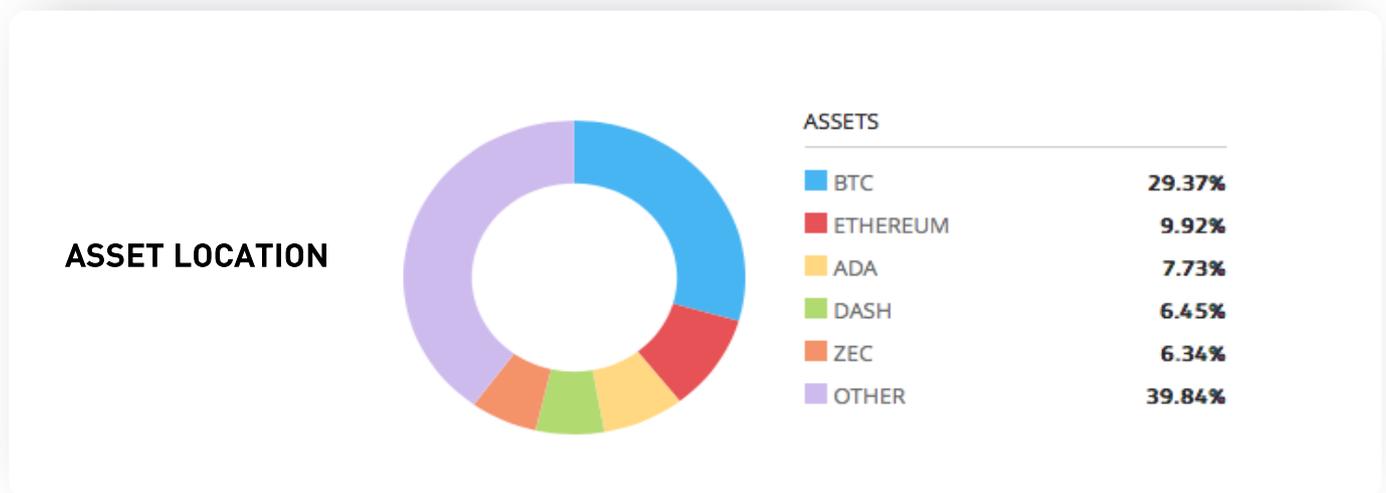
CRYPTO COPYPORTFOLIOS

For those interested in a more passive approach to investing in cryptoassets, eToro also offers four crypto-focused CopyPortfolios, which are managed by eToro's investment committee.

These are:

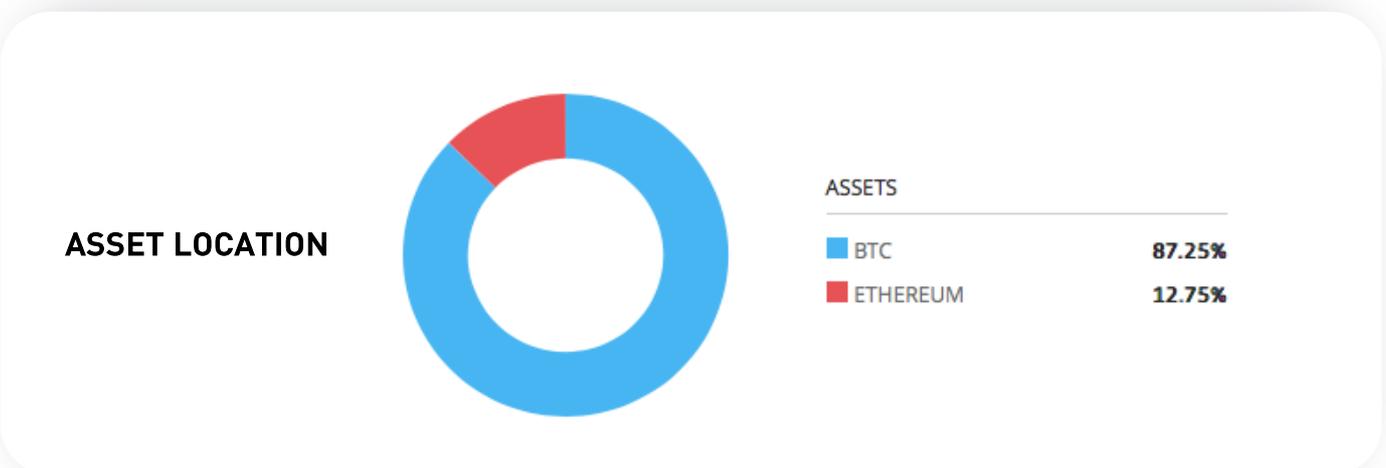
CRYPTOPORTFOLIO COPYPORTFOLIO:

The [CryptoPortfolio CopyPortfolio](#): this investment strategy offers investors exposure to a diversified portfolio of cryptoassets. The portfolio allocation is based on market capitalisation, and includes exposure to major cryptoassets such as Bitcoin, Ethereum, and Dash.



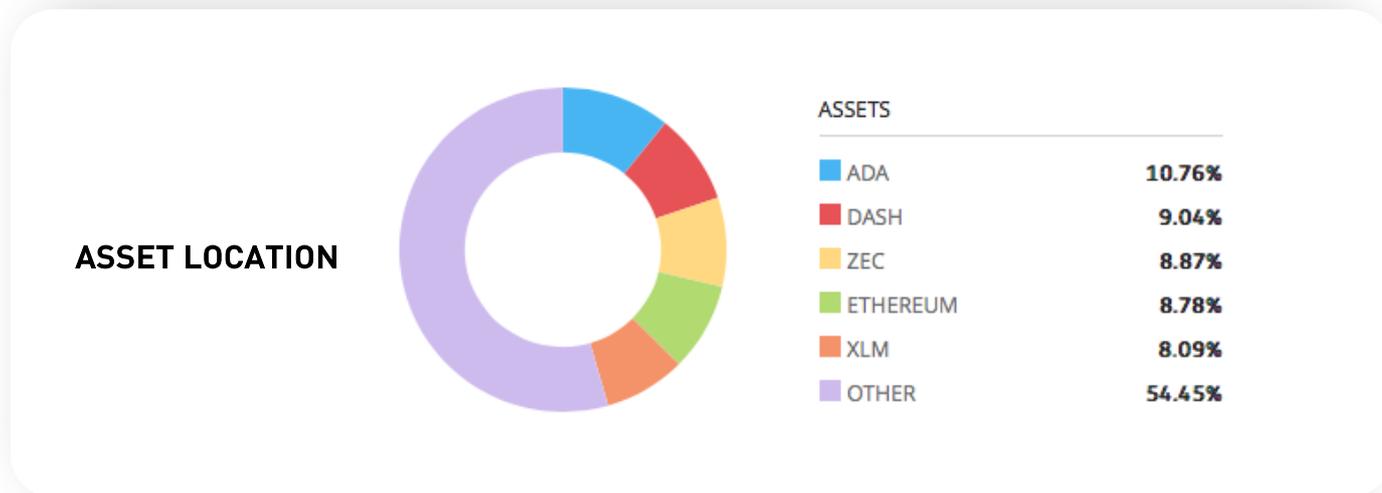
CRYPTO-CURRENCY COPYPORTFOLIO:

The [Crypto-currency CopyPortfolio](#): this is a simple investment strategy that provides investors with exposure to the world's two largest cryptoassets – Bitcoin and Ethereum.



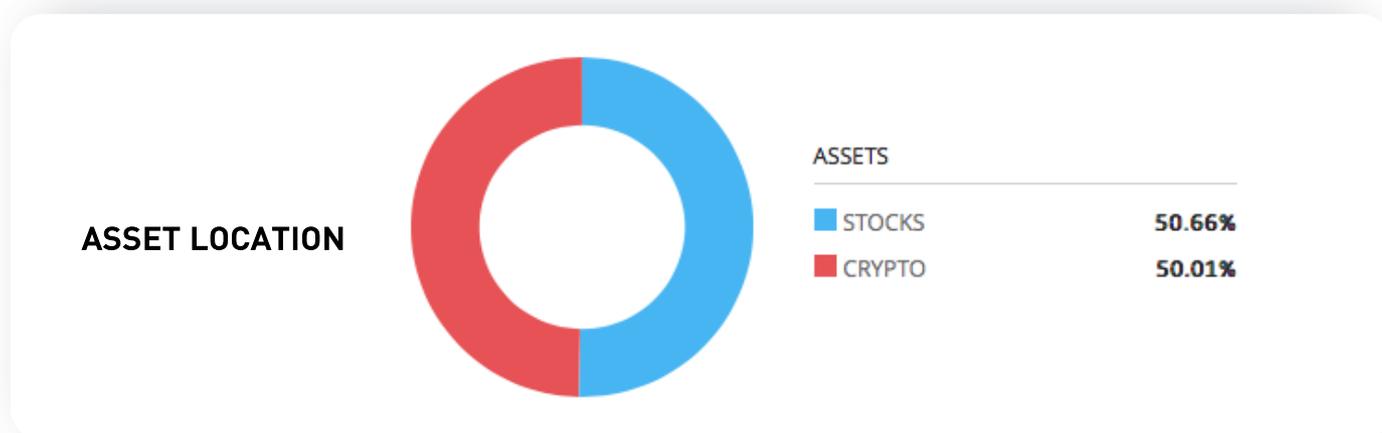
CRYPTOEQUAL COPYPORTFOLIO:

The [CryptoEqual CopyPortfolio](#): this strategy comprises leading large cap- cryptoassets at an equal allocation. It is a fully-managed investment portfolio for those who wish to receive balanced exposure to the cryptoasset market.



CRYPTOTAKEOVER COPYPORTFOLIO:

The [CryptoTakeover CopyPortfolio](#): this investment strategy comprises long (BUY) positions on cryptoassets such as Bitcoin, Ethereum, XRP and others, and short (SELL) CFD positions on the stocks of major banks, such as Citigroup, Goldman Sachs and Credit Suisse. It is designed for investors who believe that cryptoassets will overtake traditional banking services in the long run, and will increase in value, while bank stocks decline.



The minimum investment size for eToro's CopyPortfolios is \$5,000.

RISKS OF TRADING CRYPTOASSETS

Any form of investing or trading involves risks and crypto trading is no different.

Two of the main risks to be aware of with crypto trading are:

VOLATILITY RISK:

This is the risk associated with fluctuations in the prices of cryptoassets. Cryptoasset prices can be extremely volatile and while this volatility can create trading opportunities, it can also be a risk factor. Unfavourable price moves can result in significant losses for traders. If you do not have sufficient funds in your account to cover potential losses, your positions may be automatically closed.

LEVERAGE RISK:

While leverage is a powerful tool that can magnify trading gains, it can also work against you by magnifying trading losses. If a large amount of leverage is used to trade, even a relatively small price movement in the wrong direction can result in substantial losses. It's important to be aware that losses can exceed the amount invested.

RISK MANAGEMENT STRATEGIES

When trading cryptoassets you can reduce your risk by focusing on risk management.

Three risk management strategies that can help reduce risk include:



DETERMINING YOUR OPTIMAL POSITION SIZE:

Before you start trading cryptoassets, you should determine your optimal position size for each trade. A good rule of thumb is to avoid risking more than 2% of your capital on any single trade. Trading more than 2% per trade could expose you to losses that are hard to recover from.



PUTTING STOP LOSSES IN PLACE WHEN TRADING CFDs:

Stop losses are a fundamental component of a robust risk management strategy as they help to minimise trading losses by closing out losing positions before large losses build up.



DIVERSIFYING YOUR PORTFOLIO:

A portfolio that contains a wide range of assets will have a lower level of risk than a portfolio that simply focuses on one asset such as Bitcoin. By diversifying your portfolio across multiple asset classes such as stocks, ETFs, commodities, and crypto, you can lower your overall portfolio risk.

SUMMARY

- ▶ Cryptoassets are cryptographically-secured digital assets that can be transferred, stored, and traded electronically. A defining feature of cryptoassets is that they are underpinned by distributed ledger technology (DLT).
- ▶ Blockchain is the most well-known type of DLT. It groups transactions into 'blocks' that are chained together and uses cryptography to secure and verify all transactions.
- ▶ Cryptoassets can generally be divided into three main categories: cryptocurrencies, utility tokens, and security tokens.
- ▶ There are a number of advantages to trading cryptoassets. Not only does the high level of volatility within the crypto market provide plenty of trading opportunities, but you can also trade around the clock, and use leverage to increase your exposure.
- ▶ Five of the most well-known cryptoassets are Bitcoin, Ethereum, Bitcoin Cash, Litecoin, and XRP. You can trade all of these cryptoassets on eToro.
- ▶ Cryptoasset prices are affected by supply and demand.
- ▶ Supply and demand can be influenced by many factors including economic developments, media coverage, news in relation to crypto regulation, and investor sentiment.
- ▶ On eToro you have the choice of buying cryptoassets outright or trading crypto price movements via CFDs.
- ▶ You can also gain exposure to cryptoassets through eToro's CopyPortfolios.
- ▶ The main risks of trading cryptoassets are volatility risk and leverage risk. Risk can be reduced by focusing on risk management.
- ▶ Trading cryptoassets on eToro is straightforward.
- ▶ eToro's platform is easy to use and offers exposure to a wide range of cryptoassets.

GLOSSARY

BLOCKCHAIN	This is the technology that many popular cryptoassets are based on. Blockchain groups transactions into 'blocks' that are chained together, and uses cryptography to secure and verify all transactions. Learn more with our Beginner's guide to Blockchain .
CFD	Contract for difference. A financial instrument that enables you to profit from the price movement of a security without actually owning the underlying security
COPYPORTFOLIOS	Investment funds developed by eToro's investment committee
CRYPTOASSET	A digital asset that is underpinned by distributed ledger technology (DLT)
CRYPTOCURRENCY	A digital currency designed to work as a medium of exchange
DECENTRALISED	A system where many computers and people have access to the data
DISTRIBUTED LEDGER TECHNOLOGY (DLT)	A database that is implemented across a network of computers and has no central administrator
DIVERSIFICATION	Spreading your money out over many different assets to reduce risk
GOING LONG	Buying a security
GOING SHORT	Selling a security
INITIAL COIN OFFERING (ICO)	When a blockchain company offers cryptocurrencies as ownership in the company instead of stock at a public sale
INVESTOR SENTIMENT	The general mood of investors
LEVERAGE	A loan that enables you to control more money than you have staked on a trade
RISK	The amount of capital exposed on any single trade
RISK MANAGEMENT	Focusing on risk when trading in order to minimise losses
SECURITY TOKEN	Digital assets that represent legal ownership rights in real world assets such as stocks, commodities, or real estate
SPREAD	The difference between the buy and the sell price. This is also the cost of placing the trade
STOP LOSS	An order designed to minimise losses
TAKE PROFIT	An order to close a trade at a certain profit level
UTILITY TOKEN	A token which entitles the owner to use a function, product, or service provided by the token issuer
VOLATILITY	Fluctuations in price movements

eToro is a multi-asset platform which offers both investing in stocks and cryptoassets, as well as trading CFDs.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 75% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work, and whether you can afford to take the high risk of losing your money.

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Guide accurate as of June 2020.