

Risk assessment of investing in cryptocurrency markets.

The first part

All parts of the article in PDF and TXT formats:

<https://github.com/alcib/cryptocurrency/tree/master/articles>

The price and quantity indexes from the site Coinmarketcap.com were used to this article by Dec 2017 12:00 PM UTC.

The values and market capitalizations of more than 1360 cryptocurrencies are traced in the site Coinmarketcap.com. According to the information from the site, cryptocurrency market capitalizations are currently at a premium \$600,4 billion. In my opinion, about third of this amount (\$200 billion) is scam.

In this article I will help you find scam schemes in the cryptocurrencies market. Also I will help you check the cryptocurrencies software. Then we will analyse all cryptocurrencies with capitalization above \$0.5 billion. So we can understand is the cryptocurrency suitable for long time investment or it can be used just for short time speculations.

The main thing is Blockchain technology. Blockchain is a new financial transactions technology. The Blockchain is a time-tested technology. More than 7 years the Bitcoin network functions without failures. The Blockchain let us make financial transactions anonymously (without intermediaries). We don't need any financial intermediaries (banks, stock exchanges, centralized payment systems - Visa, MasterCard etc) and their computing powers. As all financial transactions are done through coins, so cryptocurrency market capitalization is growing. Cryptocurrency transactions will replace current financial schemes step by step (such as exchange trading, banking transactions, commercial transactions etc). In my opinion, in time cryptocurrencies technology will displace current financial institutions.

Nowadays there are more than 1360 cryptocurrencies. Therefore we need to know which ones will remain at the marketplace. What share of the market will have this or that cryptocurrency?

Also cryptocurrencies let us get rid of state control over any type of financial transactions. Because of that cryptocurrency market became an ideal place for making financial pyramids and other scam schemes.

The main instrument that can be used to check the cryptocurrencies is forum bitcointalk.org. We can find here announcements and news of the all cryptocurrencies. Also the community discusses merits and demerits of a particular coin or software at the forum. Bitcointalk.org is the oldest cryptocurrencies forum (it acts since 2010). Often you can find out an exclusive here.

Also here you can always get the link to the service github.com. GitHub offers plans for free repositories which are commonly used to host open-source software projects. This website provides information about the source code of the cryptocurrencies software, program development. Also here you can read the messages about any errors found and speed of their removing.

If you didn't find discussions of the cryptocurrency at the forum bitcointalk.org or you didn't find the source code of it's software at the github.com, so this cryptocurrency is just scam.

You can check the software of the chosen cryptocurrency at the github.com through these tabs:

- **Code/commits** - here you can see, which module is in developing now
- **Code/Releases** - here you can see chronology of releases
- **Code/contributors** - here you can see list of developers and planning for the software development
- **Issues, Pull requests** - here you can see the problems identified, speed of their solutions.

You shouldn't pay attention to stars repository. A lot of projects increase quantity of the stars by scam methods.

For example, we will try analyse the coin **Verge (XVG)**. Within a week the Verge grown up four times. The coin's capitalization reached around \$0.985 billion by Dec 17, 2017. Now we will look in the forum bitcointalk.org:

<https://bitcointalk.org/index.php?topic=770742.msg8696565#msg8696565>

<https://bitcointalk.org/index.php?topic=817937.0>

<https://bitcointalk.org/index.php?topic=1053864>

<https://bitcointalk.org/index.php?topic=1365894.0>

The first block of the Verge started in Sept 09, 2014. Before rebranding the coin was called Dogecoin. If you read the forum bitcointalk.org, you'll know a lot of interesting things about this currency. The current Verge's release is in repository: <https://github.com/vergecurrency/VERGE>

Founders' Reward

All cryptocurrencies are open-source software projects. So the another instrument that can be used to analyse the cryptocurrencies is the **coin's creation**.

The main question: Do the founders have any benefits over all the other users during cryptocurrencies creation? If YES, we have uneven distribution of the coins. So a small number of persons have large number of coins. There is a risk of concurrent sale of the cryptocurrencies. In this case value of the cryptocurrency will fall dramatically. So if the founders take part of the coins for themselves as a reward, I don't recommend use such cryptocurrency for long time investment.

For example, we have cryptocurrency A-coin. And the founders take part of the A-coins for themselves as a reward. Because A-coin is open-source software project, another persons can start one more cryptocurrency (B-coin) by copying source code of the A-coins. Scheme of B-coins creation would be changed (it would be more even). In this case the B-coin is a fork of the A-coin. Investments in the B-coin are more favorable, because B-coin market capitalization will become larger than A-coin.

Now we will analyse the cryptocurrencies with capitalization above \$0.5 billion, in which the Founders' Reward is more than 1% of the coins:

1) Zcash (ZEC)

<https://bitcointalk.org/index.php?topic=1626185.0>

<https://github.com/zcash/zcash>

Capitalization: \$1.399 billion

Founders' Reward: 20% of current quantity of the coins

2) Hshare (HSR)

<https://bitcointalk.org/index.php?topic=2097413.0>

<https://github.com/HcashOrg/Hshare>

Capitalization: \$0.956 billion

Founders' Reward: 10% - premining.

ICO&Pre-ICO: 50% (see below)

PoS: 25% (see below)

3) Bytecoin (BCN)

<https://bitcointalk.org/index.php?topic=512747.0>

<https://github.com/amjuarez/bytecoin>

Capitalization: \$0.770 billion

Founders' Reward: more than 50% - premining.

The cryptocurrency **Ethereum (ETH)** will be discussed below.

Another scam schemes will be analysed in the second part of the article. I'll try make it as soon as possible. :)

If this article was useful for you, or you are interested in a continuation of my research in that field, please, just do donations:

BTC: 14SZxryp7FVevqVRwHfNFdtt8CbyUwKFAw

XMR:

46v4d1QvQhE9zEt2dMDV5qFqdrZgX5YjqGrPAdta59Z86WnNwKyb4GgL1UfGRuvdTKSy
qgJUMdP4mBzgqLjvHjnNScMmT2Q

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Alcibiades2018 <https://github.com/alcib>