

You've heard of Bitcoin, but what about Ethereum?



While Ethereum has its own currency, its potential as a network is piquing investor interest

Image: BTC
Keychain/Flickr

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You've just got to grips with Bitcoin – maybe you've even used it. Well, it has a new challenger on the scene that's got the support of some major businesses.

Ethereum is gaining popularity and its value is rising. [According to Bitcoin Magazine](#), in June Ethereum's currency reached its highest value so far of more than \$420. While this is approximately a tenth of Bitcoin's current value, according to [Cryptocompare](#), some of Ethereum's unique features have got investors excited.

What is it?

Launched in 2015, Ethereum is actually the name of the technology which the currency Ether runs on.

Similar to Bitcoin, it allows payments to be made anonymously via the internet and displays these transactions in a decentralized ledger – the blockchain. It does this without involving any third party or banks, which allows users to avoid fees, especially when paying large amounts.

Like Bitcoin it is known for its security and protection against fraud and theft created by the ledger, which anyone using the network can view.

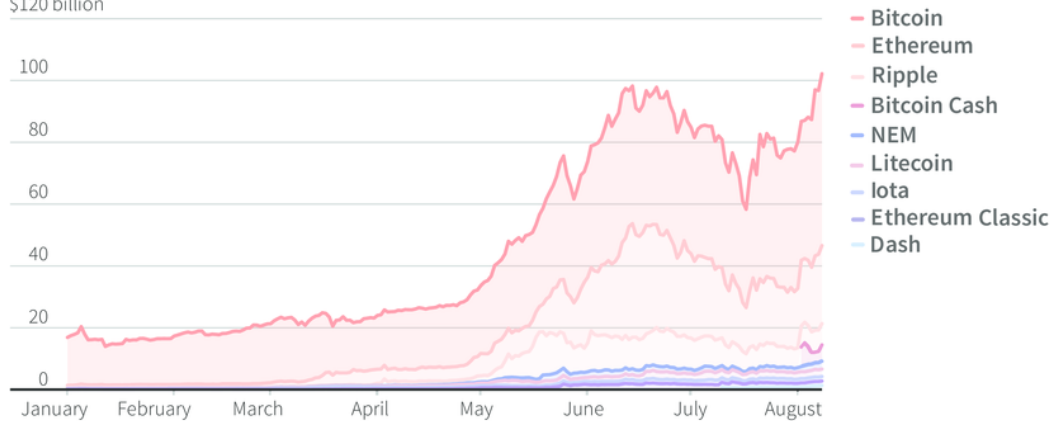
Top cryptocurrencies

Cryptocurrencies, which are virtual currencies that use cryptography for security, have grown, but there are worries that the bubble may be about to burst.

MARKET CAPITALIZATION

Of cryptocurrencies with a market capitalization larger than \$1 billion

\$120 billion



Source: CoinMarketCap

J. Wang, 09/08/2017

REUTERS

How it differs from Bitcoin

Firstly, where Bitcoin is a cryptocurrency, Ethereum is, in fact, a platform, and that's where its potential lies.

Ethereum creates "blocks", records of transactions, more quickly than Bitcoin and its supporters believe this efficiency makes it easier to use.

Ethereum allows apps to run on its network. [Its creator Vitalik Buterin explains how this works:](#)

"The idea is that there exists this magic computer in the cloud and anyone can send programmes to it, anyone can run programmes on it and those programs can talk to each other."

It will run these programs and eliminate the possibilities of downtime (even if an entity involved ceases to operate), malicious attempts to disrupt them, fraud and other interference. This means a program set to pay another user 10 Ether in five years time will happen without any further input from the user.

Ethereum also allows for smart contracts – digital contracts, written in code, which can be automatically verified and enforced. This allows for the creation of decentralized apps and

even decentralized companies, involving no other parties outside of the Ethereum network.

[Applications built on the network include](#) apps for smart contracts for crowdfunding and sustainable development and an alternative version of Twitter.

Who's buying and using it?

Ether, which is the currency that operates on the Ethereum network, is the second biggest cryptocurrency behind Bitcoin and the total value of all the Ether in circulation is currently \$28.1 billion compared to \$57.2 billion of Bitcoin.

[According to CNBC](#), 60% of purchases of Ether have been in Korean won. South Korea is looking at regulating Ether and Bitcoin, which is boosting interest in the cryptocurrencies and Ethereum as a platform.

[The Enterprise Ethereum Alliance \(EEA\)](#), set up in February 2017, consists of 86 companies, including JPMorgan and Microsoft, who support the development of Ethereum. It aims to deal with issues for businesses who want to use the Ethereum such as governance and accountability, and its support has lent credence to the platform.

Because Ethereum is built on a blockchain, it is also, unsurprisingly, gaining traction with blockchain start-ups. Many of these are taking advantage of initial coin offerings (ICOs), which allows Ethereum to build early investment in return for offerings of Ether equivalent to shares.

[Etherscan](#), an analytics platform for Ethereum, suggests there are nearly 5.5 million Ethereum accounts holding more than 93 million Ether. As a currency, [Ether is accepted as payment by a number of web hosting companies and independent online businesses](#), and can be used with cryptocurrency "credit cards".

Many users are hoping that the currency they have stored in the account or wallet grows in value – in the same way as Bitcoin. However, experts suggest that investing in Ethereum is really about investing in the platform and the innovative programming it can support rather than in a new cryptocurrency.



Ether is the second largest crypto cu...
World Economic Forum

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