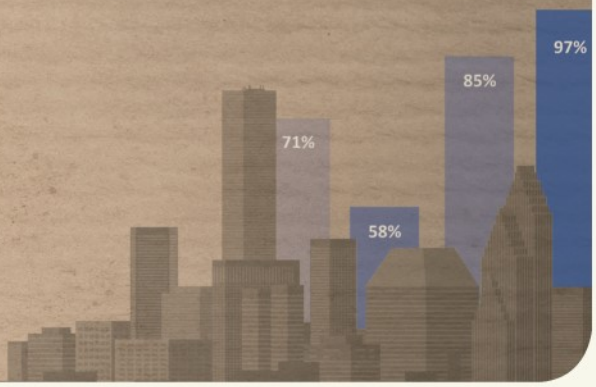
Mark Wenning's

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Bitcoin FYi

Have you heard about this Bitcoin thing? We're guessing: yes, you have. The first digital cryptocurrency has been racking up headlines this year due to a breathtaking rise in value from $1,000 on January 1 2017, ascending to nearly $19,000 before dropping to $12,000 in mid Jan 2018.

Bitcoin involves technology, currency, math, economics and social dynamics. It's multifaceted, highly technical and still very much evolving. This explainer is meant to clarify some of the fundamental concepts and provide answers to some basic Bitcoin questions.

But first: A quick backstory

Bitcoin was invented in 2009 by a person (or group) who called himself Satoshi Nakamoto. His stated goal was to create "a new electronic cash system" that was "completely decentralized with no server or central authority." After cultivating the concept and technology, in 2011, Nakamoto turned over the source code and domains to others in the Bitcoin community, and subsequently vanished.

What is Bitcoin?

Simply put, Bitcoin is a digital currency. No bills to print or coins to mint. It's decentralized -- there's no government, institution (like a bank) or other authority that controls it. Owners are anonymous; instead of using names, tax IDs, or social security numbers, Bitcoin connects buyers and sellers through encryption keys. And it isn't issued from the top down like traditional currency; rather, Bitcoin is "mined" by powerful computers connected to the internet.

What determines the value of a Bitcoin?

Ultimately, the value of a Bitcoin is determined by what people will pay for it. In this way, there's a similarity to how shares are priced.

The protocol established by Satoshi Nakamoto dictates that only 21 million Bitcoins can ever be mined -- about 12 million have been mined so far -- so there is a limited supply, like with gold and other precious metals, but no real intrinsic value. This makes Bitcoin different from shares, which usually have some relationship to a company's actual or potential earnings.

What can I do with Bitcoin?

You can use Bitcoin to buy things from more than 100,000 merchants, though still few major ones. You can sell it. Or you can just hang on to it. Note that there are no inherent transaction fees with Bitcoin, although exchanges typically charge a fee when you buy or sell.

What are the risks?

Legal and regulatory hazards aside, as both an investment and currency, Bitcoin is very risky. When you wake up in the morning, you know pretty precisely how much a dollar can buy. The financial value of a Bitcoin, however, is highly volatile

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and may swing widely from day to day and even hour to hour.

Bitcoin transactions cannot be traced back to individuals -- they are secured but also obscured through the use of public and private encryption keys. This anonymity can be appealing, especially with companies and marketers increasingly tracking our every purchase, but it also comes with drawbacks. You can never be certain who is selling you Bitcoin or buying them from you. Opportunities for money laundering abound; in October 2017, authorities in the Netherlands arrested 6 men for just this.

Theft is also a risk. Bitcoin is rife with individuals' stories and even established exchanges are targets. Mt. Gox (an exchange based in Japan) "lost" 750,000 of its customers' Bitcoins in 2014 and hackers took $60 million from NiceHash in Dec. 2017. There are few avenues for pursuing refunds, challenging a transaction or recovering such losses. Once a transaction hits the blockchain, it's final.

OK, so what about --- wait, there are more risks?

Because Bitcoin is so new and decentralized, there is plenty of murkiness and many unknowns. Even the technical rules for mining are still evolving and up for debate.

The IRS views Bitcoins as property, not currency. There are tax implications and a federal judge recently ruled that an exchange must surrender records to the IRS on transactions of $20,000 or more.

Then there's the fundamental question of whether you should trust a particular exchange. Even the most established of them all has struggled to keep up with demand, plagued by site outages, scaling issues and customer service complaints. Even if it's venture-backed, every Bitcoin player today is by definition a startup and comes with all of the associated risks.

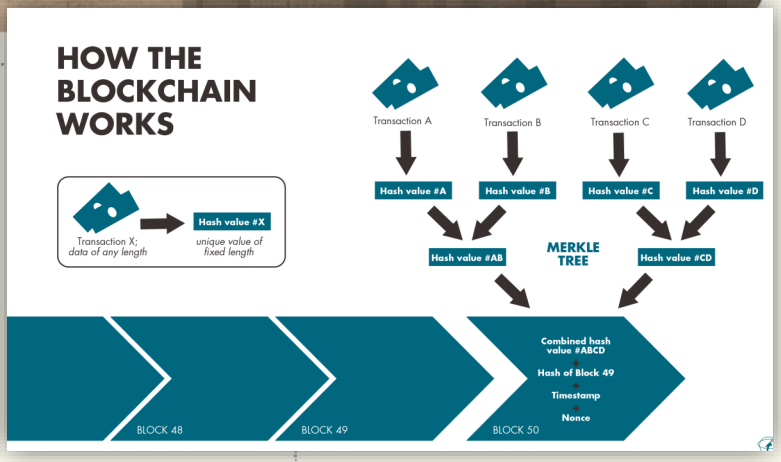
Are there other cryptocurrencies?

Yes. More than a thousand, with more sprouting up every day. Aside from Bitcoin, which is the real progenitor of them all, other well-known alternative currencies include Ethereum, Ripple and Litecoin.

So what now?

Who knows! Bitcoin could be a massive bubble waiting to burst or it may be the future of currency as we know it. Ultimately it boils down to how much risk you want to take on. However, it is probably safe to say that it would be unwise to bet the farm on it.

Warren Buffet says, “I get into enough trouble with things I think I know something about. Why in the world should I take a long or short position with something I don’t know anything about… But I do think what’s going on will definitely come to a bad ending.”



What is a blockchain?

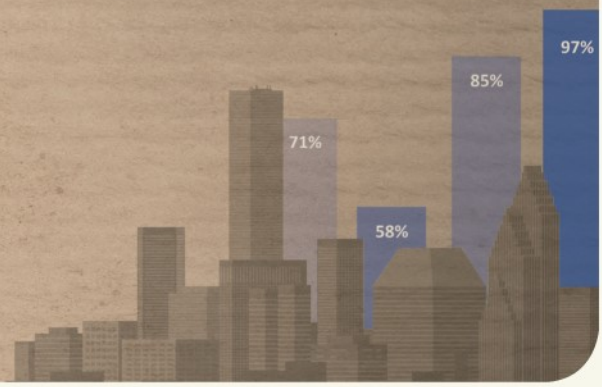
The blockchain is perhaps the main technological innovation of Bitcoin. Bitcoin isn’t regulated by a central authority. Instead, its users dictate and validate transactions when one person pays another for goods or services, eliminating the need for a third party to process or store payments. The completed transaction is publicly recorded into blocks and eventually into the blockchain, where it’s verified and relayed by other Bitcoin users.

A blockchain is a digitised, decentralised, public ledger of all cryptocurrency transactions. Constantly growing as ‘completed’ blocks (the most recent transactions) are recorded and added to it in chronological order, it allows market participants to keep track of digital currency transactions without central recordkeeping.

Originally developed as the accounting method for the virtual currency Bitcoin, blockchains are appearing in a variety of commercial applications today. Currently, the technology is primarily used to verify transactions, within digital currencies though it is possible to digitize, code and insert practically any document into the blockchain. Doing so creates an indelible record that cannot be changed; furthermore, the record’s authenticity can be verified by the entire community using the blockchain instead of a single centralised authority.

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Your right to know

According to the National Credit Act, South Africans are entitled to one free credit report every year. You can obtain this annual free credit report from any one of the following credit bureaus: TransUnion, Compuscan and Experian. If you would like a second credit report, you can get one for a minimal fee from any of the previously mentioned credit bureaus. You can even sign up for a service which sends you a monthly sms with your summarised credit report details.

It is your right to access this information, and after you've viewed your credit report, you will be able to ensure all the information is correct and challenge discrepancies. You are also able to use this information to improve your credit score, which in turn has a positive effect on your financial situation.

Ready, steady…go!

The tradition of making resolutions at the beginning of each New Year is thought to date back more than two thousand years, to Roman times when their two-headed god Janus, after whom January is named, was placed at the head of their calendar.

Janus, appropriately the Roman god of beginnings and the guardian of doors and entrances, was always depicted with two faces, one on the front of his head and one on the back. Thus he could look backward and forward at the same time. On the eve of a New Year, the Romans imagined Janus looking back at the old year and forward to the new. The Romans began a tradition of exchanging gifts on New Year's Eve by giving one another branches from sacred trees for good fortune (they didn't have the expense of the Christmas season back then). Later, nuts or coins imprinted with the god Janus became more common New Year's gifts.

When in Rome

The New Year has not always begun on 1 January, and it doesn't begin on that date everywhere today. The Romans traditionally observed the New Year on 25 March, but various emperors continually tampered with their calendar so that the calendar soon became out of synchronization with the sun. In order to set the calendar right, Julius Caesar, in 46 BC, established what has come to be known as the Julian calendar, with 1 January as the first day of the New Year. In order to synchronize his calendar with the sun, Caesar had to let the previous year drag on for 445 days.

Middle aged

In the Middle Ages, Christians changed New Year's Day to 25 December, the birth of Jesus. Then they changed it to 25 March, a holiday called the Annunciation. In the sixteenth century, Pope Gregory XIII revised the Julian calendar, dropping ten days to bring the calendar back into synchronization with the seasons and omitting 3 leap days every four hundred years. With the Gregorian calendar, the celebration of the New Year returned to 1 January.

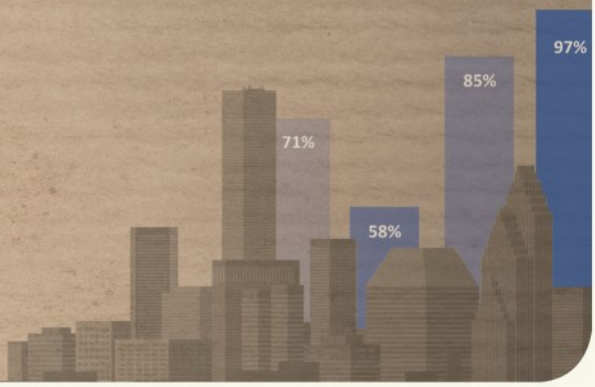
Non-Catholic countries, not being subject to the decrees of the Pope, initially rejected or ignored the reform altogether, although most eventually adopted it. Britain and its colonies adopted the Gregorian calendar in 1752 by which time it was necessary to correct by 11 days, causing riots in Britain as people believed their lives had been shortened. Greece only adopted the Gregorian calendar in 1923.

A time and a place for everything

The Julian and Gregorian calendars are solar calendars. Some cultures, such as the Chinese, have lunar calendars. A year in a

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lunar calendar is less than 365 days because the months are based on the phases of the moon. The Chinese New Year begins at the time of the first full moon (over the Far East) after the sun enters Aquarius- sometime between 19 January and 21 February.

Today New Year begins on 1 January for cultures that use the Gregorian calendar. Although the date for New Year's Day is not the same in every culture, it is always a time for celebration and to make resolutions for the coming year. The beginning of a New Year is also the ideal time to review your financial affairs and get them in order, and so to help you, here are 6 new year resolutions for 2018.

On a wish and a prayer

Resolution #1: Draw up (and stick to) a Budget

"Budget" is not a four-letter word. How can we know where our money is going if we don't budget? How can we set spending and saving goals if we don't know where our money is going? Keeping this resolution is crucial to one's financial success.

Resolution #2: Get organised

File all your bank and credit card statements and utility bills. Check your list of monthly debit orders and cancel any that you no longer need. Keep a file for your day-to-day spending, such as receipts for food, entertainment and petrol. Arrange everything so you can see where your money is going each month. And now's a good time to get rid of useless financial clutter, like old bank statements for accounts you closed years ago, old cheque stubs (remember those?) and all your payslips from your first job. SARS require you to keep your tax records for five years – after that toss them.

Resolution #3: Build up a savings fund

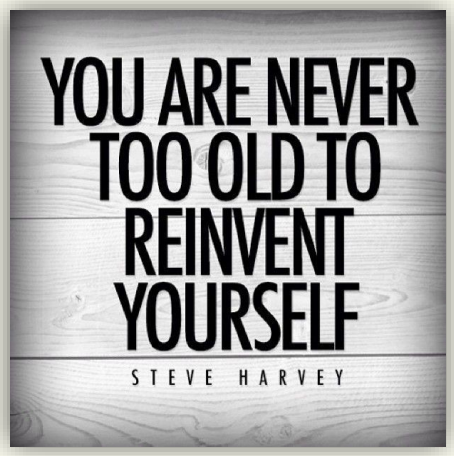
Always maintain an emergency cash fund. Ideally, the fund should be at least three months' income. This way you will not have to cash in investments at an inopportune time or take out a high-interest loan if you are suddenly landed with a major expense such as a car repair or medical emergency.

Resolution #4: Pay off your credit cards

Credit card debt is a huge obstacle to getting ahead financially. Those little pieces of plastic are so easy to use, and we tend to forget that it's real money we're spending when we whip them out to pay for an impulsive purchase. Despite our good intentions to pay the balance off quickly, the reality is that we often don't, and end up paying far more for things than we would have paid if we had used cash.

Resolution #5: Review your will

Millions of South Africans don't have wills. If you have dependents, then no matter how little or how much you own, you need



a will. If you have a Will, check that it is current, particularly if you are recently married (or divorced) or have expanded your family. Protect your loved ones: always have an up-to-date will.

Resolution #6: Review your life cover

It has been estimated that South Africans are massively underinsured.

You need life assurance if you fit into any of the following categories: you have minor children; you're married and your spouse relies on your income; you own a business or you have debt. A rule of thumb: have enough assurance to cover at least 10 to 15 times your annual earnings. Even better, have your financial advisor prepare a detailed analysis of your assurance needs, including your need for disability and dread disease cover. Also check that your beneficiary nominations are up-to-date.

Hey presto! 2018 off to a good start.

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