



Introduction to cryptocurrency in financial relief cases

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What is cryptocurrency?

- A cryptocurrency is a digital or virtual form of money that exists electronically.
- The main difference from regular money (“fiat”) is that instead of banks and governments managing and verifying transactions, cryptocurrency uses a decentralized system where transactions are verified by a network of computers around the world.
- Think of cryptocurrency as digital tokens that have value because people agree they do; similar to how traditional money works, but without physical coins or notes, and without a central authority controlling it.
- Characteristics:
 - Completely digital – usually no physical analog;
 - Uses strong encryption to secure transactions;
 - Operates independently of banks or governments;
 - Transactions are recorded using a technology called blockchain;
 - Value can be volatile, and change dramatically based on market demand;
 - Can be traded or mined (created), although the latter is now much less common;

Essential jargon

- **Blockchain** – the underlying technology used by nearly all cryptocurrencies. Essentially, a complete digital ledger of transactions that everyone can see, held simultaneously by multiple nodes distributed on a network.
- **Coin** – a colloquial term for a cryptocurrency, including fractions thereof. An ‘**altcoin**’ generally means any cryptocurrency other than Bitcoin. A ‘**memecoin**’ is an altcoin based on a meme, a kind of inside joke in the form of an image repeatedly altered and shared online. A ‘**stablecoin**’ is a cryptocurrency that aims to maintain a fixed, unchanging market value that is pegged to another currency, commodity, or financial instrument.
- **Exchange** – a website or app that allows users to buy and sell crypto assets.
- **Mining** – as opposed to trading in crypto, mining is using computer hardware to solve a calculation with trillions of possible combinations to produce ‘new’ coins or ‘generate’ cryptocurrency. Essentially, proving you have done the computational work to guess the 64-character ‘hash’ necessary to add a block to the blockchain. Broadcasting the solution allows other nodes to quickly verify that your hash is correct and that you have carried out the work required to get it. The more computing power you have, the more guesses you can make within each given window of time, and the greater your chances of earning newly minted crypto.

- **Private key** – the encrypted password to someone’s crypto holdings, an extremely long number that’s practically impossible to guess. A transaction is authorised by signing it with a private key. Private keys are used to access and manage crypto assets, and so should never be shared.
- **Public key** – the public-facing address of a crypto wallet, akin to a bank account number. Each public key pairs with a private key, and the private key (sometimes called the ‘secret key’) is in theory only known to that user. To receive coin into a wallet, the public key must be shared.
- **NFT** – a digital collectible that uses the same underlying technology as cryptocurrencies. These can take the form of art, music, in-game items, videos, and more.
- **Wallet** – a digital storage device or location for keeping crypto assets secure. There are generally two types – online and offline. A ‘**hot wallet**’ is a form of online storage for cryptocurrencies, provided either by an exchange or a third party. A ‘**cold wallet**’ is a physical storage device such as a flash drive or hard drive used to store cryptocurrency offline. A ‘**paper wallet**’ is a physical document literally printed on paper that contains all the information (keys) needed to access and manage cryptocurrency funds.

How to recognise crypto assets

- Commonly-encountered cryptocurrencies:

Bitcoin	XRP
Ethereum	USD Coin
Litecoin	Cardano
Tether	Avalanche
BNB (Binance Coin)	Bitcoin Cash
Solana	Dogecoin

- Commonly-encountered crypto exchanges:

Binance	OKX
Coinbase	Coinjar
Kraken	eToro
Crypto.com	BitPanda
Gemini	Bitget
Uphold	Wexo
Bitstamp	MexC

- Bear in mind crypto services are also available from more general financial service providers, such as Revolut, Monzo & PayPal, and banks including Lloyds, Nationwide & HSBC; also ‘aggregators’ like Swapzone (which allow users to browse multiple exchanges, compare exchange rates, and swap crypto using a single interface or website);

- Commonly-encountered NFT marketplaces:

Open Sea	Rarible
Axie Infinity	NFT Launchpad

- Commonly-encountered NFTs:

Battle Infinity	Silks
Lucy Block	Bored Ape Yacht Club

How to find crypto assets

- Declaration in Form E;
- Look for indications/trails of trading platforms or mining activity;
- Searching property for cold wallets and paper wallets;
- Questionnaires – ask the right questions;
- Check social media for indications of interest in or interactions with crypto companies, influencers, and tech;
- Follow tokens on the blockchain using tracking software (via expert);

How to disclose crypto assets

- Provide a clear breakdown of transactions from client's wallet and/or trading platform;
- List public keys – no different to bank account numbers;
- Never disclose private keys – no different than a password or PIN;
- Consider tax implications of liquidating coins into fiat – there may be a CGT liability, seek accountancy advice if needed;
- Treat crypto assets like shares – regularly update values, and agree a value for a hearing if relevant;